# ORIENTATION ON TRUST AND ORGANIZATIONAL PERFORMANCE

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#### Abstract:

Many authors have emphasized the importance of trust for achieving organizational success. The paper will give an overview of major issues in trust research, identifying foundations of building trust in organizations. The paper deals with important issues of connection between managers' trust, organizational trust and organizational performance. The research connected with this topic was done in polish enterprises from Mazovia Province, This work was supported by Ministry of Science and Higher Education in Poland. Article is connected with realization of research project entitled "Orientation on trust and organizational performance" (No. N N115 549238). The analysis shows the approach to measure managers' trust, organizational trust and organizational performance. Author checked the correlation between level of trust and organizational performance, which was positive.

Keywords: trust, trust management, organizational performance.

## 1. INTRODUCTION

Trust is a topic that has been studied a lot lately. Extremely high uncertainty has become the institutional context of postmodern societies, and therefore there is great need for trust. Trust is important in all spheres of social life. Trust has emerged as a central construct in a wide range of organizational studies including those focusing on performance (Kramer, 1999, pp. 569–598; Lewicki, Wiethoff & Tomlinson, 2005, pp. 247–270; Mayer, Davis & Schoorman, 1995, pp. 709–734; McAllister, 1995, pp. 24–59; Colquitt et al., 2007, pp. 909–927). Research has revealed that the trust of employees is linked to their working attitudes and behaviors (Aryee, Budhwar & Chen, 2002, pp. 267-285; Atuahene-Gima & Li, 2002, pp. 61-81; Dirks et al., 2002, pp. 611–628). Studies using experimental methods have also confirmed the influence of trust on individual work performance (Wong, Wong & Ngo, 2002, pp. 883-900). Trust is so important to performance because it is a critical precursor to those exchanges that are tied to so many performance outcomes. Exchange creates interdependence and with interdependence, risk - the risk that one's contribution to the exchange will not be reciprocated. Trust allows parties to make themselves vulnerable to such risk with the expectation that positive outcomes will appear (Rousseau et al., 1998, pp. 393-404). Although a variety of studies have demonstrated the association between trust and individual performance, the mechanism behind this linkage still remains unclear (Mayer et al., 2005, pp. 874-888). Author attempts to shed light on the potential mechanism and enrich understanding of trust management. Author tries to find out whether the investment in building a trustworthy organizational culture and trust between managers and subordinates pays off and influence on organizational performance. This work was supported by Ministry of Science and Higher Education in Poland. Article is connected with realization of research project entitled "Orientation on trust and organizational performance" (No. N N115 549238).

## 2. RESEARCH BACKGROUND AND LITERATURE REVIEW

Trust-studies in disciplines of psychology, social psychology, and sociology have influenced trust literature in the field of business studies. In marketing and sales management research, the focus of trust phenomenon has been in understanding and managing the actual exchange relationship. The economic approach to trust is often calculative, emphasizing its risk-decreasing nature, and enhancing the prediction or expectations of the other actor's future behavior (Seppänen, Blomqvist & Sundqvist, 2007, pp. 249–265).

There are a lot of definitions of trust, most of them treat trust as a state, belief or positive expectation. Some of the definitions with theoretical approach are presented in table 1.

Table 1: The theoretical approaches and conceptualizations of trust

Author	Theoretical approach	Conceptualization
Ganesan, (1994, p. 1-19)	Marketing channels research, Social exchange theory	"Trust is the willingness to rely on an exchange partner in whom one has confidence"
Aulakh et al. (1996, pp. 1005-1032)	Social exchange theory and the Economic approach	"Degree of confidence the individual partners have in the reliability and integrity of each other"
Chow, Holden (1997, pp. 275-298)	Psychology, literature on marketing channels	"The level of expectation or degree of certainty in the reliability and truth/honesty of a person or thing"
Doney, Cannon (1997, pp. 35-51)	Social psychology and Marketing	"Perceived credibility and benevolence of a target of trust"
Nooteboom et al.	Transaction cost	"Trust as a significant source of cooperation, along with coercion and

(1997, pp. 308-338)	approach, Marketing channels	self-interest"	
Smith, Barclay (1997, pp. 3-21)	Organizational theories and Social exchange theory	"Trust as the critical factor differentiating effective from ineffective selling-partner relationships".	
Sako, Helper (1998, pp. 387-417)	Economic, sociological and psychological theories	"An expectation held by an agent that its trading partner will behave in a mutually acceptable manner".	
Zaheer et al. (1998, pp.141-159)	Relational exchange theory Transaction cost theory	"Expectation that an actor can be relied on to fulfill obligations will behave in a predictable manner, and will act fairly when the possibility for opportunism is present".	
Plank et al. (1999, p. 61-71)	Psychology, Sales literature	"Trust is a global belief on the part of the buyer that the salesperson, product, and company will fulfill their obligations as understood by the buyer"	
Dyer, Chu (2000, pp. 259-285)	Theories of inter- organizational cooperation,	"trust as one party's confidence that the other party in the exchange relationship will not exploit its vulnerabilities"	
Coote, Forrest, Tam (2003, pp. 595-604)	Relationship and industrial marketing theories	"trust exists when one party has confidence in the honesty, reliability, and integrity of their partner"	

Source: Author's research and Seppänen, Blomqvist & Sundqvist, 2007, pp. 249–265.

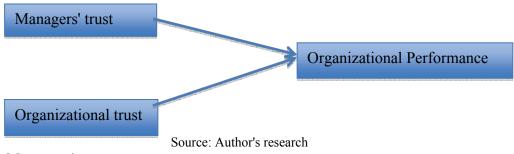
Summarizing these definitions we can find that:

- Trust is generally expressed as an optimistic expectation on behaviour of a person;
- Trust generally occurs under the condition of vulnerability to the interests of the individual;
- Trust depend upon the behaviour of other people;
- Trust is generally associated with willing, not forced, cooperation and with the benefits, resulting from that cooperation.

## 3. AN INTEGRATIVE MODEL OF TRUST MANAGEMENT

A theoretical model tying trust to performance is given in Picture 1. There are three important elements: managers' trust, organizational trust and organizational performance.

Picture 1: Model of the linkages between trust and performance



Managers' trust

Most of the work on trust in specific targets has focused on trust in a direct leader, such as supervisor, manager, or work-group leader (e.g., Aryee, Budhwar & Chen, 2002, pp. 267–285; Butler & Cantrell, 1984, pp. 19–28; Deluga, 1994, pp. 315–326; Tan & Tan, 2000, pp. 241–260).

Researchers have found trust in different referent types to be related to different sets of antecedents and outcomes. For example, Tan and Tan (2000, pp. 241–260) explored supervisor and organization as trust referents and found that the former is affected by the

perceived ability, benevolence, and integrity of the supervisor and leads to satisfaction with supervisor and innovative behavior, whereas the latter is affected by procedural and distributive justice and results in higher organizational commitment and lower turnover intentions. Davis et al. (2000, pp. 563–576), Morgan and Zeffane (2003, pp. 55–75), and Connell et al. (2003, pp. 113–118) studied the effect of an employee's trust in top manager on the employee's job performance. They found that the ideas of fairness and human-oriented reflected from a company's strategies and regulations all have an important impact upon an employees' job satisfaction and organizational commitment. In an organization, the top manager is responsible for strategy formulation and establishment of organizational institutions. Whether these decisions are fair and human-oriented becomes an important clue for employees to evaluate the top manager. Researchers have noticed that when employees have trust in the top manager, their organizational commitment and organizational identity also improve, which in turn cause employees to work harder and spend more time and energy in their jobs (Brown & Leigh, 1996, pp. 358–368; Aryee et al., 2002, pp. 267–285). Managers often have frequent and direct contact with subordinates in daily work. Supervisors' actions and behaviors, which are essential in determining the subordinates' attitudes, provide the foundation for trust (Whitener et al., 1998, pp. 513-530). Supervisory support is a strong indicator of the quality of exchange relationships between employees and supervisors (Stinglhamber & Vandenberghe, 2003, pp. 251–270). When supervisors express concern for their employees' well being, help them with career development, and value their work, they signal to their subordinates that they are interested in a close and social exchange relationship. To equalize or ensure a balance in their exchanges, employees will feel obligated to reciprocate the good deeds and goodwill of the supervisor. By discharging their obligations for services provided, they demonstrate their trustworthiness and the gradual expansion of mutual services (Blau, 1964). Trust relationships further enable people to make emotional investments, because they believe in the intrinsic virtue of such relationships and that these sentiments are reciprocated (Lewis & Weigert, 1985, pp. 967–985). Wayne, Shore, and Liden (1997, pp. 82-111) suggested that employees often generalize their experiences with their supervisors to the organization. Indeed, it has been observed that employees' trust in supervisors is associated with their trust in the organization (Wong, Ngo & Wong, 2003, pp. 481–494). As their trust in the supervisor increases, their favorable perceptions of the organization also increase (Pearce, 1993, pp. 1082–1096).

### Organizational trust

Even though trust in the leader has been found to correlate with organizational trust (Aryee et al., 2002, pp. 267–285), the antecedents of trust in the organization are different from those of trust in the leader (Tan & Tan, 2000, pp. 241–260). Findings from some studies suggest that the insecure future of the organization, inadequate working conditions, and poor treatment (Kiefer, 2005, pp. 875–897) or job insecurity (Wong et al. 2005, pp. 1391–1418) could lead to employees' distrust in the organization. Whitener et al. (1998, pp. 513–530) suggested that organizational factors such as structure, human resource policies and procedures, and organizational culture would affect employees' perceptions of trust.

Trust in organizations involves employees' willingness to be vulnerable to their organization's actions. This willingness can be rendered only when an organization clearly communicates its actions to its employees through informal and formal networks. An important source of information is the employee's immediate social environment, which largely comprises coworkers (Tan & Lim, 2009, pp. 45–66). Trust among people is the precondition of fellowship and communication. A working environment with a highly trusting

atmosphere is the foundation for harmonious employment relationship. Trust is a kind of psychological state with high directivity. Thus, an employee's trust in organizational environment and other organization members will affect his perceptions, attitudes and behaviors. In addition, since individuals tend to attribute what has happened to different reasons, trust is also characterized by idiosyncrasy. Meanwhile, studies in the fields of organizational conflicts and organizational politics showed that trust in different trustees influences an individual's behavior and attitude from different ways, for an individual tends to have different attributions of what have happened (McAllister, 1995, pp. 24–59; Dirks & Ferrin, 2002, pp. 450–467; Mayer & Gavin, 2005, pp. 874–888).

According to Zucker (1986, pp. 53–111) organizational trust can stem from the owner's personality (small firms) or from strongly centralized decision structure and organizational culture, which makes the organization regularly interact in a particular, "trusting" way. Barney and Hansen (1994, pp. 175–190) note that the organization's values and beliefs may be supported by internal reward and compensation systems, together with decision-making systems reflecting culture. This organizational trust can also be called routine trust, and it comes up especially in connection with long term, institutionalized relationships. In organization there is also general trust at the company level, and that is based on a company's good reputation or resources.

## Organizational performance

In order to achieve a better understanding of organizational performance, companies should attempt to link trust management processes with intermediate outcomes. The study adopts a specific measure of organizational performance, which is developed by Deshpande, Jarley, Webster (1993, pp. 23–37), and Drew (1997, pp. 427–441). This measure can be thought of as a variation of the balances scorecard method. The organizational performance is assessed by use of global output measures such as market share, profitability, growth rate, innovativeness, and successfulness in comparison with key competitors.

# 4. THE INFLUENCE OF TRUST ON ORGANIZATIONAL PERFORMANCE LESSONS FROM POLAND

The research was done in enterprises from Mazovia Province in Poland from November 2010 to February 2011. The questionnaire was done among 469 managers (205 – high level managers, 203 – middle level mangers, 61 – low level managers) from 287 companies. The enterprises were the best enterprises according to Journal Forbes in Mazovia Province in 2009. Moreover, all questions in the study were responded to on a 5 points Likert-type scale, with 1 for "strongly disagree" and 5 for "strongly agree".

The trust of managers was checked by asking following questions, which were estimated in the scale from 1 to 5 (Table 2).

Table 2: Manager's trust

No.	Questions
1.	In dealing with people never be too careful
2.	You should not trust other people until you do not know them well
3.	Most people will lie if it will then be able to get something
4.	Employees in your company when the opportunity arises to gain something will be dishonest
5.	In these days in your company you can only count on yourself and only trust yourself

6.	Most people in your company keeps promises
7.	I have confidence in my subordinates
8.	In your company your employees feel accountable for their tasks and do not have to be monitored
9.	In your company staff for most of the time trying to be helpful to others and do not care only about self-
	interest
10.	Usually I present a problem, collect proposals for the solutions from the workers and make decisions

Organizational culture of trust was checked by asking following questions, which were estimated in the scale from 1 to 5 (Table 3).

 Table 3: Organizational trust

No.	Questions		
1.	Employees in your company wish others the best		
2.	In your company employees can openly talk about what they do not like, or how something should be		
	changed		
3.	In your company there is an atmosphere of sincere cooperation		
4.	Employees in your company have a clear and explicit expectations about the results and objectives		
5.	People in your company are willing to share knowledge		
6.	People in your company openly admit and accept responsibility for errors that they committed		
7.	People in your company avoid the gossip and participation in an unfair criticism of others		
8.	In your company there is a fair assessment of employees		
9.	In the company motivation of employees is high because managers trust them		
10.	In your company there are good relations between employees		
11.	In your company all employees are treated fairly		
12.	Your company cares about employees' interests		
13.	Your company prefers a stand-alone risk-taking, innovation, originality		
14.	Your company is implementing new ideas and improving work conditions		
15.	In your company as a measure of success is considered the development of human resource		

Organizational performance was checked be using questions presented in table 5.

**Table 5:** Organizational performance

No.	Questions
1.	In comparison with the competitors the company is more profitable
2.	In comparison with the competitors the company has a larger market share
3.	In comparison with the competitors the company is growing faster
4.	In comparison with the competitors the company is more innovative
5.	In comparison with the competitors the company is more successful
6.	In comparison with the competitors the company has lower costs

The correlation was checked between all of these three elements, the results are presented in table 6.

**Table 6:** Correlation (p< ,05000, N=469)

	Managers trust	Organizational trust	Organizational performance
Managers trust	1,000000	0,497967	0,191344
Organizational trust	0,497967	1,000000	0,346713
Organizational performance	0,191344	0,346713	1,000000

Related matrix analysis of measurement variables exhibits (as shown in Table 6) that managers' trust and organizational trust are all positively related to organizational performance. It confirms other researches for example presented by Klimoski and Karol (1976, pp. 630–633) or Costa (Costa et al. 2001, pp. 225–244; Costa 2003, pp. 605–622). This

research shows the increase level of trust is related to better organizational performance. Some researches improved also that trust influence on increase of productivity, job satisfaction and organizational commitment, as well as decreased absenteeism and turnover (Driscoll, 1978, pp. 44–56; Gregory et al., 2007, pp. 119–127; Hopkins and Weathington, 2006, pp. 477–498; Laschinger et al., 2001, pp. 7–23; Tzafrir, 2005, pp. 1600–1622). These relationships appear to be grounded in expectations that employees have about their jobs.

In the literature we can find also negative relations between trust and performance for example a study of Langfred (2004, pp. 385–399) of self-managed teams shows that trust can be negatively related to performance. He found that in teams with a high degree of individual autonomy, high trust leads to a reduction in team monitoring, which leads to lower performance than in teams with high individual autonomy and a high level of monitoring. Wintrobe and Breton (1986, pp. 530–538) argument that there is a potential conflict between vertical trust (trust between the employer and employees) and horizontal trust (trust among employees). They argue that when employees do not trust their management, they band together for collective action.

The results remind managers that it is not enough to notice only employees' trust. The trust in one's co-workers is also of great importance to an employee's work performance. Since the building of trust in organization can enhance an organization performance, there is a need to set up effective rewards and distribution mechanisms, to avoid harmful suspicion and hostility among members of organization, and to improve the trust level - all these will lead to a great improvement in the competitiveness of an organization.

## 5. SUMMARY

The findings of this study are interesting, but they should be consider in light of its inherent limitations. First, the study focuses on the best enterprises, the result may differ in other companies. Second, the results are limited to Polish firms, the generalizability from a Polish setting to other countries may be questionable.

The study is important from both theoretical and practical perspectives. Theoretically, a framework is proposed for empirical studies to link trust management and organizational performance. This framework may be used as a stepping-stone for further empirical research on trust management. From a practical point of view, the relationships among managers' trust, organizational trust, and organizational performance may provide a clue as to how firms can adjust trust creation processes to sustain their performance. Furthermore, managers will be better able to find which elements are critical for trust management.

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