

Chapter 3

Trust in Organizations

*"There is little truth in organizations without trust."*¹

INTRODUCTION

Changes in the U.S. Work Environment

Changes in the work environment over the past two to three decades have significantly altered how we trust organizations, our bosses and our coworkers. In the past, there was such a thing as lifetime employment. Corporations and businesses assumed responsibility for career development, and employees believed that their employer would act in their best interests. Then, due to large inefficiencies, companies began developing a low dependency on employees, leading to restructurings, mergers, and downsizings. Now, companies encourage employees to be concerned about their own career development. Employees' views of work have also changed. Employment has become more transactional. Richards (1998) attributes this to a decline in trust between employer and employee. Employees know they are expendable and employers owe little allegiance to their workers. Furthermore, many employees identify themselves more with their roles than they do with their companies. This free ownership leads employees to see themselves as free agents; they stay on the lookout for the next opportunity. Richards (1998) describes how GTE launched a recruitment effort for a project in Latin America, listing positions on more than 20 Web sites. Within a 30-day period, GTE had more than 1,000 external resumé. Richards has characterized today's work force as multicultural vagabonds. Mutual trust between employer and employee is the casualty.

THE CULTURE OF TRUST

As we participate in a variety of organizations we carry with us our early personal experiences with trust and distrust. An organization is a purposive aggregation of individuals who exert concerted effort toward a common and explicit goal. The organization where we spend the majority of our time is the work organization, and that is the focus of this chapter.

Few concepts have captured the attention of scholars and practitioners as has that of organizational culture. The reason for studying culture is the presumed relationship between organizational culture and performance (O'Reilly & Chatman, 1996). For example, Kotter and Heskett (1992) hypothesized that strong culture firms would perform better over the long term. They argued that the presence of a strong culture, which they define in terms of the values and norms shared by members of the organization, should be associated with higher goal alignment among organizational members, promote an unusual level of motivation among employees, and provide needed controls without the stifling effects of a bureaucracy. Using a sample of over 200 large public firms in the United States, they surveyed managers to assess the strength of culture in their organizations. They then related culture strength during a ten-year period to the firms' economic performances over that same period. They found strong associations between firms' culture strength and performance, but only when the strong culture was also strategically appropriate and characterized by norms that permitted the culture to change. They concluded that even appropriate cultures will not promote excellent performance over long periods unless they contain norms and values that help the firms to adapt to a changing environment.

Culture may be a more important determinant of performance in certain types of organizations, e.g., health care and service, and less critical in others, e.g., manufacturing (Wilkins & Ouchi, 1983). The culture-performance link can be ambiguous, in part, because there is no agreement on the meaning of organizational culture. Some argue that it is the same as organizational climate (Reichers & Schneider, 1990). Others define culture as what an organization *is*, while still others argue that it is what an organization *has*. A few authors believe that culture is subjective and cannot be empirically described (Martin, 1992). Yet, no one would dispute that organizations, like tribes and families, have their own ways of doing things, ways that work for them and ways that don't (Handy, 1995). Whiteley (1995) has said that the culture of an organization is a homemade blueprint for seeing the world in a particular way.²

Usually, one type of culture characterizes an organization. This can be efficient for managerial control, but organizations are linked to a larger societal culture which is continually changing. As societal culture changes, organizational outcomes need to change and as an organization grows, its members need to change their attitudes and behaviors. Much of the trouble in organizations comes

from the attempt to go on doing the same things in the same way and a reluctance to change the organization when it needs to be changed (Handy, 1995).

Cultural change does not mean abandoning cherished core values that give an organization its uniqueness and reason for existence; it could, however, mean adding new values. The CEO of a large corporation told the author that his corporation had four values: ethical behavior, accountability, service to others, and, a new one, valuing its people. While the last value has always been implicit in the organization, change has caused him and his management team to make it an explicit core value with accompanying rewards to reinforce it.

Core Values

Organizational values are the beliefs shared by organizational members share that defines what is important and set out what attitudes and behaviors are appropriate in the workplace. Shared values lead to a shared culture (Whiteley, 1995). Core values are the organization's essential and enduring tenets, not to be compromised for financial gain or short-term expediency (Collins & Porras, 1994). For example, at Southwest Airlines, Hewlett-Packard and Nordstrom, the recruitment process involves multiple steps, requiring applicants to escalate their investment in the firm. At Tandem Computer and Cypress Semiconductor, there is a deliberate attempt *not* to discuss salary before hiring. Instead, candidates are asked to commit to join the firm before discussing the specifics of their salary. At Southwest, the hiring and firing process is based explicitly on whether an individual has the "right attitude." Procedures enable insiders to learn whether candidates fit the culture of the organization. For example, Southwest pilots hire other pilots (O'Reilly & Chatman, 1996).

Values determine behavior and perceptions. To the extent that behavior and perceptions can be managed, values and culture can be managed. The degree of success in managing behavior and perceptions depends on the extent to which an organization's leaders are in touch with its members' values (Bruhn, 2001c). Collins and Porras (1994) state that a visionary organization needs no external justification for its core values. Nor do values sway with pressures from outside the organization. Nonetheless, values are living things. They need continuous reaffirmation to keep them alive, especially in organizations with a high turnover in personnel, or in those undergoing restructuring or a merger (Stewart, 1996).

Covey (1990) talks about the importance of "natural principles" which pertain to human relationships and organizations, such as fairness, equity, justice, integrity, honesty, and trust. Our values or beliefs reflect the degree to which we adhere to or follow these principles. When leaders institutionalize these principles in their organizational structures and symbols, they express the kinds of attitudes and behavior they expect of members. Trust is an essential core value.

Trust, or the lack of it, is the basis of success or failure in relationships and bottom-line results in business, industry, education, and government (Covey, 1990). Schein has referred to trust as a “psychological contract.”³ Trust is an expression of faith and confidence that a person or organization will be fair, reliable, ethical, competent, and nonthreatening (Carnevale, 1995). According to Carnevale, trust performs three key functions in organizations. First, trust is an integrative mechanism. Trust is a form of conditional faith that employees and management will do what they say they will do. It provides predictability to the organization. Second, trust is social capital.⁴ It enables employees to work at their full potential, gives them greater control over their jobs, and promotes independence, participation, open communication, and learning in a context where defensiveness and fear are minimal. Third, trust is a positive mindset. It means that the organization’s leaders want to maintain an environment where everyone in the organization believes that the organization has faith in its employees and is willing to let them do their jobs. Trust frees people to be open (Zand, 1997).

Zand (1997) points out that people express trust in three ways, through information, control, and influence, what he calls the “spiral model of trust,” i.e. trust is reciprocal and incremental. Trust tends to build greater trust among more people. Effective leaders understand and employ three components of supportiveness that build trust: acceptance, tolerance for disagreement, and constructive use of people’s openness.

Organizational trust has been found, in studies, to be associated with many factors, including productivity, group performance, cooperation and conflict, leadership styles, managerial assumptions about workers, need satisfaction, organizational change and development, participation, communication, stress and burnout, and the quality of labor-management relations (Carnevale, 1995). Without trust, organizations cannot be healthy and might not survive. But organizations, like people, are dynamic, attempting to maintain a homeostatic balance. Some organizations are better than others at maintaining a high trust balance.

High Trust/Low Trust Organizations

A high-trust culture brings together idealism and pragmatism. It becomes the basis for both empowerment and quality (Covey, 1999). In a low-trust culture more control has to be used, and people cannot be empowered because that will result in loose cannons all over the place (Covey, 1999). There is an inverse relationship between the number of controls and trust in either the competence or the motives of people in the organization. Excessive controls in organizations are sometimes a residue of past traumas. If organizational members agree that controls are necessary and fair, they will be effective, otherwise, people will disregard them, subvert them, or nibble them to death (Whitney, 1996). In high-trust cultures, parties resolve their disagreements by a process of problem-solving (as opposed to power tactics) made possible by a joint assumption of shared goals

and values (Fox, 1974). Trust is developed out of the context of shared respect for differences, not out of dependency (Fairholm, 1994). High-trust organizations are those with optimally permeable group boundaries and high levels of relationship mutuality (Shaw, 1989). Uniformly high levels of trust are difficult to maintain among individuals and in organizations. It is more realistic to view organizations as maintaining optimal levels of trust where moderate levels, not extremes, are desired (Gamson, 1968). Indeed, Covey⁵ points out that “organizations are organic, not mechanical. They live and grow because they are composed of living, growing people. You can’t ‘fix’ people. You have to nurture them, like plants. You have to create the right conditions and climate for growth . . . it takes time. You can’t rush it.” Trust is a process. It is multidimensional. And it needs the constant care and feeding of all members of an organization.

It is difficult to characterize high and low trust organizations in terms of traits and behaviors because these are not static or absolute, they vary in degree or quality, and often are situationally determined. However, Tables 3.1 and 3.2 attempt such a portrayal to dramatize the extremes between high and low trust cultures.

Certainly this picture of contrasting high and low trust cultures has become somewhat muddled by recent downsizings, mergers, layoffs, salary raises for CEO’s during the recent stock market turndown, and with corporate governance being pressured by shareholders to be more responsive to their owners (Miller, 2001). After in-depth studies with individuals of different generations in the computer industry, Clancy (1996) concluded that trust in management had

Table 3.1. Some Characteristics of High Trust Organizations

<i>Leader Behaviors</i>	<i>Employee Behaviors</i>
<ul style="list-style-type: none">• consensus often reached• problem-solving atmosphere• creativity• minimum of controls• charismatic, inspiring• sensitive to employee concerns (fairness)• highly visible• provide trustworthy information (credible)• reward performance appropriately• flexibility in rules to accommodate changing needs• responsive to external community• visionary; values reinforced• mergers/acquisitions done openly with planning involving employees	<ul style="list-style-type: none">• open, participative, accept responsibility• highly productive• loyal to organization• not defensive• cooperation, work teams• high job satisfaction• problem-solving attitude in disputes and differences• involvement in decision-making• sense of pride in work



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