

The Trust Deficit: It Started Long Before the Scandals

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Trust then, can no longer be assumed to exist within the organization,
but must be earned and developed over time. (Fairholm, 1994)

It's not surprising that there has been a recent increase in the topic of organizational trust (Mayer, Davis & Schoorman, 1995; Kipnis, 1996; Dirks & Ferrin, 2001). Heavily covered scandals at companies such as Enron, Worldcom, and Tyco have magnified the level of distrust between many employees and their organizations. In fact, a recent Watson Wyatt WorkUSA survey (2002) of nearly 13,000 workers, across varying job levels and industries, revealed less than 2 out of 5 employees said they have trust or confidence in their senior leaders. There was also a five-point drop from 2000 to 2002 in both the percentage of employees (45%) who say they have confidence in the job being done by senior management, and the percentage of workers (63%) who believe their companies conduct business with honesty and integrity.

Examining trust, an essential element of organizational culture, provides insight into the discord and disharmony in many organizations (Fairholm & Fairholm, 2000). A loss of trust can be devastating not only to morale and productivity, but also predictive of organizational performance and viability (Morley, Shockley-Zalabak, & Cesaria, 1997; Fukuyama, 1995). In a compilation of the research examining the effects trust has on workplace behaviors and outcomes, Dirks & Ferrin (2001) further detailed how a high level of trust has been shown to have a positive effect on employee satisfaction,

organizational citizenship, conflict, employee performance, and revenue growth (also noted in a Towers Perrin report). Translating this to more financial terms, another study showed the three-year total return to shareholders is almost three times higher at companies with high trust levels than at those with low trust levels (Watson Wyatt, 2002).

I propose the trust deficit began long before the recent scandals. In many companies, organizational trust has been silently eroding for decades, and for reasons other than ethics, morality, or integrity. The interest in this topic has been reflected in four-fold increase of trust studies from 1974 to 1993 (Kipnis, 1996), but many business leaders have been slow to make a comprehensive response. They seem content to simply initiate measures to ensure they avoid similar catastrophes as those noted above, but these efforts fall short of reversing the trend.

The primary aim of this paper is to explore the complex construct of organizational trust, and to explain how evolving organizational dynamics have quietly contributed to a *trust deficit*. In addition, to discuss the managerial implications of this deficit, and offer suggestions for what leaders can do to address it with more commitment and pro-activity.

What is Organizational Trust?

Trust is derived from the German word *tröst*, which means comfort. It operates at many levels – interpersonal, intergroup, organizational, and societal (Cummings & Bromiley, 1996), and has been explored by personality theorists, economists, sociologists, and social psychologists. This paper is focused on *organizational trust* as

expressed in the workplace-relevant attitudes, behaviors, and relationships of individuals (employees) in an organization. This is typically represented by the broad perceptions of trustworthiness that employees have for their co-workers, and for their organization's leadership. While these trust relationships have slight differences, when aggregated, all contribute to the overall cultural climate of the organization (Shockley-Zalabak, Ellis, & Winograd, 2000).

Trust is often examined as a singular concept, but in a social or organizational context, it has a systemic influence on structures, processes, and operating effectiveness. It is a part of the norms and values of the organization, and is revealed in behaviors related to goal-setting, risk-taking, information exchange, decision-making, performance management, and cooperation (Axelrod, 1984; Gambetta, 1988; Mayer, Davis, & Schoorman, 1995; Creed & Miles, 1996). This is an important distinction, as efforts to effectively measure and/or maintain organizational trust require attention to these interrelated elements of organizational culture.

There are many definitions of trust, but here is representative sample that illustrates the diversity and similarity among them. First, Shapiro, Sheppard, & Cheraskin (1992) suggest that three forms of trust operate in a business relationship: deterrence-based (based on consistency, reliability and threat of punishment or loss); knowledge-based (having enough knowledge of someone to understand them and predict their behavior); and identification-based (complete empathy with the other party's desires and intentions).

Mayer, Davis, and Schoorman (1995) describe trust as “ the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other

party will perform a particular action important to the trustor, irrespective of the ability to monitor or control the other party” (p. 712).

Mishra’s (1996) model of trust, addressed four dimensions of both individual and organizational trust, which create a perception based on “one party’s willingness to be vulnerable to another party based on the belief that the latter party is: a) competent, b) open, c) concerned, and d) reliable” (p. 265).

Cummings and Bromiley (1996) focused specifically on trust in an organizational setting, and built from the premise that trust is defined in terms of both beliefs and behaviors (Shoda, Mischel, & Wright, 1994). In their definition, they include three behavioral dimensions of trust: keeping commitments, negotiating with honesty, and not taking excessive advantage over someone.

Creed & Miles (1996) defined trust as a function of one’s embedded predispositions to trust, characteristic similarity or familiarity, and experiences of reciprocity. This work was based heavily on Zucker’s (1986) economic descriptions of process-based, characteristic-based, and institutional-based modes of trust production.

Lastly, a cross-disciplinary definition of trust was summarized in Dirks & Ferrin (2001), where Rousseau et al. (1998, p. 395) were cited as stating trust is “a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behavior of another.” This definition, closely aligns with my own, describing trust as a *state*, not a disposition or trait. This allows the translation to an organizational context much easier.

Synthesizing these definitions, organizational trust becomes a complex multidimensional construct (Bhattacharya, Devinney, & Pillutla, 1998; Cummings &

Bromiley, 1996; Kramer, 1996; Mishra, 1996; Barber, 1983) with elements of expectation, uncertainty, action, vulnerability, intention, and interpretation. Each dimension carries a different valence (context dependent), and related potential for impacting organizational trust. While it is not the intent of this paper to provide a detailed discussion of those valences, an understanding of all the forces impacting organizational trust is critical to approaching it with a systemic view.

Evolving Organizational Dynamics

What appears to have happened in corporate America over the past 3-4 years is that trust building efforts have been directed at the affects of trust breaches, or the immoral behavior of a few senior-level executives. While these symbolic responses are necessary, I argue that more comprehensive trust building activities (or deficit reduction) were needed decades earlier.

In order to understand the rationale for this argument, it is helpful to explain how evolving workplace dynamics have contributed to changing (generally reducing) organizational trust levels, and an age of suspicion. First, putting it in a broader perspective, Creed & Miles' (1996) summary of over 200 years of changing management philosophies depicts a change from the traditional model of managerial control and supervision through most of the 1800's, to a more progressive human relations model (more employee involvement) in the first half of the 1900's. In the latter 1900's, employees began to be perceived as a resource, instead of a commodity. This eventually evolved into the current day model, where investment in building employee capability and capacity is a driving force. This evolution has paralleled the organizational

movements to industrialization, decentralization, and the networked and knowledge-based economies.

Additionally, the accelerating pace of change experienced in the past two to three decades have led to even more impacts (mostly negatively) on organizational trust. Some include (no implied order of significance):

- 1) The absence of job security, regular pay increases or pensions have altered the employment contract (Robinson, 1996; Bracey & Smith, 1992). If trust is based on the expectation of an on-going relationship (Axelrod, 1984), then it would naturally erode along with employee-employer loyalty.
- 2) The workforce is becoming more educated, more knowledgeable, less dependent, and therefore less trusting of management. The resulting shift in power, where employees are demanding more independence, awareness, and increased involvement in company activities (Pascale, Millemann, & Gioja, 2000). It was prophetic when William Whyte wrote in *The Organization Man* (1956), “workers, if properly educated and fully networked, have the ability to specialize and participate in the U.S. economy in a radically different way than in the past.” These demands require a new type of organizational trust.
- 3) In addition to the increasing numbers of women holding positions that were traditionally held by men, the workforce is also becoming more ethnically diverse. Studies have shown that trust is lower in cross-cultural relationships (Scott, 1983; Zucker, 1986; Jeanquart-Barone, 1993; Sitkin & Roth, 1993), and female subordinates are less likely to trust their supervisors if they are

female rather than male (Jeanquart-Barone, 1993). Given that familiarity and identification strengthen interpersonal trust, in work settings where diversity is high, it's not surprising trust levels are often the lowest (Kipnis, 1996).

- 4) The expansion and globalization of companies has created geographic separations that present additional challenges to organizational trust. Employees see less of their leaders, and leaders are forced to trust their broadly dispersed direct reports. The opportunities for mistrust are significantly increased in these relationships, as managers often enact hierarchical controls to handle this loss of control.
- 5) The flattening of organizational structures due to downsizing, cost reductions, or acquisitions has pushed more accountability and decision-making downward. Also, this *matrix-organization* phenomenon has generated frustration with bureaucratic decision-making processes, and layers of approval. It not only slows down progress, but also sends a message of mistrust.
- 6) Programs such quality circles, business re-engineering, and process improvement efforts have all generated increased levels of employee cynicism and mistrust. Generally touted as the latest way to improve the workplace, they are often perceived change for the sake of change, or a means of eliminating more jobs. While many were very helpful tools, they frequently came and went in fad-like fashion.

- 7) The technology revolution has also impacted organizational trust. There are numerous mechanisms available for employers to monitor employee activity, often creating a sense that “someone is watching.” While it has not been widely deployed for punitive use, its presence has generated suspicion and distrust from employees.

Since most of these dynamic forces are viewed as signs of positive growth and progress (unlike the negative forces of public scandal), leaders are often unaware of the impact they have on the trust levels within the organization. The single effect of any one change may not be significant, but taken as a whole they combine to produce a noticeable contribution to the growing *trust deficit*.

Managerial Implications - So Now What?

The pace or magnitude of organizational change and uncertainty will not likely slow down in the early part of the 21st century, so organizational leaders must develop and maintain a continual strategy for building and sustaining organizational trust. Some believe it will simply take “time to heal” from the upheavals of the past 25 years. However, if you compare organizational infidelity to marital infidelity, it takes more than an occasional opportunity to re-build trust, and if it’s not done quickly, the relationship is likely to stop functioning. It takes conscious, proactive efforts to create trust-building opportunities, and constant monitoring to ensure the intended benefits are being realized.

I propose a dual strategy for the long-term strengthening of organizational trust. The first component of the strategy is very similar to the prevailing ones (Solomon &

Flores, 2001; Fairholm & Fairholm, 2000; Shockley-Zalabak, Ellis, & Winograd, 2000; Zemke, 2000; Reina & Reina, 1999; Shaw, 1997; Creed & Miles, 1996; Mishra, 1996) suggesting organizations build trust through daily activities directed at improving communication, employee involvement, building familiarity and respect amongst diverse workgroups, developing a culture of accountability, and encouraging cooperative behaviors. Since these initiatives have received considerable coverage elsewhere, I will not go over them in greater detail. However, I will reiterate that while these initiatives may seem mundane, these are very critical to any successful trust building effort.

While the strategies mentioned above have been shown to increase trust, they can be slow and very sensitive to environmental changes. The second component of this strategy approaches the deficit from an opposite direction, attempting to reinforce those efforts. This component focuses on two elements of the trust equation - expectations and vulnerability. These rely least on the variability of individual perceptions and interpretations; hence, they have the best chance of being influenced by organizational leaders (Dirks & Ferrin, 2001).

This strategy is based on three main premises: 1) employees have traditionally been in positions of vulnerability (Kramer & Tyler, 1996; Dirks & Ferrin, 2001), 2) trust and vulnerability have an inverse relationship (Hosmer, 1995; Mayer, Davis, & Schoorman, 1995; Myerson, Weick, & Kramer, 1996; Dirks & Ferrin, 2001), and 3) trust and organizational citizenship behaviors have a parallel relationship (Robinson, 1996).

Let me explain each in more detail.

Employees are vulnerable because their livelihood is in the hands of other people (dependence), the resources to do their job are contingent upon others (reliance), and they

are exposed to negative outcomes (e.g., failure, loss of job) when others let them down (risk). Together dependence, reliance, and risk all contribute to high vulnerability (Currall, 1990).

Trust and vulnerability have been inversely linked in numerous definitions already described in this paper. Each person has a different perception and threshold for vulnerability within their organization, but eventually everyone makes an assessment of risk, which informs decisions, commitments, and workplace performance.

Lastly, in her research examining trust and psychological contracts, Sandra Robinson (1996) explained when there is a breach in an employee's perceptions or expectations of their employment contract, they will likely reduce their subsequent contributions to the firm. These contributions include, but are not limited to, the organizational citizenship behaviors described as performing prescribed roles, engaging in spontaneous behaviors (not specified by job requirements) that facilitate organizational effectiveness, and joining and remaining with the organization (Katz, 1964). I suggest, even the anticipation of such a breach could also lead to a lower trust relationship.

In summary, most employees, faced with vulnerability, are more likely not to trust their organizational leaders, and they frequently manage those feelings by withdrawing elements of organizational citizenship (Kipnis, 1996; Robinson, 1996). I propose organizational leaders have an opportunity to reduce employee vulnerability and dependency. Myerson, Weick, and Kramer (1996) suggested in research with *swift trust*, that we can reduce vulnerability by increasing alternatives or hedges against negatives outcomes, and by cultivating adaptability and the feeling of mastery.

In managerial terms, this means continuing to ensure employees feel valued and appreciated for their levels of expertise within the organization, but also translates to giving employees advanced notice of the skills they will need in the future, and providing opportunities for them to learn those new skills. These efforts are aimed at making them feel more marketable, and less dependent on this job or company as their only option. It's moving closer to an organization of desirable and employable workers, not just employees.

William Morin, CEO of Drake Beam Morin, summed this up when he said, "with sound values as a foundation, we can offer employees a more honest agreement built on nondependent trust (quoted by Sorohan 1994, p. 31)". Nondependent trust rests on this understanding: employees take the responsibility for their own careers, and companies give them the tools/training to do so.

Another important aspect of the strategy is performance management, and it's role in creating a culture of accountability. Every employee is dependent on many others (including senior leadership) to complete their work. It is critical that commitments made and kept reliability. An effective performance management system provides employees will clear expectations, including the criteria and consequences of the evaluation process. It also should include the recognition and reward of those who demonstrate accountability and consistency, as well as disciplinary actions for those who don't. Trust is built when there are no surprises!

Lastly, there will continue to be tough times in an organization's history when difficult decisions have to be made, and employees will be impacted. It is important to remember that reducing employee vulnerability should be a primary concern. That

means communicating regularly about what is happening, why it's happening, and how it is happening. But it's also about treating employees with respect and dignity, and enabling them to maintain some level of control in the situation.

Closing Thoughts

Considerable progress has been made by scholars in understanding the nature, development, and maintenance of trust in organizations. Yet, this understanding has not been fully translated to the business community in a way that encouraged the actions necessary to reduce the growing trust deficit.

It's never too late! Senior leaders should re-double their efforts to build better practices for communication and employee involvement, along with strategies for reducing employee vulnerability and dependence. These efforts should be integrated into the cultural norms of the organization, where trust is a part of every interaction between employees. We'll know trust building has achieved its proper place, when it's a continuing strategic objective for every corporate leadership team.

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