
Interrelation of Organizational Climate of Trust and Business Performance

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ABSTRACT

Productivity, innovativeness and organizational flexibility have been shown to be strongly influenced by the climate of trust, the status of the psychological contract and the individual trust profile of the leaders of an organization. These phenomena of trust in turn are highly interdependent. This paper describes an integrated model of their interactions and proposes psychometric approaches for assessing the status of the constituents of trust. On this basis, specific sources and reasons for lack of trust and for mistrust in organizations can be identified and effective ways of building trust can be pursued. This is particularly important in times of organizational transformation when change management can be complemented by steps to safeguard trust.

Keywords: Climate of trust, Psychological contract, Trust profile of leaders, Trust-based leadership, Psychometric assessment of trust

INTRODUCTION

Ever since Niklas Luhmann's first publication on trust as a mechanism for reducing social complexity in 1968 (Luhmann, 1968), a growing number of sociologists and organizational psychologists has investigated the phenomenon and the effects of trust in organizations. As it became evident that the role of trust for the economics of business organizations has so far been underestimated, research on trust also found its way into management/leadership theory and into organizational economics, relating to productivity, innovativeness and aptitude to change. However, companies wanting to apply this knowledge to actually work on their climate of trust were confronted with many only partial concepts emphasizing either the individual trust characteristics of humans or the characteristics of trust in systems and organizations. Since 2000, the Trust Management Institute (TMI) has taken stock of the various conceptual models proposed and of empirical studies on trust in organizations and showed that the individual trust characteristics of humans, the psychological contract between a company's leadership and its employees and the climate of trust of organizations are highly interdependent (see Figure 1).

To substantiate this interdependency, TMI developed, tested and zeroed in on workable trust assessment tools and gained a stock of case examples in which these tools and derived action programs helped companies to protect or build trust while going through change (Sommerlatte and Keuper, 2016, Sérieyx and Fallou, 2010).



Figure 1: Interdependency of the constituents of trust in an organization.

DEVELOPING TOOLS AND AN APPROACH FOR ASSESSING AND HELPING TO BUILD TRUST

TMI's first step when assisting companies to care about trust is to assess the status of their climate of trust. Our approach consists of looking at a number of indicators which contribute to what people feel as being the climate of trust, e.g. the characteristics of communication in the organization, the reliability of the functioning of the organization, the perspectives of the organization, the identification of the employees with the organization, the appreciation of the employees by the leaders, and the sense of community. While the characteristics of the meteorological climate are measurable with instruments, in the case of the climate of trust we have to turn to a psychometric survey of the employees or a representative sample of them. They are invited to anonymously rate a number of statements which, in the aggregate, are translated into an overall profile of the climate of trust (see Figure 2) and can be broken down by hierarchical level, functional department and location. If and where this profile reveals weak spots, the second step is to look for causes by carrying out an assessment of the status of the psychological (unwritten) contract which, once brought to light, allows an insight into how the company meets the motivations of its employees and how, in turn, the employees respond in term of their commitment and loyalty. Discrepancies between the motivational needs of the employees and the degree to which these needs are met by the company (see Figure 3) are reasons for weaknesses of the climate of trust in the company. In most of our trust projects, we find that management is unaware of these discrepancies, and therefore deviations from or breaches of the psychological contract are one-sided without anticipation of the negative effects on productivity, innovativeness and the buy-in for change. Be it because of this unawareness or because of other reasons (e.g. authoritarian leadership style), the individual trust profile of people in charge is in most cases at fault if the climate of trust is poor. The third step is therefore to assess the trust profile of the company's leaders. This is, of course, a delicate matter and has to be done, in order to be accepted, absolutely confidentially, leader by leader, and has to be kept inaccessible for anybody else. The psychometric indicators for the individual trustworthiness and ability to trust others can be grouped in 4 dimensions: self-confidence, trust in one-to-one relations, trust in team situations, and trust in decision-making, each of these dimensions being the result of several specific characteristics. Each leader is invited to establish his or her own trust profile, exclusively for his or her own purpose, by rating a series of characteristics along a detailed checklist of descriptors (see Figure 4). In agreement with him/her, colleagues

Features	Score	very poor (0)	poor (1)	average (2)	good (3)	Very good (4)
1. Communication						
Comprehensibility and credibility of the statements by the company's top management						
Adherence to undertakings entered into						
Clarity and consistency on the part of managers						
Accessibility of management regarding information, argument and opinion						
2. Future prospects						
Continued existence of the company						
Security of employment						
Security against a crisis						
3. Reliability of the ground-rules						
Clarity of rules and values						
Observance of rules and values						
Scope for initiative						
Relationship between the social partners						
4. Identification with the company						
Reputation of the company						
Sense of belonging to the company						
Extent of the shared project						
5. How the company values its employees						
Ability to determine an employee's individual contribution						
Acknowledgement of individual contribution						
Fairness of remuneration						
Opportunity for employees to shape their career						
6. Affiliation with a community						
Team-work						
Quality of the team						
Sharing in a common objective						
Value placed on joint performance						

Figure 2: Example of the assessment of the climate of trust.

		Actual adherence to contractual terms			
		Low	Medium	High	Very high
Importance of contractual terms	Very important		Security		
	Important	Flexibility	Scope for action	Affiliation	Prestige
	Somewhat important		Recognition	Commitment to a higher cause	
	Not important				

Figure 3: Example of an assessment of the status of a psychological contract.

such as a superior, a colleague at equal level and a colleague reporting to him/her can be asked to provide their assessment to be used confidentially to point out aspects where the self-assessment may have to be reconsidered. To have gained a clear picture of his/her trust profile and to be able to relate it to unsatisfactory aspects of the climate of trust and problematic deviations from what the terms of the psychological contract with the employees should be, creates in most cases the stimulus to work on one's way of communicating, behaving and relating to others in the company and possibly to external contacts as well.



Figure 4: Example of the trust profile of a leader.

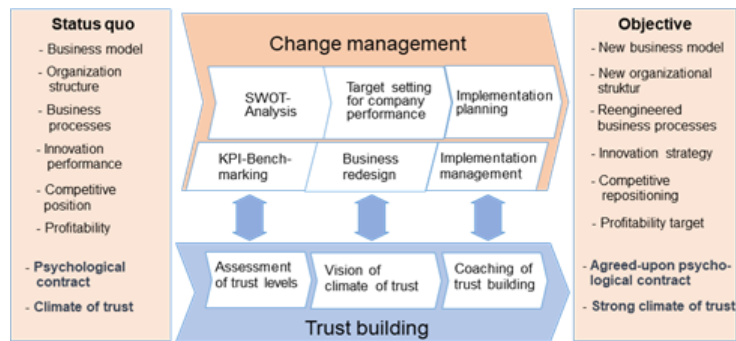


Figure 5: Combining structure and process change management with trust building.

TRUST BUILDING IN TRANSFORMATIONAL PROCESSES

The psychological contract and the climate of trust in an organization are particularly at stake when external and internal changes happen or are deliberately undertaken, especially under competitive pressure, to improve productivity, to restructure or to revise the company's strategy. The known approaches to change management can be made considerably more effective by drawing on the methods of trust-building all along the process (see Figure 5).

In fact, empirical studies have shown that rationalizing business processes does not or only after several readjustments lead to the aimed at productivity improvement if trust relations have been neglected and negatively impacted in the process (Smollan, 2013, Sorensen, Hasle, Pejtersen, 2011, Klijn, Edelenbos, Steijn, 2010). Similarly, the innovativeness of a company can diminish if the psychological contract is one-sidedly changed as a result of reorganization or restructuring (Scott-Morgan, 1994). Trust building as an inherent part of any transformation therefore permits to secure a substantial competitive advantage (Davis, Schoorman, Mayer, Tann, 2000). Our integrated model of assessing the climate of trust, the status of the psychological contract and the individual trust profile of the leaders of a company

has allowed us in a growing number of cases to bring about a more effective approach to enhancing business performance (Sommerlatte, Keuper, 2016).

CONCLUSION

Trust-based leadership is becoming a growing requirement of today's human resource management as a new generation of employees, the millennials with different values and ways of socializing, expects to understand and be involved in what it is to participate in. It is therefore high time to transfer the results of sociological and psychological trust research into practical approaches of building trust. For this, TMI has developed tools to assess the factors and the quality of trust both at the individual and at the organizational level. Applying these and creating awareness of the effects of trust on productivity, innovativeness and organizational flexibility has proven as an important step to change behavior towards trust worthiness and readiness to trust. Examples of companies that have made good progress in moving towards trust-based management are AbbVie, Inc., Porsche AG, Heraeus GmbH, B.Braun Melsungen AG, and Schott AG. Their climate of trust has clearly contributed to their stable performance (re Sommerlatte and Keuper, 2016).

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