

The Impact of Trust on Organizational Performance

This Research Briefing is a new service from BC HRMA's research group. Our aim is to make it easier and quicker for HR professionals to find and apply the latest and best people management insight to their challenges and projects. This paper contains a concise and practical summary of a recent academic finding that should shape your HR practices.

Summary

Demonstrating you trust employees creates positive business impacts, such as better sales and improved customer service, because employees who perceive they are trusted are more likely to engage in behaviours that support the organization's goals.

The study has implications for how HR practitioners develop and implement key HR policies as well as how they coach their management and leadership groups to communicate and demonstrate trust in their people.

The Study

In their study entitled "*Trust that Binds: The Impact of Collective Felt Trust on Organizational Performance*," Sabrina Deutsch-Salamon and Sandra L. Robinson proved that employees who feel trusted by their organization become more willing to accept responsibility for their organization's performance. Their research showed that collective felt trust (*see sidebar*) among the employees led to the development of high responsibility norms, and that the employees' willingness to be accountable for the performance of their organization led directly to better sales and customer service.

Previous studies in the field of trust had established a link between employee trust in management and organizational performance,

Key Terms Defined

Trust – The willingness to be vulnerable based upon positive expectations of the intentions or behaviour of the other party.

Collective Felt Trust – Employees working together at the same organization come to a shared belief about the extent to which they are trusted by management.

Responsibility Norm – Employees' shared beliefs regarding the importance of accepting responsibility for organizational outcomes.

High-Involvement Management – High-involvement organizations are employee-centred and allow employees to make important decisions about their jobs by giving them key information about organizational strategy.

while this study looked at the implications for an organization when employees feel they are trusted by management.

To examine the impact of collective felt trust on the performance of an organization, the authors studied a national retail chain with 88 independently operated locations across Canada. The data for the study was derived from two annual employee surveys and from the company's own organizational performance records. The surveys consisted of trust-related questions jointly developed by the authors and the company. Deutsch-Salamon and Robinson designed the study to examine whether collective felt trust and higher responsibility norms were the reason for improved organizational performance.

Putting Trust into Practice - 1

This is an example of how the insights from this work can be put into practice. The focus is on actions which will increase the collective felt trust of employees.

Adopting a coaching approach to management

Coaching is a managerial approach which places an emphasis on the knowledge, experience and decision-making capability of the employee. Rather than the manager making decisions and presenting actions to their employees, a coaching approach encourages joint goal setting, ensuring the employee plays a role in determining how and when the goal will be reached. It also formalizes the commitment by the employee to deliver on the outcomes and practices that are discussed.

This approach has been shown to be effective in developing trust between employees and managers. The approach focuses more actively on the employee, their experience and their ability to contribute, indicating that the manager believes they are a valuable member of the team and capable of making and delivering on the right decisions.

"Trust that Binds" is the first study to show that the relationship between higher felt trust and organizational performance is directional. In other words, higher levels of perceived trust were shown to lead to increased sales and improved customer service.

Another key finding in the research is that shared perceptions of being trusted by management varied across the study's locations, even though the organization used a uniform approach to procedures such as recruiting and training across all of the locations. The authors suggest that the subjective treatment of employees by individual managers was important in the development of different levels of collective felt trust.

Implications for HR Professionals

Human Resources professionals deliver key messages about organizational culture as a result of their role in onboarding employees, setting the parameters and policies for workplace behaviour, and providing coaching, resources and support for managers and their staff.

With clear evidence that employees who feel trusted by management demonstrate behaviours that support the business objectives of the organization, HR professionals should review their approach through a trust filter. It is important to gain insight into whether each organizational practice increases the level to which employees feel trusted or decreases this perception. What this research demonstrates is that increasing employees' perception of being trusted will lead to improved performance.

As an example, can performance reviews support the perception of trust? Can we, HR, use our role as advisors to management to help develop and support leadership practices and communication strategies that encourage collective felt trust?

Alternatively what systems or practices are in place that do not make people feel trusted and how could these be re-designed to appropriately manage the relevant risks, whilst reducing the negative impact on employee felt trust?

The study also adds interesting evidence to the ongoing debate between control-oriented management styles and high-involvement ones, which favour trusting employees. A management style that trusts employees to participate in decisions can also help foster co-operative employee behaviours that lead to positive business results. Importantly, the authors point out that even when managers do trust their employees, they may not fully communicate that trust. HR professionals can provide coaching and feedback for managers who wish to improve their ability to informally convey their trust in their direct reports.

The applications of these findings are many. The fact that they are causally linked to increased organizational performance adds further impetus to their application. Our core recommendation is that HR practices are formulated with the assumption that most employees are trustworthy and that the few exceptions can be managed. The research suggests this approach will pay dividends.

Putting Trust into Practice - 2

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Sharing organizational information

The type of information that gets shared and with who, sends a powerful message within organizations. Typically the more sensitive the information the more senior a person has to be before they gain access. Although it is important to control who sees information, a very tight approach to information also communicates a lack of trust to employees.

The more you are able to share performance and financial information with employees, the more you demonstrate that they are trusted. Both in terms of using the information appropriately and in terms of involvement in the management and direction of the organization.

In his book "Maverick", Ricardo Semler details the considerable performance improvements that his company experienced when they started to share performance and financial information with their employees.

The process must be carefully thought through and any new information should be accompanied with a relevant explanation and guidance. This study indicates that work in this area will bring tangible rewards.

This article is based on the following research paper:

Trust that Binds: The Impact of Collective Felt Trust on Organizational Performance,"

Sabrina Deutsch-Salamon and Sandra L. Robinson

Publisher: The University of British Columbia

URL: https://circle.ubc.ca/bitstream/handle/2429/15935/ubc_2004-901750.pdf?sequence=1

We'd like to hear from you!

Tell us how the insights from this study could affect change in your organization. What practices in your organization are most in need of attention when looked at through the lens of collective felt trust? Contact us at research@bchrma.org.