

# Predictors of Organizational Trust: The Dynamic Relationship Between Organizational Trust, Organizational Identification and Cultural Intelligence

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Researchers in the field of business ethics have assumed organizational trust as the connecting puzzle piece between organizational theory and philosophical ethics (Hosmer, 1995). Organizational identification has gained a lot of momentum in the attempt to explain how trust emerges and develops within organizations (Ashforth & Mael 1989). However there is scarce empirical evidence suggesting whether there is an association between organizational trust and organizational identification across multiple organizational levels. Using the framework of social identity theory, this research aims to illustrate the dynamic relationship between trust and identification within organizations and present a model of the predictors of organizational trust. Employing a quantitative research design and using a large student sample (N=222), this study issued cross-sectional surveys to measure organizational trust, organizational identification, team trust, and team identification while controlling for the effects of team size, team type, age, gender and culture. The results of the multiple regression analysis show a significant relationship between the predictors and the outcome variable, organizational trust ( $r^2=.54, p<.05$ ). The findings support a predictive model of organizational trust and of its importance to the functioning of teams and organizations. Organizational trust appears strongly related to team member's attitudes towards the organization. These results have extensive implications for human resources departments, for managing teams, fostering trust and organizational identification within organizations, thus ultimately improving organizational performance.

**Key words:** organizational trust, organizational identification, business ethics

**JEL classification:** D23.

## 1. Introduction

The modern trends of globalization and technological development are constantly changing the way organizations function. Presently, if an organization wants to stay competitive, it has to be able to adapt fast, be flexible and change under constant external demands such as high quality and diversity of products, innovation in product development and new technology. Under these demanding factors organizations are developing new forms of increasing their responsiveness and flexibility, diversifying their products and maintaining their competitive advantage (Bachmann & Zaheer 2006). Trust is one of the most important skills that should be developed within and between organizations due to the tremendously positive effects it has on team performance, organizational productivity and competitive advantage (McEvily et al. 2006). It is therefore relevant for organizations to have a solid foundation of trust at every level of the organization. This is seen as an emerging topic in the organizational trust literature (Costa & Anderson 2011) with many aspects that require an extensive expansion of understanding.

For decades now, trust has been a steadily growing topic in the area of management and organizational studies and organization behavior. Although in the beginning it was mainly studied as a mechanism of organizational control (Kramer & Cook 2004), with time scholars have shifted the attention to trust as an important organizational resource that has been shown to influence in a positive way work engagement, team commitment, cooperation and teamwork (Costa et al. 2001), leadership effectiveness (Dirks & Ferrin 2002), and organizational productivity (Aryee et al. 2002). Therefore, this growing body of research refers both to individual, team and organizational level outcomes.

Although there are many ways in which trust can be defined, this research conceptualizes trust by looking at the definitions by Mayer and colleagues (1995) and Rousseau and colleagues (1998) who focus on two dimensions: *positive expectations of trustworthiness* – generally referring to the trustor's perceptions about the intentions of the trustee - and *the willingness to accept vulnerability* – referring to suspension of uncertainty or "leap of faith" (Möllering 2006: 109), or to the decision/intention of the trustor to depend on the trustee. In this research trust is conceptualized in line with these two theories as an individual's perceptions about the trustworthiness of the organization (organizational trust) and of the team (team trust).

In underlining the specificity of team trust, scholars have defined trust as “a common belief among a group of individuals that another group or individual (a) makes good-faith efforts to behave in accordance with any commitments both explicit or implicit, (b) is honest in whatever negotiations preceded such commitments, and (c) does not take excessive advantage of another even when the opportunity is available” (Cummings & Bromiley, 1996:303).

Teams matter because they are the building blocks of organizations (Zand 1972) where the need for diverse skills, expertise and experience can be satisfied. In their extensive review on work teams, Kozlowski and Bell (2001) point out how teams have more rapid, flexible and adaptive responses, higher level of performance, innovation and efficiency than individuals. When it comes to trust perceptions within the team, McEvily and colleagues (2006) differentiate between trust in individuals and trust in collective entities. Although trust in individuals and trust in collective entities are related concepts they are also characterized by crucial and distinct differences. Their findings are very important because they imply that the effects of an initial experience between members of different work groups do not start “fresh”, but are construed through the lens of shared group identity (McEvily et al, 2006). This means that the individuals, who are working together in teams, tend to develop overall perceptions about their team, which can be very different from their individual beliefs about other members of the group. Additionally, trust perceptions can exist both when individuals trust each other and their organization and when they do not, when the members of the team are working with one another in an honest way, honoring their commitments, but also when they are taking advantage of the other individual working within that team in order to achieve a team or organizational goal. This is where the literature on organizational trust presents an important gap: so far there is low empirical evidence that can offer a relevant insight into how individuals’ perceptions of their organization can be predicted in relationship to interpersonal trust.

When it comes to explaining the way employees who work together in organizations understand their relationship and trust each other and the team, research has looked at social identity theory (Walumbwa et al. 2011). Social identity theory postulates that people tend to use social classification and identification as a way of assessing and categorizing the information in the environment and also locating themselves in this environment (Tajfel & Turner 1979). Categories are usually defined by prototypical characteristics abstracted from the members of the specific group; this could point out that inside a team we identify shared beliefs about the typical member of the team, similar in a way to a prototype of the ideal member of the team or the average team member. This information is then used by the individual to define the self in relation to the team. Also, this information helps the individual in better predicting the trust behavior of the other team members. Additionally, employees use their membership to a team to identify with the group. By stating that “trust in a collective entity has a basis in group identification” (Kramer 1996: 26) highlights trust transfer as an underlying causal mechanism that links trust in individuals and trust in collective entities.

Identification as a psychological concept has been commonly assumed to describe the process by which an individual is both assimilating an aspect or attribute of the other and is being transformed to a certain degree by the model the other provides. In management and organizational studies identification has been studied intensely as a measure of the length to which individuals feel that they are part of their company or the team, more specifically as the perception of oneness with and belongingness to the organization (Ashforth & Mael 1989). Therefore, in the framework of social identity theory, it could be hypothesized that there is a significant relationship between organizational trust and organizational identification and that certain characteristics of the team might influence this relationship. In this paper, we will examine two main hypotheses:

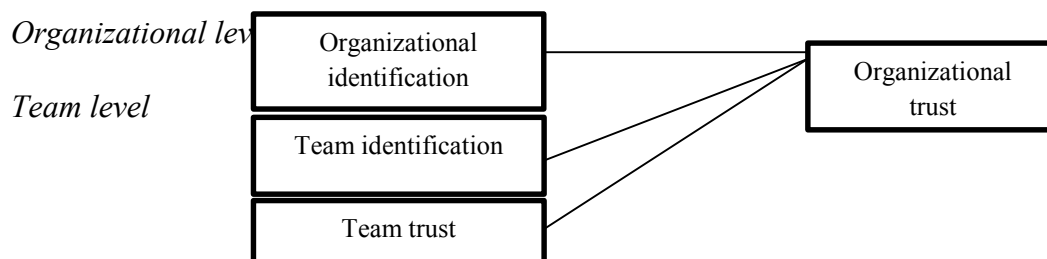
*H1: Organizational trust and organizational identification are significantly correlated.*

*H2: Team size, team identification and type of team influence the relationship between organizational trust and organizational identification.*

In addition, using the framework of social identity theory, we build a hypothetical model of the predictors of organizational trust, where we expect that organizational identification, team identification and team trust at different organizational levels are significantly associated to our outcome variable. Relations between the organizational levels are important in shaping the results of cooperation. Indeed, trust at one level can have important effects on trust at other levels; like for instance interpersonal trust can impact trust at the group level, which, in turn, might influence trust development at the organizational level. Developmentally speaking, trust may have its origins in one-on-one relationships between managers but,

over time, such trust may diffuse within an organization by fostering trust within and among groups. This leads to the third hypothesis:

*H3: Organizational identification, team identification and team trust are significant predictors of organizational trust.*



*Figure 1. Proposed theoretical model with hypotheses*

## 2. Methodology

### 2.1. Participants

The participants were undergraduate students from a private campus university in Germany; the size of the undergraduate student population is approximately 700. A sample of 222 students (N=222) of which 52.3% female, aged between 16 and 25 years old, with the majority (18.3 per cent) coming from Western Europe, participated in the online survey. This number of participants was obtained through convenience sampling.

### 2.2. Procedure

The online cross-sectional survey was advertised as a campus life and culture study on the Unipark online platform. Students took part on a voluntary basis and the study was advertised within the campus (posters and flyers were put in key places throughout the campus: cafeterias, campus coffee bar, library and lecture halls). The students were also informed about the study via emailing campaigns, Facebook groups as well as during methods courses. Participants were encouraged to participate, being incentivized with course credit and eligibility for entering a raffle to win ten Amazon Vouchers. The survey was open over a period of one month at the beginning of the winter semester (September, 2014). The average completion time of a survey was 26m 43s and the items were presented in a randomized order. Completed surveys were received from 222 respondents, with 148 fully completed surveys, for a response rate of 58.07 per cent. All participant responses were anonymous.

### 2.3. Measures

All of the variables described in this research, have been measured using well-established and secure scales that have been used in different research papers published in the management and organization studies literature. Some of the items in these scales have been adapted in order to better fit the current research context: for example, the term ‘organization’ was replaced with ‘university’ in some of the items that were looking at organizational and team trust. A seven point Likert scale was employed for all measures (the item responses ranged from 1 = strongly disagree to 7 = strongly agree). Alpha coefficients for all scales were above the .80 lower bound for reliable measures in applied management research ( $.86 \leq \alpha \leq .92$ ) (Nunnally, 1978).

Organizational trust was measured with 8 items from the scale developed by Tyler (2003). This trust scale consisted of two dimensions benevolence such as ‘At the university, I am usually given an honest explanation for decisions’ and integrity ‘My views are considered when decisions are made’, measuring perceptions of the trustworthiness of the organization. The alpha reliability of this scale was .83.

Team trust was measured using the 5-item scale developed by De Jong and Elfring (2010). This looks scale looks at perceptions of reliance ‘I can count on my team members’ and ‘My team members will

take my interests into account' and 'I trust my team members' and keeping commitments 'My team members will keep me informed' and 'My team colleagues will keep their word' as dimensions of team trust, is assessed at individual level and the alpha value was .87.

Organizational and team identification were measured using the four highest-loading items of affective commitment scale (Allen and Meyer, 1990) and like in the study by Han and Harms (2010) included the following 4 items 'I feel emotionally attached to my team/ university', 'I feel a strong sense of belonging to the team/ university' 'I feel the team's/ university's problems are my own' and 'I feel like part of the family in this team/at the university'. Cronbach's alpha for this study was .85 for organizational and .78 for team identification.

#### 2.4. Analyses

First the data from the online survey was exported from the Unipark platform to SPSS. Afterwards the data went through an initial analysis of excluding missing values due to participant drop-outs. The distribution of the scores was analyzed to see whether it fits the requirements for applying the specific statistics test (skewness, kurtosis, outliers). As a preliminary analysis, the reliability coefficient was calculated for each of the scale to assess their quality. In the next step, the data transformation-phase, a CFA (confirmatory factor analysis) for each of the four variables was performed and the scores for each variable were aggregated per individual case. As the main statistical analysis, a multiple regression analysis was performed.

### 3. Findings

In order to offer a confirmation and cross validation of the results and assume the structure of all four factor variables in our research model, we ran a confirmatory factor analysis (CFA) using the SPSS software. The main difference between confirmatory factor analysis and exploratory factor analysis is that the first assures a far better assimilation of the theory and the measurement method in a research design (Hughes, Price & Marrs 1986). Another particular advantage of the confirmatory factor analysis is that it provides an overall picture regarding the indices for the goodness-of-fit method as well as showing the values of the significance tests (Church & Burke 1994). In this study, the results of the CFA have offered a clearer picture of the significant loading that corresponds to the outcome variable – organizational trust. The scores range from .31 to .77 at a significance level of  $p < .05$ . Additionally, the CFA has proved how the research model manages to fit the data quite well as results show a normed fit index of .95. The comparative fit index of 0.96, with an adjusted goodness-of-fit score of 0.89, shows a statistically significant model of the predictors that load on the outcome variable ( $p < .001$ ).

The next step was to perform a multiple regression analysis in order to find out whether the independent variables or the predictors have significant effects on the outcome variable and what interactions there are between these variables. The multiple regression analysis of the outcome variable the predictors was performed. As reported in the table below, the regression analysis was done stepwise and we can see that the most significant predictor variable for organizational trust is organizational identification ( $r^2=.54$ ,  $p<.05$ ).

That is, to get the unique contribution to  $r^2$ , first regression analysis was that of the outcome variable (organizational trust) on all the predictor variables. Then the outcome variable was regressed four times on the other predictors in a stepwise way each time excluding one predictor. The difference between the  $r^2$  values gave us the squared semi partial correlation. As the analysis was performed in a stepwise manner, we can see the strength with which each of the independent variables is able to predict organizational trust. In that order, organizational identification is the most powerful predictor, followed by team identification and team trust.

Hierarchical step	Predictor variable	Total R square	Incremental R square
1	Organizational identification	0.54*	0.12*
2	Team identification	0.51*	0.07*
3	Team trust	0.39*	0.03*

\*p < .05.

*Table 1. Hierarchical multiple regression analysis of individuals' organizational trust*

#### 4. Discussion

This research aimed to show the association between organizational trust and organizational cooperation as well as show a number of predictors for organizational trust. It seems that perceptions of organizational identification are the most powerful predictors of organizational trust, while team trust and identification are medium, all the time controlling for the effects of the following individual level variables such as age, gender and culture.

Through the multiple regression analysis, the research hypotheses were confirmed. In the following we would like to discuss the principal findings of the study. First of all, one of the key findings is that individual perceptions about the trustworthiness of the organization (i.e. the university) were reliably and significantly predicted by organizational identification, which means that the more people identify with their organization, the more likely they are to perceive that organization as being trustworthy. This data shows that organizational identification as well as team trust and identification are associated and might, therefore, function as predictors for an individual's trust in the organization. Perceptions of organizational identification are likely to be very robust predictors of an individual's perception of the trustworthiness of the organization: the means by which an individual identifies with the organization, could be related to how trustworthy they perceive that organization to be. The results of this article seem to correspond with the research on identification processes that shows how the extent to which people identify with their organizations positively influences their perceptions of that organization (Ashforth & Mael 1989). Additionally, this indicates that trust perceptions about the organization can be influenced both by managers by increasing the individual identification with the team and the organization they are part of, but also through organizational processes - through training and coaching (Pain & Harwood 2009).

Nevertheless, the results of this study should be interpreted with precaution, by taking into consideration the next limitations. Probably the most important limitation to consider in understanding the results of this research was that it relied on self-reported measures. Seeing how the same individual source was asked to report their individual perceptions on organizational trust, team trust, organizational identification and team identification, it is quite possible that common method variance has contributed to magnifying the relationships between the predictors and the outcome variable. Despite the fact that the findings of this study are strengthened somewhat by the use of confirmatory factor analysis and multiple regression analysis, other data sources could also be instrumental in understanding the hypothesized relationships. Furthermore, in the current research project the relationships between the variables reflected individuals' perceptions of reality, and were not triangulated with independent objective measurements such as performance, turnover or qualitative measurements such as interviews, focus groups or observations. The third restriction of this study is related to the representativeness of the sample as we used a convenience sampling strategy; there are of course limitations of the extent with which the results should be generalized. In this case, the sample consisted of students at a private university in Germany. This needs to be considered when future research will build upon our results.

#### 5. Conclusion

From this study, three conclusions can be drawn. Firstly, the extent to which individuals identify with their organization is an important predictor for their perceptions of the trustworthiness of the organization. This is consistent with the social identity theory that views identification as being associated

with multiple positive work attitudes and behaviors (Friedlander 1970). Also, identification could also be regarded as a facilitator for trickle-down effects from one level to another: the more you identify with the organization, the more likely you are to identify with your team as well (Han & Harms 2010a). Secondly, trustworthiness perceptions that individuals have about their work teams can guide the formation of the overall attitude towards the organization. That is, individuals' experience of working in that team predicts how they assess the organization in which that team is embedded in. Third, individuals' affective identification with their team is strongly associated with their perception of the trustworthiness of the organization. The more individuals identify with the team they are part of, the more positive their perceptions of the organization. This is in line with research studies on the positive effects of identification (Ashforth & Mael 1989).

Moreover, this study has important practical implications for managers, human resources practitioners and other strategic departments that are developing systems of increasing performance or conducting activities where the point of focus is employee's organizational trust. First of all, this framework offers a reliable prediction tool for evaluating the abilities of organizations to make use of the human resources activities on the way to achieving both strategic and performance goals. Second, this research suggests a demand for a better understanding of organizational trust. In order to gain a better understanding about an individual's perceptions about the organization, organizational practitioners or relevant associated departments are encouraged to pay attention to the individual interactions within the team. Working teams might be the most important environment for organizational trust to be developed and fostered. Thirdly, by realizing the full potential of the notion of organizational trust, they could effectively link it with the important aspects of organizational life, such as performance evaluation systems and employee relationship management under the umbrella of corporate strategy and business ethics.

This study indicates several paths for future research to follow. Most importantly, further research should examine the predictors of organizational trust showed in our research under specific and different situations. Secondly, future research should seek to explore more appropriate assessments of an individual's combined organizational perceptions regarding trust and identification as taken together. In this study, the endogenous (dependent variable) did not reflect the development individual perceptions regarding organizational trust, but focused on measuring them at one point in time. Future research might try to capture the development of these perceptions over time and in doing this look at how the predictors vary along certain indicators along the phases of trust development. Also, since the scales used for measuring individuals' perceptions were applied in a cross-sectional manner, they may reveal just a narrow reflection of the more complex issues of organizational life. Additionally, as this study used a student sample, future research needs to investigate organizational trust in actual organizational settings but also take into consideration developing and implementing a longitudinal measurement tool. All in all, more research needs to be conducted in various samples to confirm validation of the theoretical model assessed in this study. Research in other countries could offer a more cross-cultural understanding of the phenomenon. And in different occupational settings would be valuable to investigate the significance these predictors might have as they are likely to be moderated by different contexts, more specifically culture and organizational factors.

### **Acknowledgements**

This study was supported by the Deutsche Forschungsgesellschaft – German Research Society through the Bremen Graduate School of Social Sciences, an inter-disciplinary program between Jacobs University and Bremen University, Germany.

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