Establishing and Maintaining Organizational Trust in the 21st Century

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Establishing and maintaining organizational trust in the 21st century

Matt Hunt, Tracy M. Lara and Aaron W. Hughey

Abstract: Recent corporate and academic scandals have led to decreasing levels of trust and confidence in many organizations. Whether the organization is a college or university, a government agency, a private company or a public corporation, the establishment and maintenance of trust is essential to both short-term success and long-term efficacy. This article deals with how managers and leaders can work to establish trust in their organizations via such strategies as fostering behavioural consistency, behavioural integrity, sharing of control, effective communication and demonstration of concern for employees. Also included are strategies of maintaining and enhancing trust, how the level of trust in an organization affects the individual as well as the entire enterprise, and the consequences of losing organizational trust.

Keywords: organizational trust; unethical practices; behavioural consistency; employee involvement

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Trust in the workplace is essential for enhancing organizational performance and being competitive in a global society (Lamsa and Pucetaite, 2006). This is as applicable as much to colleges and universities as to private companies or other organizations. In the past few years, however, many employees have begun to change their view of the organization in which they work and the bond between employee and organization has weakened (Perry and Mankin, 2007). In the USA, for example, more than 78% of workers are suspicious of management, and this predisposition often directly affects their job performance (Lazarus and Salem, 2005). According to Reina and Reina (1999), organizational trust among employees is at an all-time low. Without trust, the world becomes an undesirable and unpleasant place (Lazarus and Salem, 2005). Research suggests that trust is typically built very slowly and takes significant organizational time and effort to create; yet its benefits are substantial (Currall and Epstein, 2003; Miller and Harker, 2005).

The problem: unethical practices

Whether in the corporate world or the public sector, unethical practices have contributed to a growing perception that institutions cannot be trusted to fulfil their societal purpose without compromising some degree of organizational integrity (Tzafrir, 2005).
Corporate scandals in business and industry erode organizational trust, leaving behind disgruntled employees and a tattered public image. As an example, the CEO of Tyco funnelled millions of dollars from the company to purchase lavish items such as a $2,200 wastebasket, a $6,000 shower curtain and a $15,000 umbrella stand for his New York apartment (Pillmore, 2003). Such actions work against the requisites for establishing and maintaining organizational trust. In fact, after the Tyco scandals an employee said that he was embarrassed even to wear his Tyco t-shirt while mowing his lawn (Pillmore).

Society suffers from business and industry corruption, as was the case when Enron created nearly three thousand offshore companies (Special Purpose Entities), which enabled it to hike energy prices and give a false impression of its profitability (Gledhill, 2003). Enron’s fraudulent practices had multi-faceted consequences – many of the company’s employees lost their pensions, suppliers were not paid and stockholders lost money (Conroy and Emerson, 2006). In addition, WorldCom lost organizational trust when its earnings were overstated in 2002 by more than $9 billion (Gledhill, 2003). However, WorldCom was not the only guilty party: Arthur Andersen, a large accounting firm, was accused of providing deceptive auditing services for WorldCom (Zeckany et al, 2004).

Higher education is certainly not exempt from practices that erode organizational trust and public confidence (Hayden, 2008). At the University of Louisville, for example, a California superintendent of schools received a PhD after only one semester of enrolment (Wolfson, 2008). Allegedly, the former Dean of the College of Education recommended the degree two years after the superintendent had provided the institution with a $375,000 research contract (Wolfson). Anyone familiar with the nature of doctoral-level work knows that such a short study time is not feasible and the action caused widespread public questioning of the ethics of everyone involved. At Morris Brown College, the former President was accused of using false pretences to obtain millions of dollars in federal student loans and grants (Chronicle of Higher Education, 2006; June, 2003). According to the Chronicle of Higher Education, the money was used to pay for personal trips taken by the ex-President and her family and friends. Mirroring practices in the corporate world, top-level administrators within the University of California System were found to be providing millions of dollars of extra compensation to Presidents and other top executives as they left their posts, often without public disclosure (American Thinker, 2008). Furthermore, it has been widely reported that, over the last few years, many US institutions have accepted inducements from the providers of college loans in exchange for preferential treatment when dispensing financial aid packages to students (Redden, 2007). It is generally understood that accepting such inducements (which range from gifts for students and staff to hosting expensive receptions for prospective students) violate federal law in the USA (Redden).

**Establishing organizational trust**

As the above examples show, there seems to be some validity to the concern that organizational trust has been eroded in both companies and colleges and universities. While organizational trust is not innate, it can be established through appropriate managerial practices (Huff and Kelley, 2003). Organizational trust can be established if management develops a pattern of behavioural consistency, behavioural integrity, sharing of control, effective communication and demonstration of concern for employees (Cangemi et al, 2005; DeMarco, 2005; Donelson, 2005; Huff and Kelley, 2003; Lamsa and Pucetaite, 2006; Lazarus and Salem, 2005; Mathison, 2005; Whitener et al, 1998).

Lamsa and Pucetaite (2006) suggest that trust of another person or of an organization reflects the belief that the other party will act benevolently. Since one cannot force the other party to fulfil one’s expectations, trust involves a willingness to be vulnerable and risk those expectations remaining unfulfilled (Kramer, 1999; Lamsa and Pucetaite, 2006; Schoorman et al, 2007; Whitener et al, 1998). Trust also involves mutual dependence, and the performance of each party is based on that of the other (Lamsa and Pucetaite, 2006). O’Brien (2001) defines trust as confidence in the outcome of a situation. Trust is an expectation about the positive actions of other people, without the ability to influence the outcome directly (O’Brien, 2001). Gilbert and Tang (1998) propose that organizational trust is a feeling of confidence in an employer and the belief that the employer will be supportive. Organizational trust also encompasses the belief that the employer will be honest and will follow through with commitments (Gilbert and Tang, 1998).

**Behavioural consistency and integrity**

Behavioural consistency is an important dimension of organizational trust. Managers must prove to employees that they can be trusted by demonstrating consistency in their behaviour. According to O’Brien (2001), it is of the utmost importance that managers possess behavioural consistency: if they remain consistent over time and in a wide variety of situations, employees can predict their future behaviour (Whitener et al, 1998).
When leaders are inconsistent in their actions and words, the inconsistency is evident to every employee (Reina and Reina, 1999). It is much easier for the general working population to assess the consistency of management’s behaviour rather than its competence; thus it is essential to generate trust via behavioural consistency (O’Brien, 2001). In such an environment, employees become more apt to take risks in the workplace and in their relationship with management (Whitener et al, 1998). Kouzes and Posner (2003) also note that organizational trust can be established when leaders behave in a predictable manner. Managers need to prove to their employees that they can be trusted by demonstrating consistency in their actions and responses.

It is critically important for management to display a high degree of behavioural integrity in the workplace (Whitener et al, 1998). Employees develop notions about the integrity, honesty and moral character of their managers by observing their words and deeds (Whitener et al, 1998). Donelson (2005) suggests that workers frequently view management as being all talk and no action: words without action precipitate distrust. Dasgupta (2000) identifies two types of behaviour that are indispensable to behavioural integrity: telling the truth and keeping promises. A key aim for managers should be to de-emphasize the image of control and highlight the image of commitment. Attitudes and behavioural changes, starting with upper management and trickling down to lower management, will communicate the organization’s sincerity towards its employees (Donelson, 2005). Managers and leaders should work diligently to display a high degree of behavioural integrity in the workplace, because the consequences of lies and broken promises are destructive to the individual employee, the organization and the wider society.

**Sharing control**

Sharing control by allowing employees to participate in the decision making process is essential in the establishment of organizational trust (Whitener et al, 1998). When they delegate control, leaders invest trust in their workforce to complete a task (Reina and Reina, 1999). Likewise, when employees are involved in the decision making process, they have more control over decisions that affect them and trust is thus promoted (Whitener et al, 1998). Reina and Reina suggest that trust evolves when management is willing to communicate with employees to seek their views and obtain their input into the decision making process. When managers seek input from their subordinates, they demonstrate trust and competence in the workforce. Trusting employees’ ability deepens their sense of ownership and accomplishment in their work (Reina and Reina, 1999). When managers allow employees to gain control, they demonstrate dependency, trust and respect for their employees (Tzafrir, 2005; Whitener et al, 1998). A sense of being important within an organization connects an employee to the organization’s mission (Donelson, 2005). Indeed, researchers have suggested that employees value being engaged in the decision making process because it affirms their worth in the organization (Whitener et al, 1998). Participation and ‘buy-in’ occur when all employees of an organization understand the strategic plan and their respective roles as established in concert with management (Donelson, 2005).

It is therefore critically important that managers allow employees to be actively involved in the decision making process.

**Effective communication**

Communication plays an intricate role in the establishment of organizational trust. According to Mathison (2005), organizations that continuously keep their employees ‘in the dark’ are missing out on all that can be achieved with open and positive communication. When management limits the information to be shared with employees, it sends a message to the employees that they cannot be trusted – and besides employees then tend to feel that they do not even deserve to receive such information (Reina and Reina, 1999). Cox et al (2006) suggest that managers who are willing to share information demonstrate to their employees that they are worthy to receive the information and that they can be trusted. Communication within an organization must be two-way (Mathison, 2005; Whitener et al, 1998). Both management and workforce share a responsibility to communicate with personnel at all levels of the organization (Mathison, 2005). In addition, managers need to be upfront with employees about business decisions and about the status of the organization (Donelson, 2005; O’Brien, 2001). Too often, such information is not forthcoming or its circulation within the organization is restricted (Donelson, 2005; Kickul et al, 2005). As a result, employees become disgruntled, especially if they hear news about their organization on television or on the radio before they hear it from management (Donelson, 2005) – just as when they are served misinformation, trust is damaged between management and workforce. In the absence of information, employees may fill in the gaps for themselves or conclude the worst (Reina and Reina, 1999).

If open communication is absent, the information gap increases, resulting in a loss of shared vision between
management and employees (Donelson, 2005). According to Bennis and Nanus (2005), for employees to understand their roles in organizations, it is important that managers communicate the mission, direction and future objectives to all their employees. This empowers the employees and confers status on them as they see themselves as an integral part of the organizational puzzle. They will then not behave as mere robots, blindly accepting directions, but rather as purposeful and creative individuals – and the acquired sense of importance will help them to approach their tasks with vigour and enthusiasm (Bennis and Nanus, 2005). In contrast, when managers fail to communicate the company’s direction to employees, confidence and trust significantly decrease (Donelson, 2005). According to Whitener et al (1998), employees perceive managers to be trustworthy if their communication is accurate. Communication is a tangible behaviour that makes a significant difference in a reciprocal trusting relationship, and management must strive for effective communication (Kickul et al, 2005). To establish organizational trust, managers should monitor their communication practices constantly and should attempt to act on the information they acquire.

**Demonstration of concern for employees**

When managers and leaders set out to establish organizational trust, they need to demonstrate concern for their employees (see Whitener et al, 1998). When managers demonstrate an interest in the needs of each employee, and respond to those needs, organizational trust begins to evolve (Donelson, 2005). Furthermore, managers must display a genuine interest in all employees’ welfare and a sense of attachment to their employees (Whitener et al, 1998). According to Whitener et al (1998), demonstrating concern for employees involves (a) showing consideration and sensitivity for their needs and interests, (b) acting in a way that protects their interests, and (c) refraining from exploiting them for the benefit of the organization. Demarco (2005) and Loring (2005) find that, for an organization to be trusted, managers must treat all employees with care, concern and equality. When managers convey a concern with the needs of employees and treat employees as a valuable asset, organizational trust can easily be established (Cangemi et al, 2005; Donelson, 2005). Managers and leaders should attempt to demonstrate concern for their employees on a daily basis.

**Maintaining organizational trust**

After trust has been established in an organization, leaders and managers cannot relax and act as if organizational trust were a permanent fixture. Trust can be lost through one careless mistake by management (Cangemi, 2005), as much as through calculated omissions or obfuscations. Trust plays a complex role in an organization: it has been referred to as the ‘emotional glue’ that binds the leader to his or her employees (Bennis and Nanus, 2005; Guttschalk, 2005; O’Brien, 2001). Bennis and Nanus (2005) also argue that trust provides the ‘lubrication’ which makes it possible for an organization to operate smoothly.

Successful companies not only build organizational trust; they treasure, preserve and nurture it (Currall and Epstein, 2003). Trust can have a remarkable impact on the success of an organization (Kimbrough, 1997) and the well-being of its employees. Research finds that high performance is most often attributed to organizational trust (Kimbrough, 1997; Lamsa and Pucetaite, 2006). Likewise, organizational trust leads to higher levels of organizational effectiveness (Communication World, 2003). Trust in the workplace enhances performance and enables an organization to be competitive in a global context (Lamsa and Pucetaite, 2006). In an ever-changing and dynamic society, organizational trust provides competitive advantage in the market over competitors (O’Brien, 2001).

**Impact of organizational trust**

Job satisfaction, productivity and team building increase when trust is present in an organization (Communication World, 2003). Organizational trust also increases creativity and critical thinking among employees (O’Brien, 2001; Reina and Reina, 1999). Reina and Reina (1999) suggest that, when leaders create trust in an organization, employees perform beyond the expectations of management and feel that they have greater freedom to express their ideas. According to O’Brien (2001), trust is an essential component of increased productivity and quality. When employees feel good about their co-workers and their organization, they enjoy their work, usually work harder and accept more challenges (Reina and Reina, 1999). Organizational trust, in other words, enables employees to perform at an exceptional level.

Trust can release energy in employees and enlarge the scope of human and intellectual capital in an organization (O’Brien, 2001). Shockley-Zalabak et al (2000) find that organizations with higher levels of organizational trust are more successful, adaptive and innovative than firms with lower levels of trust, and that product and service quality are greatly dependent on organizational trust. According to Gilbert and Tang (1998, cited in Hubbell and Chory-Assad, 2005), organizational trust influences employees’ perceptions...
of their organization and their beliefs in its ability to achieve its goals and also to act in the best interests of its employees. The 2000 study of the International Association of Business Communicators (IABC) Research Foundation revealed that higher levels of organizational trust correlated with lower incidences of litigation and legislative action on the part of employees (Communication World, 2003). All levels of management in an organization must recognize that trust is required to achieve exceptional goals (Miller and Harker, 2005); thus managers must take every measure to nurture the trust they have established.

Leadership and organizational trust

It is important to recognize and understand both how difficult it is to establish organizational trust and how quickly it can be dismantled. Researchers suggest that organizational trust takes years to create but only a few seconds to destroy (Bennis and Nanus, 2005; Mathison, 2005; O’Brien, 2001). According to Barber (1983), Janoff-Bulman (1992) and Meyerson et al (1996) (all cited in Kramer, 1999), trust is much easier to destroy than to create. Trust-destroying events carry greater weight than trust-building events of comparable magnitude (Kramer, 1999). Federman (cited in Lazarus and Salem, 2005) suggests that lack of trust is one of the most potent cancers in corporate organizations.

Management must establish trust to develop team work, and to achieve individual and organizational goals (Lazarus and Salem, 2005).

Boutros and Joseph (2007) argue that organizational trust can be fostered if managers adopt the following strategies: share important information, especially about themselves; admit weaknesses and mistakes; ask employees for help; accept questions and input about areas of responsibility; give others the benefit of the doubt before reaching a negative conclusion; be willing to be influenced; take risks in offering help and feedback; avoid abusing others’ vulnerabilities; focus attention and energy on what is to be the collective benefit; offer and accept apologies without hesitation; act fairly and consistently; and fulfill promises to employees. Cangemi (2005) stresses that, to maintain organizational trust, managers and leaders must avoid: deliberate lies; irresponsible acts; an ugly marital divorce; immoral behaviour; foolish anti-social actions; unethical behaviour; ruthless or brutal behaviour; the physical abuse of others to solve problems; incarceration; and government accusations of illegal acts.

Managers must guard and protect the trust they have established in an organization, and understand that it can be rescinded when those who granted it decide that they can do so no longer because of a wrong action or word on the part of management (Cangemi, 2005).

Losing organizational trust

The loss of organizational trust has many consequences (Currall and Epstein, 2003). According to Kowalski and Cangemi (1993), when an organization loses trust the results are catastrophic: stellar employees leave for other organizations, employees lose interest in their jobs and in the organization, employees retire, employees become complacent and cut corners, employees participate in defiant behaviour, and there is an increase of absenteeism and tardiness. According to Slovic (1993, cited in Kramer, 1999), trust-destroying actions by management tend to spread rapidly and to have more credibility than sources of good news. Not only will one trust-destroying event affect the morale in an organization, but the general public will also quickly develop a negative image of it. O’Brien (2001) notes that negative actions are much more visible, more talked about and more easily sustained than positive events yielding significant contributions, which appear less important and less talked about. Berger and Johnson (2005) stress that organizational trust is not permanent, and that can exist only in an environment that fosters mutual cooperation towards trust.

Organizations need to recognize that if trust is lost it is almost impossible to regain it (Currall and Epstein, 2003). To create and sustain it, managers must conduct themselves behind closed doors just as they would if they were being observed.

Conclusion

The success or failure of any organization is directly related to the level of trust present within it (Huff and Kelley, 2003). In recent years many organizations have experienced decreases in job satisfaction and employee performance and related increases in employee attrition that can be traced back directly to the level of trust (Perry and Mankin, 2007). Left unchecked, manifestations of mistrust can ultimately cause an organization to fail (Perry and Mankin, 2007). To establish and maintain organizational trust, managers and leaders must re-earn trust every day through their words and actions (Petrovs, 2005).

Trust cannot be mandated or purchased; it must be earned (Bennis and Nanus, 2005). Creating and maintaining trust is extremely complex and requires constant monitoring, but its benefits proliferate throughout the organization. It is therefore simply good business sense to maintain organizational trust (Mathison, 2005). It is also, as has been pointed out, a

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competitive asset. Consumers and students both want to have confidence in the organizations with which they interact and do business. In the final analysis, organizational trust must be maintained because the degree of trust will ultimately determine the success or failure of the company, corporation or educational institution (Willis, 2005).

References

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