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Anne-Claire Chêne

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EGOS Track 50 – Short paper

The dynamics of organizational trust – A case study

Anne-Claire Chêne, PhD student under the direction of Sylvie Chevrier
UPEM (Université Paris-Est Marne-La Vallée) - IAE Gustave Eiffel – IRG (Institut de Recherche en Gestion)
ac.chene@gmail.com / +33 6 75 22 17 11

I have been conducting a case study for two years in a company operating on the basis of "trust, autonomy and responsibility". My aim with this study is to understand how organizational practices can increase or decrease the level of trust of the employees towards the organization, over time and through the different levels of the organization. I will first present why this topic, then how I have been conducting the research, before I move on to some results appearing and will end with elements of discussion. This work is done in the context of a PhD that should be defended within December 2019 so the results will be finalised before the Colloquium.

Trust as a complex dynamic phenomenon

In studies on organizational trust, trust of the individual in their organization usually equals trust in the superior or in management (eg. Campoy & Neveu, 2006), considering that if the management is trustworthy, the organization is too. However, some authors say trust in the organization is distinct from trust in the management (Tan & Tan, 2000) and invite to develop research on this (Nienaber, Romeike, Searle, & Schewe, 2015). Gillespie & Dietz (2009) consider that trust in the organization exists in itself although the organization does not display trustworthiness directly but through its members at all levels, the organizational components and the cycles of interactions between all these elements. This approach allows to differentiate trust in the organization from trust in people (individual or groups) without separating them completely. Furthermore, trust involves more factors than the trustee's characteristics. (eg. situational, organizational and other contextual factors), and a *leap of faith* to go from the interpretation of the cues to the suspension of the unknown (Möllering, 2001), the acceptance of the uncertainty and of the risk to be deceived, that is necessary to come to actually trust. Then, there is a second part in the process that starts with the (perceived) performance and ends with the renewal or modification of trust granted. It has been considered for a long time that met expectations led to increased or renewed

trust and the unmet expectations led to withdrawal (Mayer, Davis, & Schoorman, 1995), as a simple retroaction. However there is more processing her, through the meaning ascribed (Karsenty, 2013; Tomlinson & Mayer, 2009). Finally, these two mental processing stages (the leap of faith and giving meaning) are not once and for all but are part of continuous process, leading to rather look at trusting rather than trust itself (Möllering, 2013). The aim of this research is to better understand the process of trusting the organization in its depth, complexity and dynamics.

A case study to capture perceptions and practices in depth and duration

I was hired in January 2017 by a French company that had changed its whole organization at the end of year 2014 to favour "trust, autonomy and responsibility", in search for more self-initiative, cross-functionality and creativity. The hope was that it would benefit at the same time the clients with more innovative services, employees with opportunities to grow and learn, and the organization with a better performance. After two years (end of 2016), they realised the first goal was achieved, however the second one was not and the third one was not even addressed at that stage (it would become an issue a year later). My arrival in January 2017 coincided with the launch of initiatives aiming at improving the employee experience. I was hired with the sole goal of writing my thesis, hence mirroring the transformation process, taking no operational role. I have been conducting a single case study on this organization for two years, with an interpretative approach based mainly on ethnographic observation (about 150 days), interviews (a hundred, with employees of all profiles) and internal documents. The observation covered formal settings (annual convention, integration sessions, annual career and promotion committee, executive board meetings, business meetings, work meetings), *adhoc* meetings and conversations (especially in the open space) and informal settings (*e.g.* company-organized afterwork drinks, anniversary of the company, lunch). I used a grid divided in six topics (strategy, structure, HR & organizational processes, management and leadership, climate & daily life, and external relations, although this last aspect was dropped early) to cover the different dimensions of an organization. The first set of interviews did not mention our research topic (we revealed it after six months) but asked the respondent about their experience of the organization in general, so that I could see if trust was an issue or not. The second and third rounds of interviews (with six-month intervals) focused more specifically on trust and/or on specific practices but were open to generate narratives on incidents that increased or eroded their trust and

how they dealt with them. Going back and forth between the material and the theory led me to move away from my initial intention of finding out how to create/run an organization based on trust and to realise that it is a process full of ambivalences, subtleties and paradoxes worth mirroring and exploring. I will now present some features of the studied organization before moving on to some of these ambivalences.

A company operating on the basis of trust

The company is an organization and IT consulting and services company that was created in 2002. In 2017, it had 230 employees and generated a 23 million turnover. The underlying assumptions of the founder, major owner and current CEO, that transpire trough the organization, are that 1/ people are well-intended, competent and responsible 2/ if it happens they are not, the ecosystem will autoregulate at some point 3/ letting people take initiatives and interact unleashes creativity, that unleashes gems 4/ the initiatives that don't take off fade away by themselves. Over the years, with its growth and upon the advice of investors, the company had adopted a structure and processes that were very classical and away from the intention of the owner, the organization had lost its creativity and clients and employees were unsatisfied. In 2014, upon the initiative of the founder and after consultation throughout the organization, a major "transformation" was decided. In 2015, Business Units and the associated PnL were removed, as well as the formal hierarchy and management positions, the business plans, and even the individual bonuses, leaving no structural competition. In addition, people were increasingly hired on the basis of their personality on top of their competence, often by recommendation, so that a high level of benevolence and support settled, which was reported to us in the interviews and which we could observe and experience directly. With the transformation, all employees have the possibility to launch initiatives, be they internal projects, events or new offers without formal consent, or to join the initiatives they want without permission but the support of the person leading the project. The consultants (including the junior ones) also have their say in the choice of their assignment, which is not the norm in the consulting world. This shows a cultural climate of *a priori* trust in people and in the ecosystem and a strategy of *laisser-faire*, with little search for control. When it comes to the perception of the employees, the general trend is an initial high level of trust that is then not linear. I will now share some elements that appear about the dynamics of trust.

Different ways to leap into trust – the impact of psychological contracts

A single practice can increase trust in some people and decrease it in others. Let's take the example of this year's evaluation process and how it is perceived by three types of people who appeared in our research, whom we will call Winston, Julia and Mary. Once a year, each person evaluates every colleague with whom they worked and about whom they deem they have something to say, regardless of their position and seniority. The evaluations are collected through an online platform, via two questions: *What is the appreciation of the work done by your colleague (context, expectations, outcome…)? What is, according to you, the added value of this co-worker?* The answers are compiled by one or two referents assigned to the employee, then discussed with the employee, before the synthesis is used by a committee to decide the potential wage increase and promotion. What is the impact of this process on trust? Winston is the kind of person who waits and see if he has enough proofs and warrants to trust. The level of risk he can tolerate is rather low so he needs clear rules and safeguards that limit the risks before he can take the leap, that shall not be too big. A process with open questions and a synthesis done by one person seems arbitrary and suspicious to him because the criteria are unclear and it can be too subjective. Winston needs safeguards to trust, so the implementation of such a loose, case-by-case process erodes his trust. When it comes to Julia, she accepts to not know everything and is ready to take a wider leap. She accepts the vagueness of the evaluation process if she understands why and how the process was designed as such. She then renews or withdraws her trust depending on whether she was right to bet on trust, i.e., if she has the impression in the end that her contributions and investment (and those of others around her) are seen and rewarded (be it in money, promotion, positive feedback, public recognition or else, depending on her own drivers). She expects reciprocity to trust, so she trusts if she perceives fairness and support. As for Christine, she trusts the organization *a priori* because she believes they share values and contribute to a common goal. As long as this belief is not challenged, she does not care there are some hazards. She thinks long-term and relation. An evaluation process that can be adapted on a case by case basis is a force for her as it allows to take each person and type of contribution into account. It works as long as the referents share the same values as her and the organization and likes that the process triggers discussion on elements that did not get the chance to be spoken out before. Such a process tends to increase her trust in the organization because it

reinforces the identification. Thus, we see through this example that faced with the same practice, some people will make the leap of trust and other will not, depending on their psychological contract with the organization, i.e. security for Winston, reciprocity for Julia, identification for Mary. Hence, a practice designed for one type of psychological contract will increase trust of some people in the organization but reduce that of others.

Different ways to give meaning to the situations – the impact of sensemaking

Behind this example, we identify another element: the meaning given to the practice. This element appears especially important in the case when the expectations are not met. When an email was sent to announce that this year, people would be entitled to the collective bonus only if they reached a certain production rate, Winston, Julia and Mary all focused on this event as inconsistent with what they expect from the organization. Winston blamed the organization for being one-sided and for taking absurd decisions and confirmed his beliefs that organizations are not to be trusted. Julia asked for more information on why it was created and how it was going to be implemented, to check on her assumptions. She was reassured when the process appeared fair and decided she could trust the process. Mary wondered if the organization was moving away from the values she thought they shared. She acknowledged the emotions triggered and engaged into dialogue, open to listen and understand. She could grasp the underlying rationale even if she deemed the form awkward, and she discussed concrete situations as they appeared. Finally it increased her trust in the organization as it showed that the organization is open to feedback and improvements, that the actions are supporting the shared values and as the discussion allowed to refine the process gradually. Thus we see that the way to make sense of a (deceiving) action impacts the trust more than the event itself. The individual propensity to engage into dialogue plays a part, but the organizational practices impact the process of sensemaking too by encouraging some frames rather than others and creating the spaces and attitudes to dialogue and challenge the meaning collectively or not.

Opening new perspectives on trusting the organization

This case study contributes to the current stream of research on trust by allowing to better understand the dynamics of trust of individuals towards their organization, beyond its management. Second, it shows empirically that trust is not static but that it is challenged constantly through each practice of the organization, in line with the research of Gillespie & Dietz (2009) and considers the processing part of the process of trusting (Möllering, 2013).

Third, it shows empirically that trusting is linked with the psychological contract the individual holds with the organization and that practices are perceived differently depending on this. This contributes to explaining why people take the leap of faith or not (Möllering, 2001). The typology identified through the three personae and main needs mirrors that of Lewicki & Bunker (1996) based on calculus, knowledge and identification, although Lewicki himself discarded the knowledge-based-trust later on (Gillespie, 2017). This research enriches their work in several ways: a/ It applies to the level of trust of and individual in the organization, not in another individual. b/ Knowledge-based trust disappears (knowledge is used in all categories, although in different ways), however another category appeared with reciprocity, where the relationship is based on giving and counter-giving and social exchange. c/ It supports the idea that what they saw as stages of the development of trust are rather different quality of trust, with different logics through different psychological contracts. In our case we see the development of trust within each category but not from the one to the other. d/ Trust can be enhanced or violated within each category, but our research shows that it can also be eroded when the practices of the organization correspond to a psychological contract that is not the one the employee has endorsed (at least at that time, as it may change). This sheds light on the raising importance granted to fairness for example (Lind in Searle *et al*. 2018) while fairness in our findings is major only for one type of psychological contract. More generally it raises the question of how organizational practices, especially HRM practices (Searle in Searle *et al.* 2018), can develop trust when all employees do not adhere to the same psychological contract.

Lastly, our research shows empirically that the trust process is affected not so much by the fact that the expectations are met or not but by the way people make sense of the events. Karsenty (2013) and Tomlinson & Mayer (2009) stated it theoretically for interpersonal trust, this study shows that it applies to trust in the organization. It then raises the question of how the organizational practices impact the process as it is not

only a mental process but also a social one (Möllering, 2013), and how the organizational practices can encourage the learning of trusting (idem) and the development of a more resilient trust (Ring, 1996): we saw that depending on how people make sense, for example if they search for information by themselves, with third-parties or in dialogue with others, trust is more lasting and resilient or more short term and fragile, as Ring (1996) suggested theoretically.

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