

EXPANDING THE ROLE OF TRUST IN THE MANAGEMENT OF
ORGANIZATIONAL CHANGE

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Abstract

Trust has a great potential for furthering our understanding of organizational change and learning. This potential however remains largely untapped. It is argued that two reasons as for why this potential remains unrealized are: (i) A narrow conceptualization of change as implementation and (ii) an emphasis on direct and aggregated effects of individual trust to the exclusion of other effects. It is further suggested that our understanding of the effects of trust on organizational change, should benefit from including effects of trust on the formulation stage. It should also benefit from exploring the structuring effects of trust in organizations. Throughout this chapter, ways to extend current research on trust in organizations are suggested. The chapter also provides examples of relevant contributions where available. In order to capture organizational effects of trust, it is suggested that trust should be studied over longer time intervals, and include several referents of trust, spanning both horizontal and vertical relationships in the organization.

Introduction

Organizational change is prevalent within the private as well as the public sectors. Private companies are under increasing scrutiny from revitalized owner groups setting ever more ambitious targets for earnings and return on assets. Private companies that previously faced a relatively comfortable and predictable local market place are challenged to take on international competition. Services that used to be local due to technological constraints, have become global commodities with billing and accounting services outsourced to Indian companies, serving as one example (Economist, 2003).

Our main concern in this chapter is on how interpersonal trust, within organizations, influence organizational change and learning. Trust is critical to organizations in enabling coordination of activities, risk taking and mobilization of resources into productive activities (Kramer, 1999; Lewicki & Bunker, 1996). Trust becomes even more critical for organizations undergoing change as organizations face uncertainty and an increased need for coordination and communication associated with the transfer and learning of new skills (Brockner et al., 1997; Mishra, 1996). This chapter sets out with the premise that the concept of trust has great potential in furthering our understanding as of why some organizations manage transitions and change while other flounders. We argue however that this potential is largely untapped and that existing conceptualizations have failed to link the construct of trust to major organizational outcomes. Thus, while we know that trust increases job satisfaction, we do not

know whether trust improves an organizations ability to change and adapt (Dirks & Ferrin, 2001; McEvily, Perrone & Zaheer, 2003). In the chapter we attempt to show how trust research can be extended to include outcomes of organizational change and learning.

To do so, we have organized the chapter as follows:

- We start with defining trust and showing why trust is important for organizational change and learning.
- We then proceed to show how the effects of trust on change and learning have been treated in the trust literature, arguing that the majority of these focuses on direct effects of trust between leaders and employees within a context of change implementation.

In the remainder of the chapter we then proceed by suggesting how research can be extended to include important but largely ignored effects of trust on organizational outcomes.

- We argue that research on trust should extend its focus from implementation to include strategy formulation and relations between formulation and implementation.
- While the former refers to direct effects of trust, important effects of trust on change stem from the structuring effects of trust on social relationships within an organization. Such effects however may first become apparent after an extended time period or in relation to future change initiatives.
- This means including other referents to trust beside leaders or supervisors as well as simultaneously operating with multiple categories of referents and the dynamics between trust in various categories of referents.
- It also means studying trust over longer time intervals to include relevant antecedents and outcomes of trust.
- We conclude with suggestions for designing research on trust and organizational change.

The construct of trust

We will define trust as “... a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behaviour of another (Rosseau, Sitkin & Camerer, 1998; pp. 395). There exist a reasonable degree of consensus regarding the type of situations to which trust applies. Theories of trust first assume a degree of interdependence between a trustor, the one who bestows trust upon someone, and a trustee, the recipient of trust, with the trustor depending on the trustee to achieve valued outcomes (Mayer, Davis & Schoorman, 1995).

Second, trust is seen as providing the means for coping with uncertainty in exchange relationships. Examples of such exchanges include the employee who offer contributions beyond the scope of his job, to a project that is important to the manager while hoping to be rewarded for the contributions (Mayer et al. 1995). Uncertainty creates risk and such risk is aggravated by delayed reciprocity - by a trustor having to pre-commit resources without knowing in advance whether a trustee will reciprocate or not (Lane, 1998; Luhmann, 1969). The risk in such relationships arises from the parties being aware of each other and the other parties trust and thus the risk of this party acting opportunistically on this knowledge. A third assumption is the emphasis on choice both on behalf of the trustor as of the trustee. Trust implies a trustor making a deliberate choice as of whether to trust someone. By trusting a trustor deliberately chooses to accept vulnerability in relationship to someone who may or may not behave trustworthy in return. This differentiates trust from faith in which someone simply resign to passively hope for the best. Trust also implies an expectation that the other share some of the same values or abide by the same rules (Lahnoo, 2000).

The definition above portrays trust as an intention to engage in risk behaviour by accepting the vulnerability inherent in the relationship. The construct of trust defined as an intention is related to but distinct from trusting behaviour in which someone engage in risk behaviour and accept vulnerability. Hence, people may trust a particular vendor, yet still not come about to actually buying a product from that vendor (trusting behaviour) (Mayer, Davis & Schoorman, 1995). As an attitude and a state, trust is subject to fluctuation, people come to trust new people on the basis of new experience or they lose trust in someone when that person fail to fulfil his or her obligations. Our definition highlights the perspective of a trustor who may or may not trust a trustee to do or abstain from doing something. This perspective on trust,

however, differ however from a sociological notion of trust in which trust is “..conceived as a property of *collective* units (ongoing dyads, groups and collectivities) not of isolated individuals” (Lewis & Weigert, 1985). As such trust is often seen as an important component in social capital that can be defined as “...the sum of actual and potential resources embedded within, available through and derived from the network of relationships possessed by an individual or social unit.” (Nahapiet & Ghosal, 1998). Trust as a feature of social networks, increases the value of that network to the recipient of trust (individual or entire network), by increasing the willingness of people within the network to devote resources to the recipient.

The role of trust in organizational change

Trust constitutes an important organizing principle in organizations. According to McEvily et al. (2003) trust organizes by means of structuring social interaction within the organization and by mobilizing resources (McEvily, Perrone & Zaheer, 2003). McEvily et al. show how trust conceptualized as a psychological state, comprising expectations and the intention to accept vulnerability, becomes reified into social structure. These structures in turn tend to support or in some cases destroy trust.

While trust is important in all organizations, it takes on added importance in changing organizations. Trust becomes important in organizations undergoing change because change tends to add complexity and uncertainty to the organization. People need a minimum of trust in their leaders and co-workers in order to provide and receive vital information and in order to comfortably absorb the uncertainty created by organizational change. Organizational change frequently implies improvising because eventualities arise that could not be predicted in advance. Trust as an organizing principle is uniquely suited to absorb uncertainty and complexity during organizational change. Trust does so by reducing the need for information processing by limiting the number of expected outcomes. By expecting the best from someone, we do not have to consider developing contingency plans or safeguarding. Trust thus reduces contracting costs (Bradach & Eccles, 1989).

Trust is more likely to be important in what Dirks & Ferrin (2001) refer to as weak situations; weak situations are characterized by having “...highly ambiguous behavioural cues that provide few constraints on behaviour, and do not induce uniform expectations” (Gill, Boies, Finegan & McNally, 2005; Mischel, 1977). Weak situations are contrasted with strong situations which are characterized by having “...salient behavioural cues that lead everyone to

interpret the circumstances similarly, and induce uniform expectations regarding the appropriate response “ (Gill et al. 2005; Mischel, 1977). Given few external behavioural cues in the form of norms or regulations, behaviour is more likely to be guided by personal beliefs and attitudes toward the behaviour or object. Organizational change will frequently have some of the traits characteristic of weak situations, in that organizational members are confronted with novel situations with unclear or competing expectations. Organizational members may have doubts concerning how much time and effort to invest in a given project, when this project is competing with other work tasks and the final decision may be based on a personal judgement of the trustworthiness of some of the people involved in the project.

Trust has been shown to predict organizational citizenship behaviour - with organizational members interpreting their ascribed roles in a loose and expansive way (Robinson, 1996; McAllister, 1995). Organizational change frequently implies that organizational members take on new and unfamiliar roles or extending their existing roles (doing work in project groups and committees on top of their more familiar work). Thus, trust or the expectation that the extra work will be appreciated or repaid in some way, is likely to influence peoples willingness to actively engage in the change process. As organizational change processes depend on these discretionary choices to a larger extent than does the more routinized core tasks, we expect trust to be particularly important during periods of organizational change.

Whereas trust is important in order to deal with increased complexity and uncertainty, developing or maintaining trust within changing organizations is also difficult. Major organizational changes expose people to risk, and bring attention to interest conflicts - some may stand to gain from organizational change whereas others lose. Thus, organizational change may easily instill organizational members with distrust or cynicism as opposed to trust.

Organizational change and in particular reorganizations have been shown to produce distrust as opposed to trust. Morgan & Zeffane (2003) surveying 2000 Australian work places and over 19000 employees found a significant negative effect of change on trust. In what follows we present how we think trust should be studied to reflect what we think are important effects of trust on organizational change and adaptation.

As mentioned in the introduction to this paper, we contend that we know less than we should know about how trust influences organizational change and learning. Table 1 below first

shows how we see the existing literature on trust as relating to organizational change and then the “aspired state”, the direction in which we think future research should be moving.

We draw on two distinctions in the strategy and change literature. One, being the distinction between a formulation and implementation phase in the development of strategies and the other between episodic and continuous change (Andrews, 1971). The last distinction designates two different ways of conceptualizing change (Weick & Quinn, 1999).

Table 1: Suggested extensions for further research

	<i>Present state</i>	<i>Aspired state</i>
Dependent variables	Individual level constructs -Attitudes -Behaviour -Satisfaction -Individual performance	Organizational adaptation -Structural change -Organizational performance -Organizational learning
Referents of trust	Single referents of trust -Leaders -Co-workers	Multiple referents
Time frame	Episodic change	Continuous change
Part of strategy process studied	Implementation	Formulation and implementation
Causal mechanisms	Direct effects (through aggregation of individual effects)	Direct as well as structuring effects of trust
Research designs	Cross sectional surveys	Longitudinal designs

	Case-studies with multiple measurements including measures of trust, structural changes, changes in routines, SOP, strategy.
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Trust and organizational change - current status.

Most studies of the effects of trust in organizations have either looked at trust in organizations en large, or at trust within the context of a single, clearly defined change episode (Weick & Quinn, 1999). Of those who have looked at trust in relation to organizational change most tend to see organizational change as teleological processes in which change is driven by a generative mechanism of purposeful enactment and social construction (Weick & Quinn, 1999; Van de Ven & Poole, 1995). Someone is purposely initiating and leading change. The change agents are usually leaders or supervisors who use their authority to convince the rest of the organization of the need for change. Thus, the majority of these look at the effect of trust in supervisors, leaders or the organization on individual level variables that are presumed relevant to organizational change. Usually, when these studies are carried out, strategic decisions are already made and the formulation phase is assumed over. The most common model(s) depicts a causal chain going from antecedents in the form of leadership behaviour, or process characteristics, through beliefs regarding a set of trust relevant properties such as competence, benevolence and ability, to trust and finally a set of trust related outcomes or consequences (Dirks & Ferrin, 2002).

Leadership behaviour and practices are assumed to operate through two conceptually distinct although not necessarily mutually exclusive mechanisms (Dirks & Ferrin, 2002): (i) Experiences with the leader may influence employees’ inferences regarding the character of the leader. Confidence in the character of the leader then influences a series of attitudinal and behavioural outcomes such as job satisfaction, organizational commitment, goal commitment, voluntary deference and belief in information. (ii) Experience with the leader may influence employees inferences regarding the nature and quality of their relationship with the leader and the organization. People seek to reciprocate the care and concern they perceive to have

received in the relationship and this need for reciprocation then influence the same set of outcome variables.

Most of the contributions portray the effect as a direct one, that is trust is believed to lead to attitudes and behaviours directly. A few studies show trust as a moderating variable, moderating the link between motivation and behaviour (Dirks & Ferrin, 2001). The most common referent of trust is supervisor, leader or organization. Other common referents mentioned in the literature are trust within groups (Friedlander, 1970; Dirks, 1999), or negotiation partners (De Dreu et al. 1998) and the effect of trust on some effectiveness measure. Few contributions have looked at leaders trust in their subordinate with Spreitzer & Mishra's study of trust and delegation being one exception (Spreitzer & Mishra, 1999).

Brockner et al. show in three field studies how trust is important mainly for the acceptance of unfavourable outcomes but not for favourable (Brockner, Siegel, Daly, Tyler & Martin, 1997). Among the outcomes studied is information sharing with superiors and satisfaction with information provided. O'Reilly (1978) thus found that trust showed a positive relation with the amount of information sent to superior. Other studies however question the effect of trust on information sharing (O'Reilly & Roberts, 1974; Dirks, 1999). Other contributions have studied the effect of leaders trust building activities on organizational citizenship behaviour (Aryee, Budhwar, Chen, 2002; Deluga, 1994). Several studies have found that trust mediate the relationship between perceptions of organizational justice and organizational citizenship behaviour (Roberts & O'Reilly, 1974). Trust also seems to mediate the relationship between violations of psychological contracts and employees intention to stay with the organization (Robinson, 1996) and to have a positive effect of goal acceptance and acceptance of leadership decisions (Tyler & DeGoey, 1996).

These results thus show a reasonable strong relation between trust and immediate outcomes such as satisfaction or commitment. but a far more tenuous relationship to more distant dependent variables such as individual or collective performance (Dirks & Ferrin, 2001). For some of the more immediate variables there is the possible added problem of perceptual construct inflation. Or the possibility of spurious relationship in which both trust and commitment could be explained by the same independent variable such as satisfaction with work or positive affect.

In short, existing conceptualizations tend to portray direct effects of trust in the form of attitudinal and behavioural outcomes at the individual level. Organizational effects are implicitly assumed to aggregate from individual effects. Most of the contributions deal with employees trust in their managers, leaders or the organization en large. In terms of relevance for change, most contributions focus on employees responses to change, accounts for change, or how change is implemented. Thus, most contributions deal with the implementation as opposed to the formulation of change.

We posit that the effects of trust can be described as operating in two conceptually distinct ways. First trust is likely to have a direct effect on organizational outcomes. Our contention here is that the direct effects described in the literature relate to a narrow conception of the strategy process, and primarily the implementation of organizational change. Trust influences how people view other people and induce people to accept risk in cooperating with other people. Thus, trust is believed to increase peoples willingness to contribute to a common cause, accept short term losses for long term benefits, help other people, provide and receive information as well as interpreting their role in looser and more flexible ways. When reciprocated, trust may set off a virtuous and reinforcing cycle of trust and trustworthy behaviour with significant benefits to the organization. Our second contention and one raised by McEvily et al. (2003) is that a perhaps even more important effect of trust consists of the structuring effects of interpersonal trust. In influencing structure, interpersonal trust is likely to influence patterns of communication and interaction within the organization. Such patterns in turn may influence organizational learning. Over time interpersonal trust is likely to become reified into culturally shared interpretations and values. While the structuring effects of trust is likely to be a constant and ongoing process, we suggest that certain periods are likely to be more formative than others and that patterns of trust and distrust in periods of change and turbulence are likely to have a greater structuring effects than in more stable periods within an organization. Thus the effects of interpersonal trust extends beyond the end of one change project and the question of whether trust benefits this particular project.

These two different categories of effects are visualized in figure 1:

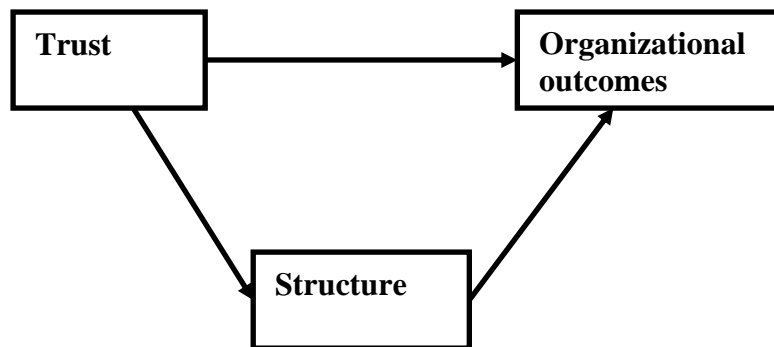


Figure 1: Effects of trust on organizational outcomes

The interrelatedness of formulation and implementation

As mentioned above, the effects of trust have mostly dealt with the effect of trust on employees compliance with managers decisions. Thus, the role of trust has been confined to the implementation of organizational change in which communication flows from managers to employees. We will argue that much could be gained from more explicitly including effects of trust on formulation and the development of strategies and change initiatives.

First, trust is likely to influence the quality of those decisions. It is likely to do so in two major ways; first by increasing the amount and accuracy of information that is available and relate to the decision at hand. People in organizations are more likely to provide information to people they trust (Zand, 1972). Not only are they motivated to share information, they will be more motivated to discuss them and elaborate around them. People are more likely to contribute information through organizational channels if they trust that the information will not be distorted, or misused.

Strategic processes frequently start with the identification of a strategic issue (Dutton, 1992; Dutton, Fahey & Naraynan, 1983; Lyles & Mitroff, 1980). Trust is likely to influence the process of issue diagnosis. As pointed out by Dutton et al. (1983) strategic issues are “...rarely, if ever, diagnosed by a single individual.” Diagnosing strategic issues usually

involves putting together information held by different people in different positions and parts of an organization. Strategic issues usually have the potential of affecting the distribution of resources within an organization and thus likely to activate political interests in organizational members. Thus, in order for an organization to detect and deal effectively with strategic issues, members involved in the process must be able to communicate effectively while trusting the intentions and capability of the other parties. Distrust on the other hand between those involved in strategic issue diagnosis may cause strategic issues to remain unresolved as those involved in the process are wary of taking risks and spend time and resources on covering their backs in the process. Over time then such issues (customer dissatisfaction, new competitors, new technology), may grow in importance and eventually become unmanageable (Staw, Sandelands & Dutton, 1981).

In line with this, Eisenhardt (1989) reasoned that some highly successful companies operating in high turbulence environments were able to make both better and faster decisions and explained this partly with a top management team culture in which extensive and ongoing strategic discussion were the norm. Leaders in these companies had access to weak but important signals with little time lag from within the company. In short, the leaders in Eisenhardt's successful companies were found to have access to effective and multimodal communication channels unlike leader of less successful companies. Other studies have shown how trust leads people to expand their communication in terms of adding layers or dimensions of communication to the already existing exchange (Lewicki & Bunker, 1996; Gulati, 1995).

Trust is also likely to help top management teams make more out of this information in creating a safe haven for discussion (Simons & Peterson, 2000; Edmondson, 1999; Siegel & Hambrick, 1996; Hambrick, 1987). Interpersonal trust may particularly be conducive to the communication of negative and critical information as people feel secure that the recipient will not shoot the messenger (Dutton et al. 1997). Edmondson (1999) introduced the construct team psychological safety, to explain learning and effectiveness in work teams and defined it as “a shared belief that the team is safe for interpersonal risk taking”. The construct according to the author, goes beyond interpersonal trust but the building of trust is believed to be an important ingredient in the creation of team psychological safety. Team psychological safety has been shown to enable learning behavior in the team such as embracing errors, seeking feedback from customers or making changes in product design (Edmondson, 1999). Learning

behaviors in turn were found by Edmondson to influence performance as measured by self-reports. Too much trust or blind faith (e.g. in a strong leader) on the other hand may cause discussions to degenerate and block constructive criticism from appearing.

The perceived competence of the organizational leadership has been identified as an important antecedent to employees trust in the organization (Hodson, 2004). Trust in the leadership of the organization seems to be associated with a general sense of order and predictability as well as increased trust in co-workers. Trust in the competence of the organizational leadership was found to be associated with less infighting and bickering within the workplace. Thus trust within a top management team may induce organization wide trust through the means of competent decision making which in turn increases employees' sense of predictability and meaning (Zucker, 1986; Garfinkel, 1963).

However; trust within an organization is likely to have other important effects. Trust between leaders and the rest of organization may influence the interface between the development and realization of strategic initiatives. Employees trust in the leaders of the organization may speed the transition from formulation to implementation thus enabling the organization to capitalize on environmental opportunities or to mitigate environmental threats. Similarly, trusted managers may be able to act swifter on weaker warning signals, while increasing the odds for a successful adjustment. To the extent that the outcomes depend on the timing which is often the case in competitive environments, the trust that leaders enjoy in their organization may lead the organization to gain a higher pay-off and/ or pay a lesser cost, as the organization beats the competitor in the race for resources required to implement a specific strategy (Lieberman & Montgomery, 1988).

Middle managers play an important role as change agents in complex and geographically dispersed organizations. The interaction between senior and middle managers is important for creating strategic alignment within an organization (Floyd & Wooldridge, 1997; Isabella, 1990). While senior management define the goals and sets the direction for change, it is mostly middle managers with their contextual knowledge, who influence the final designs by adjusting universal change templates to local conditions.

Middle managers interpretation and sense-making relating to change initiatives thus have been found to be highly consequential in terms of influencing the actual realization of change in organizations (Balogun & Johnson, 2004). Horizontal trust between middle managers within an organization is likely to facilitate sense-making and the development of common assumptions and schemas, whereas horizontal distrust may create organizational fault lines impeding the realization of organizational change within the organization (Balogun & Johnson, 2004).

Perhaps as important as the actions taken are the actions not taken. Non-actions tend not to be subject for exploration, but an argument could be made that success stems partly from the actions or initiatives not taken. Trusted leaders may feel less obliged to prove themselves through new, unproven strategies or be more resistant to ill conceived management fads. Thus trust may help leaders achieve a greater degree of continuity and coherence in the pursuit of a chosen strategy, putting more effort and resources into seeing already initiated strategies through. To summarize, trust is likely to influence the entire strategy process including formulation and implementation as well as the interface between these two stages.

The structuring effect of trust.

In line with McEvily et al. (2003) we suggest that trust shapes interaction. Trust influences both the initiation and development of relationships in an organization whereas distrust brings about the dissolution of relationships. In this sense, *structuring* implies the development, maintenance, and modification of a system of relative positions and links among actors situated in a social space (McEvily et al. 2003; pp. 94). The result is a network of stable and ongoing interaction patterns, both formal (e.g., routines and organizational units) and informal (e.g., cliques and coalitions). Structuring also creates social stratification that produces differential status, power, and knowledge. It is argued that trust as an organizing principle molds the social structure of an organizational system in both these ways. Trust influence structure in several ways. First trust increases social density and network closure through transferability. Trust in new interaction partners is transferred from well known and trusted middlemen who guarantee for the new interaction partner. The third party thus act as an intermediary who brokers trust (Shapiro, 1987). The second way that trust influence the structure is by adding additional layers or dimensions to existing ties, thus creating what McEvily et al. refers to as multiplexity. Thus, the value of that tie to the partners is increased. Third, trust influences structure by allowing for delayed reciprocity in social exchanges, thus

stabilizing ties by making them more resilient in case of momentary disruptions. Finally trust enables role- specialization and reduce role redundancies in organizations by reducing the need for safeguarding in the form of duplicating roles. Role specialization allow an organization to reach a wider range of contacts, thus increasing the potential access to information and other resources (Burt, 1992).

Again; we may distinguish between two classes of effects: The first effect is the effect of interpersonal trust on systemic trust. System trust is defined by Luhmann as the trust in the reliable functioning of certain systems. According to Luhmann, the cognitive basis of systemic trust lies in that “...each trusts on the assumption that others trust” (Luhmann, 1979). Systemic trust underwrites interpersonal trust - when people lose faith in common institutions (e.g. the organization or organizational routines), interpersonal trust tends to follow suit (Lewis & Weigert, 1985). Trust in leaders are likely to be influenced both by interpersonal and systemic trust because the leaders represent the system and the organization to the employees (Sharmir & Lapidot, 2003). Furthermore, personal trust and systemic trust are likely to influence each other, interpersonal trust will over time be transformed to systemic trust as patterns of cooperation and communication becomes routinized and leads to the development of a set of shared assumptions, values and norms regarding trusting behavior (Jepperson, 1991). Systemic trust on the other hand is likely to ease the production of personal trust because people perceive the risk of entering a relationship with a new person as lower in the first place. To a trustor, strong norms and values regarding trust and cooperation, implies first that the chances of an organizational member behaving according to these norms are likely to be higher and that an organizational member deviating from these norms will be met with sanctions. Systemic trust thus is likely to lower the perceived risk facing a trustor at the beginning of a relationship, thus explaining what McKnight, Cummings & Chervany, 1998) refer to as initial trust. Thus as systemic trust becomes immersed in the organization, the initiation of personal trust within the organization, is likely to become progressively easier.

Other outcomes may stem directly from the effects of interpersonal trust on structure and the effects that structure has on patterns of communication, control and behavior. This spans a wide range of possible effects and outcomes. Over time patterns of trust and social exchange contribute to the formation of social networks. Network-configuration in organizations influence the distribution of power in that centrally located members are more likely to influence important resources than are more peripheral members of an organization (Brass &

Burkhardt, 1992; Baker & Faulkner, 1991). People with favourable positions will have better access to organizational resources through their position in the network and more likely to exert influence on the design and implementation of organizational change. Interpersonal trust thus, mediated by the effect of trust on network configuration is likely to have distributive consequences in terms of who gets what in organizational change processes. Structures in the form of personal networks and friendships are likely to influence the detection of relevant environmental stimuli as well as the mobilization of resources for change initiatives. Closely knit influential networks in an organization may cause complacency and inertia, leave important environmental signals undetected and obstruct the mobilization of resources devoted to organizational change. Weak ties on the other hand, may leave the organization incapable of developing a sufficient consensus around the interpretation of environmental signal to develop an organizational response. Mobilizing resources for organizational change is made difficult in that few individuals or constellations within the organization command sufficient social capital to call for an organization wide mobilization (Naphiet & Ghosal, 1998).

Trust is likely to play a particularly important structuring role within organizations undergoing change, as structures are changing and people are seeking to reorient themselves within a changing organization. There are several reasons why we believe trust to play a particularly important role during periods of change. First; issues of trust and dependability are likewise likely to be more salient and the issue of trust likely to be assigned greater weight within changing organizations in which people are confronted with risk and uncertainty (Holmes, 2004). Second, periods of change can be described as weak situations as defined above, providing little guidance as of how to behave. Given the absence of strong and consistent expectations and sanctions, personal expectations and trust are likely to be influential in guiding peoples behaviour. Third, periods of change are likely to be perceived as diagnostic with respect to leaders and co-workers benevolence and competence. Change frequently forces individuals and perhaps more so leaders to make hard choices between different evils. Through the choices individuals make priorities and loyalties are revealed. Periods of organizational change and turbulence are also challenging and change thus is frequently seen as informative in terms of evaluating the stamina, intelligence and wisdom of the organization's leaders (Lines, Selart, Espedal & Johansen, 2005). Thus, as information derived from periods of organizational change are seen as highly diagnostic it is also likely to be assigned greater weight in judgements of trustworthiness. A fourth reason as for why we

would expect the structuring effect of trust to be particularly important in periods of organizational change, is because change per definition implies structural changes, and thus the uprooting of previous structures, routines or lines of communication. Given the weakening of existing structures, trust induced behaviour is more likely to impact subsequent structure in periods of organizational change than later. This is basically a version of the imprinting argument in which modes of operation initiated at the start of an organization over time are believed to become reified and persevere (Stinchcombe, 1965).

Single referents versus multiple referents

Most studies of trust within organizations have focused on employees' trust in supervisors, leaders or the organization. That is, trust has largely been studied within vertical relationships and particularly; employees trust in their supervisors or leaders. This reflects the leaderships concern with effective leadership, with trust, authority or legitimacy constituting an important element in effective leadership. Trust however is not a unilateral construct; people within an organization are likely to have varying degrees of trust in different trustees - in relationships that extend both horizontally and vertically.

Thus, the first limitation lies in the selection of trust relationships studied. A second limitation concerns a failure to address how these various trust relations influence each other: Trust is not static but develops, is destroyed and not the least, transferred between organizational members. Organizational members frequently have limited experience with other members of the same organization, thus trust is likely to be influenced by secondary sources like third party sources (Burt & Knez, 1996), and affected by means of social influence and affiliation in work communities and cliques (Salancik & Pfeffer, 1978).

Exceptions do exist; Burt & Knez (1995) show the effects that third party gossip has on the formation of trust in social networks. Shamir & Lapidot (2003) introduces the group as a meso-level in their study of trust formation in military training units. But most contributions still tend to focus on one group of referents within vertical relationships. If we are serious about studying the structuring effect of interpersonal trust on organizations, we need to move away from a monolithic perception of trust and explore the nature, distribution and dynamics of interpersonal trust as manifested over time in the organization.

An important effect of employees trust in leaders thus is likely to be the effects of that trust on trust in relation to other trustees. In short, we would expect the distribution of trust as opposed to some mean level of trust, to offer a unique contribution to explained variance in explaining organizational change outcomes. Thus, strong trust *within* groups combined with distrust *across* groups could have as detrimental effects as a general low level of trust within an organization.

In studying the distribution and dynamics of trust within organizations and across groups and social categories brings research on trust in organizations closer to the field of social identity theory (Ashforth & Mael, 1989). Some work already exists to attest the importance of social categories for production of trust in organizations as shown by the works of Williams and Zucker et al. (Williams, 2001; Zucker, Darby, Brewer & Peng, 1996). As organizational change tends to politicize organizations, patterns of trust are particularly unlikely to be distributed uniformly throughout the organization, on the contrary patterns of strong trust within groups are likely to be matched with strong distrust across groups and organizational boundaries as employees affected by organizational change close ranks (Ashforth & Mael, 1989).

Expanding the time frame

In order to capture the influence of trust on organizational outcomes we will need to expand the time frame. Cross sectional studies tend to focus on single change incidents and tend to exclude the preceding history as well as later effects of ongoing change initiatives. People's perception are likely to be influenced not only by their present experiences but by previous experiences and expectations developed over time. Reactions to present initiatives thus will reflect not only properties of the present change, but the interpretation of how managers conduct and lead change as seen on a background of more or less successful previous change initiatives.

Thus, a history of failed initiatives would likely breed deep scepticism and distrust in relation to new initiatives. A history of manipulation may cause suspicion and lead employees to question the motives of their leaders (Dean Jr., Brandes & Dharwadkar, 1998; Fein, 1996). A thorough understanding of the history of labour relations thus may be necessary in order to understand present reactions to perhaps seemingly minor incidents.

A restricted time range will also be likely to miss or misrepresent cumulative effects of behaviour on trust. Trust will often be caused by a consistent and coherent pattern of behaviour over a longer period of time. Cross sectional studies provide snapshots of actual and ongoing behaviour but are ill-suited to capture and describe patterns of behaviour over time and accordingly miss one important antecedent to trust.

Broadening the scope of the strategy process to include formulation and strategy development would similarly imply expanding the time frame in which we study trust and change. Surveys as mentioned tend to start with the finished proposal or goals preferring to look at how these are sold or packaged rather than to start with the initiation or development of these.

Restricting the collection of data to narrow time intervals will also likely preclude us from capturing important outcomes from trust: The effects of trust that trust is likely to have on the formulation and development of strategy and the advantages that accrue from trust in the interface between formulation and implementation are more likely to be visible when looking at a pattern of change and adaptation over time. Trust should here manifest itself in an advantageous pattern of strategic decision making and adaptation over time. Structuring effects of trust are also first likely to manifest themselves over time and after the completion of a specific project and thus likely to be missed by conventional cross sectional surveys. Some structuring effects such as the effect of interpersonal trust on the accumulation of social capital is perhaps most likely to affect future instances of change or reorientation where employees trust in leaders and the organization are put at test (Brockner, Siegel, Daly, Tyler & Martin, 1997).

Implications for research design.

The core argument in this chapter has been that trust constitute a promising avenue for further research on organizational change and development but that this potential remains underexploited. In order to advance our understanding of how trust influence organizational outcomes, we need research designs and methodologies that matches the nature of the phenomena in question. Organizational learning and adaptation reveals itself over time in the pattern of decisions an organization makes or fails to make. Cross sectional designs on the other hand provide simple snapshots of ongoing processes. To the extent that surveys attempt

to retrace a history, they are hampered by threats such as selective memory and retrospective reasoning.

Rather than simply studying the effect of trust on discrete organizational outcomes we argue that trust is likely to structure organizational relationships over time and thus influence subsequent change efforts. In order better to capture the dynamic interplay between trust and organizational change we need longitudinal designs. Longitudinal designs can take two principal forms:

1. *Case studies.* Case studies offer flexibility in allowing the researcher to move back and forth between observations and theory and are thus ideally suited to the purpose of developing new theories about the causal relations between interpersonal trust and organizational outcomes. Numerous case studies with relevance for trust in organizations already exist. Thus, one start would be to examine already existing case studies, re-examining these in emphasizing the role of trust (Hodson, 2004).
2. *Quantitative longitudinal studies.* Such studies should map trust at multiple observation points, including trust in and between multiple referents such as employees trust in leaders, employees trust in the organization en large, trust within the management team and trust between co-workers.

Whereas case studies have often been equalled with qualitative methods this need not be the case. One possible fruitful approach in this regard could consist of concentrating on one or two companies and then to develop measures with regard to the following: (i) Trust with regard to different referents, (ii) actual interaction or social networks, (iii) measures of organizational change and learning such as structural changes, changes in strategic positioning or the introduction of new techniques, standard operating procedures or new technology and (iv) measures of organizational success.

The rationale for choosing to look at the effects of trust organizational change and learning are twofold; first, as argued in the introduction to this paper, the phenomena is important and merits attention in its own right. But second, looking at trust within a context of organizational change makes sense from the perspective of a research strategy: Organizational change offer a compressed version of organizational life, in which

organizational processes are accelerated. Periods of organizational change and learning are likely to offer more cognitions, more inferences and attributions and more emotions. People are more likely to alter their behaviour and patterns of communication than otherwise, from necessity, choice or both. Thus, observing organizations undergoing dramatic change is likely to provide more information than are stable organizations in placid environments.

Conclusion and implications for theory development.

We have argued that the construct of trust has great potential as an independent variable in research on organizational change and learning but that this potential remains underexploited. We have suggested two directions for further research; first, broadening the perspective from looking at the effects of trust on implementation to include effects of trust on formulation and the intersection between formulation and implementation and second, exploring the structuring effects of trust on change and learning.

In trying to expand the role of trust in research on organizational change and development are likely to trespass into other disciplines such as research on leadership or transformational leadership. Rather than seeing this as a threat, organizational researchers focusing on the role of trust should welcome this as an opportunity. Different disciplines are likely to bring useful insights and concepts to the table. A focus on trust however may bring to leadership theories a sharper focus on the mechanisms mediating the relation between leadership behaviour (antecedents) and reactions (outcomes).

Whereas research on leadership have paid much attention to what leaders and others do, they have paid less attention to how these behaviours influence the perceptions and attitudes of employees. A sharper focus on trust as a mediating link between leadership and outcomes may revitalize research on leadership in helping to bring about a shift in focus, from leaders and their behaviour, over to the processes and mechanisms in social exchanges between leaders and employees, introducing greater theoretical rigour to existing models of leadership and change in the process.

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