

## The effect of HRM practices on impersonal organizational trust

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## INTRODUCTION

As Barney and Wright (1998) argue, most corporate annual reports boldly state that the firm's people are its most important assets. However, when organizations require cost cutting they look first to reduce investments in people in the form of training, wages and headcounts, for example. The inevitable outcome of such downsizing and cost-cutting is mistrust and a trust gap between managers and employees (Rankin, 1998; Tyler, 2003), and in the whole organization. This is of critical importance, because without the support of employees managers are likely to experience lower productivity and weakened organizational performance (Zeffane and Connell, 2003). Trust is especially important in knowledge-based organizations because it is known to support knowledge-creation processes and related interactions (Blomqvist, 2002; Tyler, 2003).

It is said that efficiency in organizations is possible only when interdependent actors work together effectively in a climate of positive trust (see e.g. Zeffane and Connell, 2003). In addition, trust increases the efficiency and effectiveness of communication (Shockley-Zalabak, Ellis and Winograd, 2000; Blomqvist, 2002) and of organizational collaboration (Mayer, Davis and Schoorman, 1995; Tyler, 2003). It has also been identified as a critical factor in leadership (Tyler, 2003), job satisfaction (Shockley-Zalabak et al., 2000), commitment (Dirks and Ferrin, 2001; Bijlsma and Koopman, 2003) and performance (Barney and Hansen, 1994).

How, then, can companies build and retain trust within the organization? One way is to use human resource management (HRM) practices to build a positive cycle of trust. Given the influence of trust in almost every area of human resources, including training and development, compensation practices, promotion, task assignment, job security and placement, and performance evaluation and feedback (see e.g. Whitener, 1997; Kramer, 1999; Bijlsma and Koopman, 2003; Tyler, 2003; Möllering, Bachmann and Lee, 2004), Whitener et al. propose that organizations can enhance trustworthiness in the eyes of employees by creating structures and processes that make trusting successful (Whitener, Brodt, Korsgaard and Werner, 1998). According to previous research on organizational trust and HRM, fairness in performance appraisal (McCauley and Kuhnert, 1992), procedural justice (Mayer and Davis, 1999), training and development (Whitener, 1997), transformational leadership (Gillespie and Mann, 2004), clarity of tasks and roles (Tidd, McIntyre and Friedman, 2004), job rotation (Zeffane and Connell, 2003) and participative decision-making (Mishra and Morrissey, 1990; Gilbert and Tang, 1998) all have a part to play. There have been attempts to take HRM practices into account (e.g. Morrison, 1996; Whitener et al., 1998), but so far there is no comprehensive model of the effect of HRM practices on trust (Tzafrir, Harel, Baruch and Dolan, 2004).

Although there have been studies on the HRM-trust link, organizational trust is generally considered an interpersonal phenomenon (e.g., trust between employees and managers or top management). Our study contributes to the literature on the relationship between HRM practices and organizational trust in treating trust as an impersonal issue. The phenomenon that Vanhala and colleagues (2011) term "impersonal trust" is beginning to arouse interest among the scientific community. Researchers studying organizational trust have thus far focused only on specific dimensions of impersonal trust, mainly trust in top management (see e.g. McCauley and Kuhnert, 1992; Costigan, Ilter and Berman, 1998; Mayer and Davis, 1999; Tyler, 2003), and in the employer organization (Tan and Tan, 2000), its competence (Lee, 2004) and performance (Robinson, 1996). Thus, although previous studies have shed

light on some aspects of impersonal organizational trust, so far none have taken a comprehensive approach. Hence, the objective of this study is to examine the effects of various HRM practices on the impersonal dimensions of organizational trust. The underlying assumption is that such practices can be tailored to the building and retaining of trust within the organization. The intention is to develop hypotheses supporting this assumption.

The paper proceeds as follows. The next section briefly reviews the literature on trust and HRM, leading to our hypotheses. The method and findings follow, and we draw conclusions and offer recommendations in the final section.

## **THEORETICAL FRAMEWORK**

### **Organizational trust**

Different types of trust have been identified, and distinctions may be made based on the nature of the trustee. One can have trust in particular people (i.e. interpersonal trust) or in organized systems (i.e. impersonal trust). (Maguire and Phillips, 2008) The focus in this study is on organizational trust as an impersonal issue (McCauley and Kuhnert, 1992;McKnight, Cummings and Chervany, 1998;McKnight, Choudhury and Kacmar, 2002). Impersonal trust is based on roles, systems and reputation, whereas interpersonal trust is based on interpersonal interaction between individuals within a particular relationship.

The operational environment of companies is complex, rapidly changing and dispersed, which makes impersonal trust a potential source of competitive advantage. Even if interpersonal trust (e.g., a close supervisory role) is critical, organizations could benefit from fostering complementary impersonal forms of trust. An employee who is able to trust the organization she/he works for can trust her/his future in it even if other employees and supervisors cannot provide sufficient support for the evolution of strong interpersonal trust. If employees could trust the organization without having personalized knowledge of each decision maker and key actor it should be more efficient (Kramer, 1999). The impersonal dimension of organizational trust is usually called institutional trust. Trust in the organization is the evaluation of an organization's trustworthiness as perceived by the employee, i.e. confidence that it will perform an action that is beneficial or at least not detrimental to him or her (see e.g. Tan and Tan, 2000;Atkinson and Butcher, 2003;Maguire and Phillips, 2008). Employees may draw inferences about institutional trust from the behaviour of highly visible role models in top management, for example (Kramer, 1999). According to Costigan et al. (1998), most employees base their trust in top management more on the outcomes of the decisions and less on direct personal experience of the character or actions of the individuals. McCauley and Kuhnert (1992) also point out that trust between employees and management is not interpersonal in nature, but is based on roles, rules and structured relations within the organization. Employees also monitor the organizational environment in order to evaluate whether or not they will trust management. If the environment encourages a high level of management trust in employees, the employees will reciprocate by exhibiting high levels of trust in management. According to Blomqvist (1997), moreover, trusting a person and trusting an organization are two different things. Trust in an organization is based on the way it acts, on a particular trustworthy way of behaving. This may stem from the manager's personality or from a strongly centralized decision-making structure and organizational culture.

The terms “trust in the organization”, “organizational trust” and “institutional trust” are used inconsistently in the literature. Organizational trust is seen in this study as an upper-level construct incorporating both interpersonal (i.e. trust in co-workers and in supervisors/managers) and impersonal trust. We also distinguish between institutional trust and impersonal trust, the former referring more to trust in institutions (e.g., the government or the company’s brand name) and official social structures such as membership of some trusted organization (see e.g. Zucker, 1986; Lane, 2002), and the latter to the impersonal dimension of the organizational trust.

We therefore conceive of impersonal trust as an individual employee’s attitude based on his or her perception and evaluation of the employer organization, which thus operates on the individual level. We therefore define the concept, based on the work of Vanhala et al. (2011), as “an individual employee’s expectations with regard to the employer organization’s capability and fairness”. The capability dimension consists of five components and the fairness dimension of three (see Figure 1).

Take in Figure (1)

#### The Capability dimension

- *Organizing activities*: the organization’s ability to cope in exceptional situations and to exploit its resources
- *Sustainability*: changes in the operational environment of the organization and the employment outlook
- *Top-management characteristics*: capabilities and decision-making practices
- *Technological reliability*: individual capabilities and available assistance with technical problems
- *Competitiveness*: how the organization compares with its competitors

#### The Fairness dimension

- *HRM practices*: education and career progression.
- *Fair play*: top management’s behaviour, and internal competition and opportunism.
- *Communication*: trustworthiness and sufficiency of information

#### **HRM practices**

Different kinds of organizations (e.g., companies, the public sector) increasingly recognise the potential of their personnel as a source of competitive advantage. The creation of competitive advantage through employees requires close attention to the practices that best leverage these assets. Consequently, there has been an increase in research focusing on the company-level impact of HRM practices in the past ten years (see e.g. Delaney and Huselid, 1996; Wright, Gardner and Moynihan, 2003).

Organizations use various HRM practices in order to enhance the skills of their employees, focusing their efforts on improving the quality of the current workforce through training and development, for example. Employees should be motivated to perform their jobs effectively, and may be affected by merit awards or incentive compensation systems. They should also have the opportunity to participate in the decision-making, i.e. be involved in determining

how the work is accomplished. Employee-participation systems and internal labour markets give employees the chance to advance within the organization. They should also have the opportunity to express their views, i.e. to communicate. Organizations that take the views of their employees into consideration will find a positive impact on employee perceptions of fairness and behaviour output (Delaney and Huselid, 1996; Batt, 2002; Way, 2002).

According to Sheppeck and Militello (2000), HRM issues are often determined in terms of how organizations deal with their human resources, and the emphasis has been on operationally oriented tools and procedures. A strategic approach to HRM practices is taken in this study. Delery and Doty (1996) define strategic HRM practices as “those that are theoretically or empirically related to overall organization performance”, and identify seven such practices from the literature: the provision of internal career opportunities, formal training systems, appraisal measures, profit sharing, employment security, voice mechanisms and job definition.

According to Tzafrir (2005), building and retaining organizational trust must involve HRM practices in that they represent the relationships, interaction and messages between the organization and its employees, as well as its whole philosophy. In this study HRM practices refer to the strategic practices that could have an effect on the impersonal dimension of organizational trust: learning and development, communication, performance evaluation and rewards, career opportunities, participation and job design.

### **HRM practices and trust building**

Social exchange theory has been used as apt theoretical model explaining the employment relationship (for recent overview see e.g. Cropanzano and Mitchell, 2005). Social exchange is based on the norm of reciprocity, which dictates that we help and do not harm those who help us. This norm establishes the expectation that recognition, empowerment, investment in human assets and other favours will be returned. According to Cropanzano and Mitchell (2005), trust is an outcome of favourable social exchanges: when we see others acting in ways that imply that they trust us, we are more disposed to reciprocate by trusting in them more. It can be assumed that if an employer organization demonstrates benevolence and support through its HRM practices then its employees will be more disposed to reciprocate by trusting it more (see also e.g. Whitener et al., 1998; Tzafrir et al., 2004; Gould-Williams and Davies, 2005; Tzafrir, 2005).

According to Whitener (1997), inherent in this theoretical foundation describing the development of trust is the assumption that that HRM practices build trust rather than the other way around, i.e. that trust influences HRM practices. We therefore build the following hypotheses on the notion that employees evaluate their employer organization based on its HRM practices, and that these practices represent the relationships, interaction and communication between the organization and its individual employees. Employees base their decision on whether or not to reciprocate by trusting the employer organization on this evaluation. We argue that HRM practices may be designed to create a norm of mutually beneficial reciprocity, and this will bring about employee trust in the employer organization.

HRM practices influence the entire organization, and it has been said that one of the emerging challenges is to build a positive cycle of trust within it (see e.g. Tzafrir et al., 2004). Gould-Williams (2003) found that HRM practices had a positive effect on both interpersonal and impersonal trust. Further, according to Whitener (1997) an organization’s HRM practices

are likely to convey a message of organizational support to its employees: whether the practices affect skills or motivation they communicate commitment and support, and increase employee trust. Guest and Conway (2001), for example, state that if employees experience high-commitment HRM practices (i.e. those that imply certain promises or obligations on the part of the employer and expectations on the part of employees) they also feel more fairly treated, and trust management more. McCauley and Kuhnert (1992) also found that the effectiveness of a wide range of HRM practices (i.e. professional-development opportunities, job security and the fairness of the performance-appraisal system) correlated with the employees' trust in the organization.

The relationship between specific HRM practices and impersonal trust is reviewed below on the basis of previous research, and the conclusions drawn from the literature are synthesized in the form of hypotheses.

### *Learning and development*

Training activities and employee development have been found to have a positive impact on organizational trust (see e.g. Whitener, 1997; Bigley and Pearce, 1998). According to Tzafrir et al. (2004), employee development creates a sense of certainty and enhances employability and faith in management; consequently, investments in training and development could be considered a trust-creation mechanism. Employee development was found to be indirectly and positively related to employees' trust in their managers.

We argue that employees evaluate trust in the organization (i.e. impersonal trust) based on their perception of its potential (i.e. if it has the necessary capabilities and knowledge) in terms of offering learning and development opportunities and the possibility to benefit from them.

*Hypothesis 1: Employees' perceptions of how learning and development function are positively related to impersonal trust.*

### *Communication*

According to Mishra and Morrissey (1990), open communication is among the most important factors that breed trust within the organization. Tzafrir et al. (2004), among others, state that if the level of organizational communication is high, i.e. if employees can easily communicate and feel that they are listened to, it leads to an open and confident atmosphere, which in turn generates trust. Pfeffer and Veiga (1999) also stress the importance of communication in creating a high-trust organization: the sharing of information on matters such as financial performance and company strategy conveys to the employees, and other members of the organization for that matter, that they are trusted. Moreover, open, honest and accurate feedback and communication from the employer (through supervisors or managers) affect employee trust in management and the whole organization, and the exchange of thoughts and ideas enhances perceptions of trust (Whitener, 1997; Whitener et al., 1998; Shockley-Zalabak et al., 2000).

As far as the relation between communication and trust is concerned we argue that communication has an influence on impersonal trust. Employees evaluate their trust in the whole organization based on whether or not there is a climate of open communication (e.g., the possibility to communicate upwards, the extent to which they are listened to, whether they

receive information on strategies and financial performance). Thus accurate and honest communication affects trust in the organization.

*Hypothesis 2: Employees' perceptions of how communication functions are positively related to impersonal trust.*

#### *Performance evaluation and rewards*

The perceived fairness of an organization's performance-appraisal system is related to high levels of trust (McCauley and Kuhnert, 1992). Mayer and Davis (1999) found that trust in top management increased significantly in response to a new appraisal system: the old system, which was not perceived as accurate and did not provide performance-based recognition and rewards, was replaced with a more fair and objective system. Pearce et al. (2000) also observed that trust in co-workers increased in organizations in which general and transparent rules were applied uniformly to all employees. The extent to which performance-appraisal procedures follow principles of procedural justice has a positive impact on employees' trust in their managers (Whitener et al., 1998; Tzafrir et al., 2004), and according to Whitener (1997), transparent explanation and communication of compensation decisions from supervisors increase employees' trust in them.

We therefore argue that performance evaluation and reward procedures have an influence on impersonal trust: employees evaluate trust in the organization based on the whole evaluation system (e.g., fairness and objectiveness, the inclusion of all employees and transparency).

*Hypothesis 3: Employees' perceptions of how performance evaluation and the reward system function are positively related to impersonal trust.*

#### *Career opportunities*

According to Harel and Tzafrir (1999), an internal labour market conveys the message that the organization values its people and provides opportunities for advancement. It may also strengthen the psychological contract between employer and employee. Zeffane and Connell (2003), among others, suggest that job rotation could result in an increased feeling of job security, which is positively related to trust. It could also be perceived as an indication of the organization's commitment to its employees, which in turn leads to increased trust.

We argue that career opportunities influence impersonal trust. Trust in the whole organization is affected by how such practices (e.g., promotion and job rotation) function. For example, are promotions based on fair and transparent decisions? Are career-advancement and job-rotation opportunities offered to all employees? Furthermore, employees base their trust not only on how fairly the internal labour market functions but also on the employment outlook, in other words whether there will be any jobs in the future.

*Hypothesis 4: Employees' perceptions of how career development functions are positively related to impersonal trust.*

#### *Participation*

According to Mishra (1996), if employees have the opportunity to express their opinions and thus feel that they are being listened to and that their opinions are being taken into

consideration, it is likely to play a critical role in mutual trust development. Giving workers a greater share in decision-making is one of the key factors that breed trust in organizations (see e.g. Mishra and Morrissey, 1990; Gilbert and Tang, 1998). Consequently, trust is assumed to be higher when decisions are made jointly (Dirks and Ferrin, 2001). Empowerment moves the decision-making power to the lower levels, thus breaking through the internal boundaries between management and employees. In consequence, the level of trust in the organization is increased (see e.g. Tzafrir et al., 2004).

Consequently, we argue that participation influences impersonal trust. Employees trust the whole organization if they feel that their opinions are listened to and taken into consideration. Trust is therefore based on the opportunity to participate in the decision-making.

*Hypothesis 5: Employees' perceptions of how participation functions are positively related to impersonal trust.*

### *Job design*

According to Shockley-Zalabak et al. (2000), high levels of organizational trust are related to adaptive organizational forms and structures. Trust may be perceived to be low in situations in which the roles are unclear or there are role conflicts: poorly structured job classifications cause competition between employees and, as a result, the employees do not trust each other. On the other hand, highly structured work might result in increased bureaucracy and thus lead to reduced trust. If employees know what is expected of them, however, uncertainty and competitiveness decrease. Therefore, trust could be enhanced through the clear definition of roles and tasks (Tidd et al., 2004). In an environment in which work classification is clearly defined employees will be willing to accept policies and decisions if they are based on fair processes and they are given adequate information (Tzafrir et al., 2004).

We argue that job design has an influence on impersonal trust. Employees evaluate their trust in the whole organization based on their perceptions of its administrative capability (e.g., how the work is organized and how efficiently the expertise of the personnel is used) as well as its flexibility in building on certain routines.

*Hypothesis 6: Employees' perceptions of how job design functions are positively related to impersonal trust.*

The following figure (Figure 2) illustrates the hypothesised relationships between HRM practices and impersonal trust.

Take in Figure (2)



## **RESEARCH DESIGN**

### **Data collection and sampling**

The following quantitative empirical analysis is based on survey data collected from a total of 715 respondents (representing a 34.3-per-cent response rate) within large corporations in the ICT and forest industries in Finland. The survey was conducted in May-September 2008. The questionnaire was available both in paper format and in an online version on the Internet.

The majority of the respondents were men (81.7% and 16.6% women), and a few did not give information about their gender. Over one third (36.1%) of them were in the 31-40-year age group and just under one third (31.9%) in the 41-50-year group. Over one third (37.2%) had a vocational education, one fifth (22%) had a higher university degree and one fifth (21.5%) had a lower university degree. In terms of employment duration the majority had worked in the organization for over 10 years: 11-15 years (13%), 16-20 years (9.2%) and over 20 years (32.7%). The majority of them were employees (75.9%) or officials (15.2%). Other notable groups were team leaders (4.2%) and managers (2.2%).

### **Measures**

All of the measures were based on a five-point Likert scale (1=strongly disagree, 5=strongly agree). The items were adopted from earlier studies and further modified, with the help of company representatives, in order to make them more understandable in a company context (to speak the same language, so to say). See Appendix 1 for the measures and the wording of the items.

#### *Independent variables*

HRM practices were measured on a scale developed by Delery and Doty (1996). The 18 items covered six main areas of HRM: learning and development (3 items), communication (3 items), performance evaluation and rewards (4 items), career opportunities (3 items), participation (2 items) and job design (3 items). The respondents were asked to indicate the extent to which they strongly agreed or disagreed with the statements related to their perceptions of the HRM practices in their organization.

#### *Dependent variables*

We used the model of impersonal organizational trust developed by Vanhala et al. (2011) in measuring organizational trust. The scale is especially designed to assess the dimension of impersonal trust in an organizational setting. The respondents were asked to indicate how they perceived the statements related to impersonal trust in their organization. The 17 items concerned organizing activities (2 items), sustainability (2 items), top-management characteristics (3 items), technological reliability (2 items), competitiveness (2 items), fairness in HRM (2 items), fair play (2 items) and communication (2 items).

#### *Control variables*

Certain respondent characteristics may influence the relationship between HRM practices and impersonal trust. We therefore used education and job tenure as control variables in our models. We classified education as comprehensive school, vocational education, upper-

secondary school, lower university degree, higher university degree, and licentiate or doctoral degree. Job tenure was classified as under one year, 1-5 years, 6-10 years, 11-15 years, 16-20 years and over 20 years.

## **Methods**

The first step was to validate the measurement model including HRM practices and impersonal trust by means of confirmatory factor analysis (CFA). Secondly, structural equation modelling (SEM) was used to test each hypothesis. A total of 715 cases were processed through LISREL 8.50, and PRELIS 2.50 was used to compute the covariance matrix. We used the maximum likelihood estimation method.

### **Assessment of bias**

An analysis of variance (ANOVA) was carried out in order to confirm the absence of non-response bias. Given the data-collection methods used, assessment was possible only for the respondents in the ICT company. It was assumed that those who were among the last to respond most closely resembled non-respondents, in other words those who did not participate in the study (cf. Armstrong and Overton, 1977). The early and late respondents were compared on all constructs, and no significant differences between them were found. Thus, non-response bias was not a problem in this study.

The data relied on self-report measures, and therefore common method variance might have biased the findings. We used Harman's one-factor test (see Podsakoff, MacKenzie, Lee and Podsakoff, 2003) in order to assess the risk of such bias. We conducted a principal component analysis that incorporated all the items from all of the constructs. The solution was investigated in order to determine the number of factors that are needed to account the variance of all of the items. The largest factor accounted for 31 per cent of the variance, which suggests that common method variance bias was not a concern either.

## **RESULTS**

### **Measurement model and correlations**

The loadings of all the items were high and statistically significant (see Appendix 1). This means that they were all related to their specified constructs, verifying the posited relationships among the indicators and constructs. In terms of construct reliability (CR) almost all concepts exceeded the recommended level of 0.60, and therefore the model provides reliable construct measurement. There were some problems with the measures of extracted variance (AVE): it fell short of the cut-off of 0.50 in some instances.

In sum, the model assessment gave good evidence of validity and reliability for the operationalization of HRM practices and organizational trust.

Table 1 presents the correlation matrix of the concepts. As the matrix shows, there are significant correlations between the independent variables (i.e. HRM practices) and the dependent variable (impersonal trust). This indicates and supports our hypotheses that there are interconnections between HRM practices and impersonal organizational trust.

**Table 1: Correlation matrix**

Concept	1	2	3	4	5	6	7
1 Learning and development	1						
2 Communication	.513 **	1					
3 Performance evaluation and rewards	.585 **	.557 **	1				
4 Career opportunities	.644 **	.476 **	.509 **	1			
5 Participation	.515 **	.528 **	.516 **	.515 **	1		
6 Job design	.544 **	.472 **	.423 **	.466 **	.418 **	1	
7 Impersonal trust	.657 **	.618 **	.615 **	.669 **	.544 **	.531 **	1

\*\* indicates statistically significant correlation at the .01 level

### Structural equation modelling

Structural equation modelling (SEM) was used to test the six hypotheses. The results of the Chi square tests were not significant, as shown in Table 2. However, this test has been found to be sensitive to sample size, and other tests can be used to assess the goodness of fit (see e.g. Hair, Black, Rabin, Anderson and Tatham, 2006). It can be seen from the indices presented in Table 2 that the models produced an adequate fit.

Path models reflecting the posited relationship between each HRM practice and impersonal trust were estimated in order to test the hypotheses. Impersonal organizational trust was modelled as a second-order factor model, in other words there was a latent construct, impersonal trust, which had eight sub-dimensions (see Figure 2). The idea here was to demonstrate the dimensionality of the construct (see Appendix 1 for the sub-dimensions). The results of the path analysis are presented in Table 2. The estimates (coefficients) reveal whether or not the hypotheses were supported.

**Table 2: The fit indices and path coefficients of the models.**

Path	Non-standardised parameter estimate	Standardised parameter estimate	t-value	R <sup>2</sup>
Educat→Imp	.028*	.064*	1.689	.611
Eduror→Imp	-.002 (n.s.)	-.006 (n.s.)	-.154	
Hrmlld→Imp	.881***	.774***	14.303	
Chi-square=1031.092, df=197, p=.00, GFI=.884, RMSEA=.0770, NNFI=.865, CFI=.885, AGFI=.851				
Educat→Imp	-.023 (n.s.)	-.051 (n.s.)	-1.213	.668
Eduror→Imp	-.021 (n.s.)	-.061 (n.s.)	-1.507	
Hrmco→ Imp	1.028***	.816***	8.986	
Chi-square=779.893, df=197, p=.00, GFI=.910, RMSEA=.0644, NNFI=.887, CFI=.904, AGFI=.884				
Educat→Imp	-.009 (n.s.)	-.020 (n.s.)	-.0504	.621
Eduror→Imp	-.034**	-.100**	-2.531	
Hrmrew → Imp	1.496***	.776***	10.355	
Chi-square=759.117, df=218, p=.00, GFI=.915, RMSEA=.0590, NNFI=.904, CFI=.917, AGFI=.893				
Educat→Imp	.039*	.087*	1.810	.896
Eduror→Imp	.031*	.093*	1.717	
Hrmca → Imp	1.216***	.955***	3.431	
Chi-square=718.629, df=161, p=.00, GFI=.909, RMSEA=.0696, NNFI=.889, CFI=.906, AGFI=.881				
Educat→Imp	.005 (n.s.)	.012 (n.s.)	.292	.441
Eduror→Imp	-.003 (n.s.)	-.010 (n.s.)	-.242	
Hrmmpa → Imp	.762***	.659***	12.373	
Chi-square=757.150, df=177, p=.00, GFI=.908, RMSEA=.0678, NNFI=.894, CFI=.911, AGFI=.880				
Educat→Imp	.060**	.135**	2.999	.557
Eduror→Imp	-.041**	-.121**	-2.784	
Hrmjld → Imp	1.493***	.731***	8.316	
Chi-square=865.711, df=197, p=.00, GFI=.901, RMSEA=.0690, NNFI=.876, CFI=.894, AGFI=.872				

\***p < 0.05**; \*\* **p < 0.01**; \*\*\* **p < 0.001**. Educat = Education, Eduror = Employment duration in organization, Imp = Impersonal trust, Hrmlld = Learning and development, Hrmco = Communication, Hrmrew = Performance evaluation and rewards, Hrmca = Career opportunities, Hrmmpa = Participation, Hrmjld = Job design.

The results reveal a positive link between all of the HRM practices and impersonal trust. The parameter estimates show that the hypothesized relationships are significant and in the direction predicted (see Table 2). H1 posited that Learning and development is positively related to impersonal trust and this is supported. Communication also has a positive effect on impersonal trust, thus supporting H2. Employees who rated Performance evaluation and rewards highly also gave high ratings to impersonal trust, thereby supporting H3. There was also support for H4, which predicted a positive relationship between career opportunities and impersonal trust, H5 positing that Participation would affect impersonal trust, and H6 concerning the linkage between Job design and impersonal trust: they were positively related.

## DISCUSSION AND CONCLUSIONS

This study contributes to the growing amount of literature on the role of trust in the context of organizational relationships. Although it is recognized that trust in organizations operates at multiple levels (see e.g. Rousseau, Sitkin, Burt and Camerer, 1998), at present there is no clear consensus on the concept of trust within the organization. Thus, research on organizational trust has not analysed impersonal trust as distinct from interpersonal trust, nor

has the role of impersonal trust been studied comprehensively or deeply enough. Scholars have used the concept of interpersonal trust (e.g., trust between employees and managers or top management) in attesting the importance of HRM practices in trust building. We add to the literature in considering the HRM-trust link in terms of impersonal organizational trust. To the best of the researchers' knowledge this is the first study focusing on the impersonal element of organizational trust and its relationship with HRM practices.

In theoretical terms, our interest was in organizational trust as a more comprehensive concept incorporating the impersonal aspects of trust. The construct of impersonal trust and its relationship with HRM practices tested in this study represent a step forwards in terms of understanding the different dimensions of organizational trust as well as the HRM-trust linkage. We believe that our findings provide new knowledge and a more holistic understanding of the nature of organizational trust, and particularly the impersonal dimension, to academics in both human-resource management and management, as well as to management and HRM practitioners in organizations.

As discussed above, organizational trust has a role in increasing the efficiency and effectiveness of communication (Shockley-Zalabak et al., 2000;Blomqvist, 2002), for example, and in fostering organizational collaboration (Mayer et al., 1995;Tyler, 2003). It is also a critical factor in leadership (Tyler, 2003), job satisfaction (Shockley-Zalabak et al., 2000), commitment (Dirks and Ferrin, 2001;Bijlsma and Koopman, 2003) and performance (Barney and Hansen, 1994).

How, then, can organizational trust be enhanced? According to many authors it is connected with HRM practices (see e.g. Whitener, 1997;Bijlsma and Koopman, 2003;Tyler, 2003;Möllering et al., 2004;Tzafrir, 2005). All organisations have some form of HRM, and it could therefore offer a practical solution for building and retaining trust, thereby bypassing the need to build distinct systems or adopt specific methods.

Our analysis of 715 employees from the ICT and forest industries in Finland validated the notion that HRM practices matter in building impersonal organizational trust. We tested six hypotheses derived from previous research on the relationship between HRM practices and organizational trust. In confirmation of Hypothesis 1, the findings stress the importance to organizations to invest in learning and development possibilities of their employees. It seems that based on employee's perceptions of their employer organizations potential and the extent to which they benefit from learning and development opportunities is associated with impersonal trust. The results also support Hypothesis 2, positing that communication has a positive and significant influence on employees' impersonal trust in their organization: accurate and honest communication it is bound to increase employee trust. As for Hypothesis 3, we found that uniformly applied performance evaluation and a reward system that is fair and objective had a positive impact on employees' impersonal trust in the organization. Hypothesis 4, that internal career opportunities are positively related to employees' trust in the employer organization, was also supported: if the employer offers career-advancement and job-rotation opportunities transparently to all employees it will have a positive effect on impersonal trust. There was also support for Hypothesis 5 as the findings clearly show that listening to and taking account of employees' opinions has a positive effect on impersonal trust. Finally, Hypothesis 6 was confirmed: the perception among employees that their work is well organized and their expertise is used efficiently tends to increases their impersonal trust in the organization.

In sum, the results of our study provide strong empirical support for the proposed relationships. Each HRM practice appears to play an important role in the development of employee trust in the employer organization. Career opportunities explained most of the variation in impersonal trust (89.6%) and Participation the least (44.1%). All other practices explained around 60 per cent of the variance.

Our main finding is that HRM practices do influence impersonal trust. We could thus claim that employee trust in the whole organization is connected to their perceptions of the fairness and functioning of such practices, which could then be used in order to build up this dimension of organizational trust. We argue that organizations and their management and managers should put effort into designing HRM practices so that those build also impersonal dimension. This is important, especially in the current challenging O&M climate in which organizations cannot rely only on interpersonal trust, and opportunities for face-to-face communication and interpersonal relationship development may be limited. Knowledge work and interaction are characterized by complexity, uncertainty and risk, and are increasingly carried out in temporary and technology-enabled task forces, projects and virtual teams in which employees are drawn from competence centres. Leaders may have dual roles, working as experts and only part-time as supervisors of other knowledge workers. Such settings provide very limited opportunities for the natural evolution of interpersonal trust. Trust among employees, and between employees and supervisors, could therefore become very thin (Adler, 2001; Zeffane and Connell, 2003; Schoorman, Mayer and Davis, 2007). Hence, there is a need to develop impersonal trust in order to enhance organizational performance through knowledge creation, innovation and cooperation, for example. If employees are able to trust the impersonal elements in the organizations they work for, the trust remains even if the interpersonal relationships vanish (e.g., if co-workers or supervisors change).

From the managerial perspective we also suggest that in order to manage and develop organizational trust, all of its dimensions should be taken into account. Hence, a more comprehensive view (i.e. including the impersonal dimension) has value especially for the strategic-management and HR functions, which increasingly strive to differentiate the organization in terms of human capital. There is widespread recognition that organizational trust could be crucial in achieving competitive advantage over other organizations (see e.g. Barney and Hansen, 1994). If a company is able to set itself apart from its competitors and to build up a higher level of trust, it could exploit the benefits related to organizational trust in order to increase its efficiency and effectiveness, and also to attract and retain its most competent employees. We argue that achieving trust-based competitive advantage is possible only if there is a comprehensive understanding of trust within organizations, incorporating both the interpersonal and impersonal dimensions.

It should be emphasised that the role of HRM practices in trust building is not limited to impersonal trust and also applies to interpersonal trust. For example, aspects such as learning and development and job design could have an effect on trust in other employees: if an employee knows that there are learning-and-development and job-design systems in place (i.e. that other employees are competent in their jobs) she/he will also trust other employees. It could be also argued that HRM practices influence trust in supervisors and managers in terms of how they implement these organization-wide practices. Employees do not perceive HRM practices per se: supervisors and managers implement them and employee trust is based on how they behave and act.

In order to enhance organizational trust firms should pay attention to their HRM practices, which have a particular influence on trust in supervisors and managers, as well as in the whole organization. It is therefore important to develop not only the practices but also the organization-wide system. This is not confined to a particular HRM function (such as the personnel department), it is a management or even a strategic matter. Strategic and managerial actions that support organization-wide policies (e.g., communication, job rotation and performance evaluation) could enhance employee trust in the organization on all levels.

## **LIMITATIONS AND SUGGESTIONS FOR FURTHER RESEARCH**

The focus in this study is on the effect of various specific HRM practices on impersonal trust. However, in real life there is no situation in which only one HRM practice is applied in an organization. Thus, future studies should test models incorporating all such practices.

It would also be worth studying the relationships between overall systems of HRM practices (i.e. HRM bundles) and organizational trust. This would provide a stronger basis on which to determine what combinations of individual HRM practices are most efficient in building up such trust.

This study focused only on the relationship between HRM practices and impersonal trust. However, as stated above, HRM practices are also of relevance in building interpersonal trust- not only employees' trust in their supervisors and managers but also vice versa - not to mention trust among colleagues. Future studies could explore these interpersonal relationships, alongside impersonal trust, in order to see the extent of HRM influence. This would facilitate the building and testing of a model of relationships between HRM practices, different levels of trust, and organizational performance, job satisfaction and commitment.

Moreover, the study only concerned the one-way relationship between HRM practices and impersonal trust. Over time this relationship becomes reciprocal in that not only do HRM practices build trust, trust also affects how HRM practices are perceived. This reciprocal relationship should be explored in future studies from a longitudinal perspective.

Datasets from different industries were merged for this study. It might be worthwhile taking data from the ICT and the forest industry separately in order to find out whether there are industry differences in the HRM-trust linkage.

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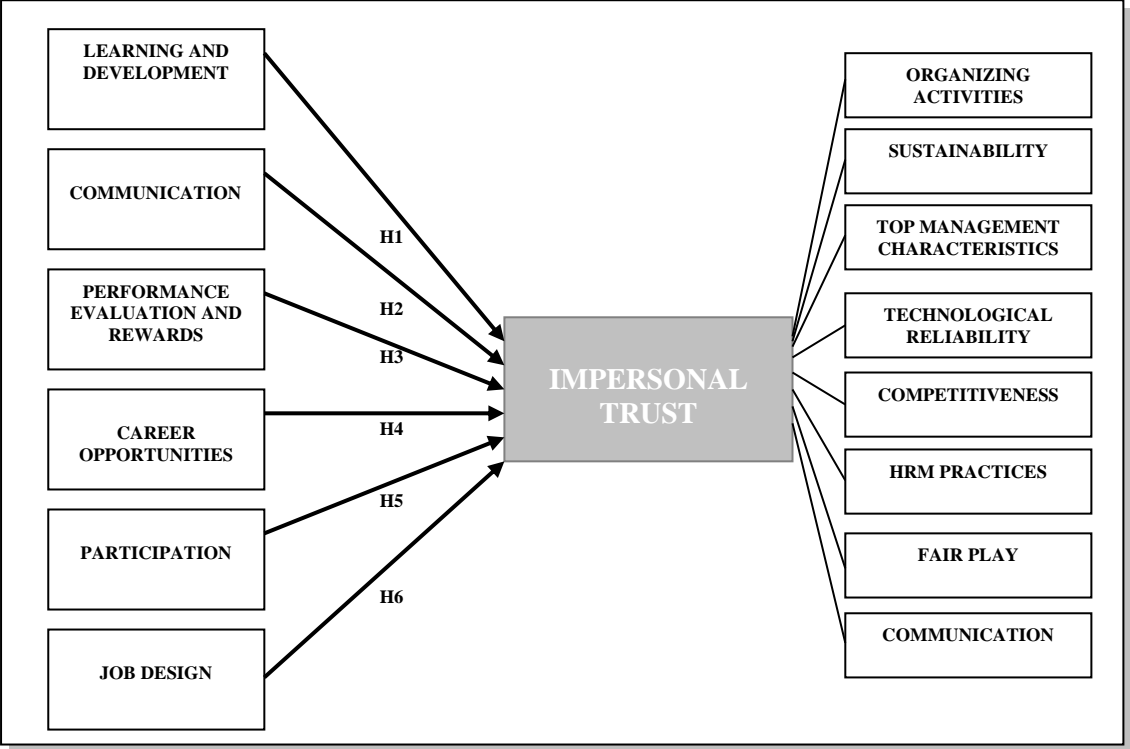
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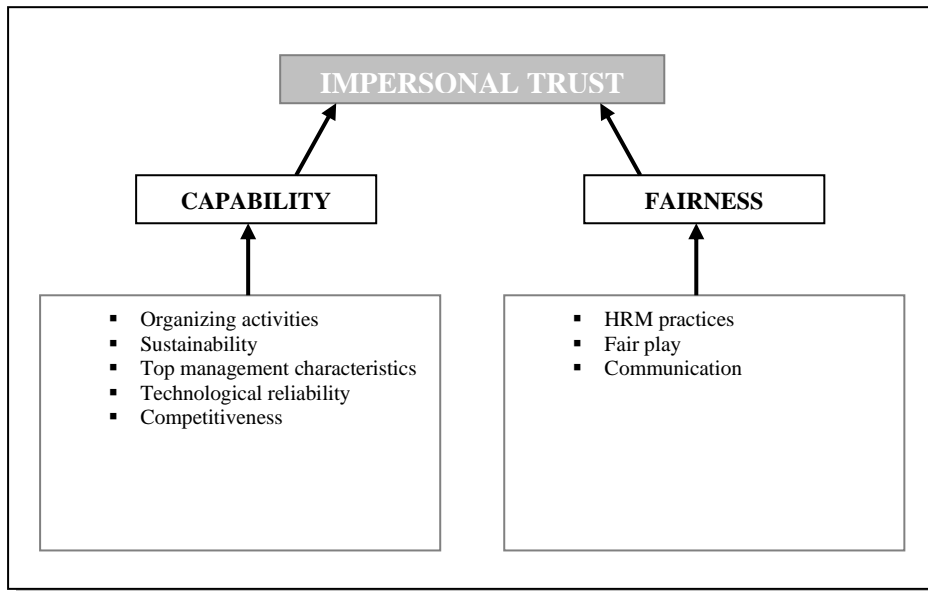
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**Figure 2:** The relationships between HRM practices and impersonal organizational trust.



**Figure 1:** The structure of the impersonal organizational trust.

## Appendix 1: Measurement items

	CONCEPT	ITEM	MEAN	SD	FACTOR LOADING	CR	AVE	
HRM PRACTICES	LEARNING AND DEVELOPMENT	Learning (on the job) and training are encouraged in my organization.	3,51	1,016	0,828 <sup>a</sup>	0,85	0,65	
		Employees are offered opportunities to develop their skills in order to help them advance in their careers.	3,27	1,035	0,888 <sup>**</sup>			
		Employees are encouraged to develop themselves and to learn new skills even if they are not directly related to their current position.	2,92	1,052	0,696 <sup>**</sup>			
	COMMUNICATION	Information on our business situation and plans is regularly provided to all employees.	3,09	1,023	0,656 <sup>a</sup>	0,66	0,40	
		Information on our organization's financial results is provided to all employees.	3,49	1,056	0,540 <sup>**</sup>			
		Employees can participate in the target setting.	2,76	1,098	0,697 <sup>**</sup>			
	PERFORMANCE EVALUATION AND REWARDS	Performance is evaluated by objective means.	3,05	,981	0,807 <sup>a</sup>	0,72	0,40	
		Performance evaluation emphasize results.	3,38	,928	0,591 <sup>**</sup>			
		Performance evaluation include how results are achieved.	3,13	,890	0,616 <sup>**</sup>			
		In determining compensation, the individual's contribution is emphasized more than his or her position.	2,76	,952	0,468 <sup>**</sup>			
	CAREER OPPORTUNITIES	Individuals in my organization have the opportunity to develop and move to new tasks.	3,11	1,058	0,784 <sup>a</sup>	0,61	0,36	
		Employees have very little future within this organization.	3,11	1,122	0,414 <sup>**</sup>			
		Managers are aware of their subordinates' career aspirations.	3,16	,950	0,529 <sup>**</sup>			
	PARTICIPATION	Employees are often asked by their managers to participate in the decision-making.	2,75	,990	0,899 <sup>a</sup>	0,85	0,73	
		Employees are encouraged to suggest improvements in the way we work.	2,62	1,046	0,812 <sup>**</sup>			
	JOB DESIGN	We have flexible jobs and roles in my organization.	3,34	,981	0,537 <sup>a</sup>	0,64	0,38	
		In my organization job rotation is in active use as a competence-development activity.	2,74	1,020	0,553 <sup>**</sup>			
		In my organization jobs are deliberately allocated so as to exploit the employees' skills and abilities as effectively as possible.	3,05	,946	0,739 <sup>**</sup>			
IMPERSONA TRUST	ORGANIZING ACTIVITIES	There are work practices in my organization that help us to cope with exceptional situations.	3,26	,935	0,669 <sup>a</sup>	0,66	0,49	
		Our organization efficiently utilizes the expertise of its people.	3,19	1,048	0,730 <sup>**</sup>			
	SUSTAINABILITY	My organization functions on such a solid base that changes in our business context do not threaten our operations.	2,90	1,043	0,716 <sup>a</sup>	0,75	0,61	
		Employees have a bright future with this employer.	2,67	1,054	0,836 <sup>**</sup>			
	TOP MANAGEMENT CHARACTERISTICS	Our top management has a clear vision of the future.	3,19	1,121	0,677 <sup>a</sup>	0,81	0,59	
		In my opinion, top management is taking my organization in the right direction.	3,03	,982	0,782 <sup>**</sup>			
	TECHNOLOGICAL RELIABILITY	I have faith in the expertise of the top management.	3,14	1,059	0,837 <sup>**</sup>	0,65	0,48	
		The tools I need in my everyday work function properly.	3,44	1,150	0,639 <sup>a</sup>			
	COMPETITIVENESS	I receive assistance with technical problems whenever I need it.	3,76	,934	0,740 <sup>**</sup>	0,44	0,33	
		The other players in our line of business are ahead of us. (R)	3,25	,934	0,268 <sup>a</sup>			
	HRM PRACTICES	Outsiders consider my employer to be a successful player in its field.	3,74	,896	0,763 <sup>**</sup>	0,71	0,56	
		My employer offers me opportunities to learn new skills and develop myself in my profession.	3,38	1,034	0,772 <sup>a</sup>			
	FAIR PLAY	Skilled employees are offered more responsible positions.	3,27	1,032	0,718 <sup>**</sup>	0,40	0,25	
		Top management never puts their success ahead of that of the employees.	2,39	,979	0,547 <sup>a</sup>			
	COMMUNICATION	I never have to compromise my ethical principles in order to succeed in my organization.	3,65	1,012	0,457 <sup>**</sup>	0,83	0,70	
		The information I get in my organization is up-to-date.	3,35	1,028	0,811 <sup>a</sup>			
			Information on matters that are important to me is communicated openly in my organization.	3,08	1,092	0,866 <sup>**</sup>		

<sup>a</sup> Significance level is not available, because the coefficient is fixed at 1. <sup>\*\*</sup> Statistically significant at 0.01 significance level.