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IMPERSONAL TRUST WITHIN THE ORGANIZATION: WHAT, HOW, AND WHY?

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ABSTRACT

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It has been shown in organizational settings that trust is a crucial factor in different kinds of outcomes, and consequently, building employee trust in the employer is a goal for all kinds of organizations. Although it is recognized that trust in organizations operates on multiple levels, at present there is no clear consensus on the concept of trust within the organization. One can have trust in particular people (i.e. interpersonal trust) or in organized systems (i.e. impersonal trust). Until recently organizational trust has been treated mainly as an interpersonal phenomenon. However, the interpersonal approach is limited. Scholars studying organizational trust have thus far focused only on specific dimensions of impersonal trust, and none have taken a comprehensive approach. *The first objective* in this study was to develop a construct and a scale encompassing the impersonal element of organizational trust. *The second objective* was to examine the effects of various HRM practices on the impersonal dimensions of organizational trust. Moreover, although the “black box” model of HRM is widely studied, there have been only a few attempts to unlock the box. Previous studies on the HRM-performance link refer to trust, and this work contributes to the literature in considering trust an impersonal issue in the relationship between HRM, trust, and performance. *The third objective* was thus to clarify the role of impersonal trust in the relationship between HRM and performance.

The study is divided into two parts comprising the Introduction and four separate publications. Each publication addresses a distinct sub-question, whereas the Introduction discusses the overall results in the light of the individual sub-questions. The study makes two major contributions to the research on trust. Firstly, it offers a framework describing the construct of impersonal trust, which to date has not been clearly articulated in the research on organizational trust. Secondly, a comprehensive, psychometrically sound, operationally valid scale for measuring impersonal trust was developed. In addition, the study makes an empirical contribution to the research on strategic HRM. First, it shows that HRM practices affect impersonal trust and the contribution is to consider the HRM-trust link in terms of impersonal organizational trust. It is shown that each of the six HRM practices in focus is connected to impersonal trust. A further contribution lies in unlocking the black box. The study explores the impersonal element of organizational trust and its mediating role between HRM practices and performance. The result is the identification of the path by which HRM contributes to performance through the mediator of impersonal trust. It is shown that the effect on performance of HRM designed specifically to enhance employees’ impersonal trust in the organization is positive.

Keywords: organizational trust, impersonal trust, HRM practices, organizational performance
UDC 658.3:65.012.4:005:159.95

"For God's sake, stop researching for a while and begin to think."

Sir Walter Hamilton Moberly
The Crisis in the University (1949)

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As Professor Kalevi Kyläheiko, former Dean of Lappeenranta School of Business has said, a dissertation is a dissertation when two people in the world (i.e. pre-examiners) think that it is. Well, I guess my work has reached that point and it is time to say thank you. The completion of this dissertation would have been, if not impossible, at least a whole lot harder without the help and support of many people.

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In trust we trust.

Lappeenranta, September 2011

Mika Vanhala

TABLE OF CONTENTS

PART I: OVERVIEW

LIST OF FIGURES

LIST OF TABLES

PART II: PUBLICATIONS

1. Vanhala, M., Puumalainen, K. and Blomqvist, K. (2011). **Impersonal trust - the development of the construct and the scale.** *Personnel Review*, Vol. 40 No. 4, 485-513.

2. Vanhala, M. (2011). **Validation of the Impersonal Trust Scale.** Revised and further submitted version. Under review for a journal. Earlier version presented at the 27th EGOS Colloquium, Gothenburg, Sweden, July 6-9, 2011.

3. Vanhala, M. and Ahteela, R. (2011). **The effect of HRM practices on impersonal organizational trust.** *Management Research Review*, Vol. 34 No. 8, 869-888.

4. Vanhala, M. and Dietz, G. (2010). **HRM, impersonal trust and performance.** Revised and further submitted version. Under review for a journal. Earlier version presented at the 13th Irish Academy of Management Conference, Cork, Ireland, September 1-3, 2010.

The contribution of Mika Vanhala to the publications:

1. Made the research plan and coordinated the writing of the paper. Collected and analyzed the quantitative data. Wrote most of the paper. Was mainly responsible for revising the paper during the journal review process.

2. Sole author.

3. Made the research plan and coordinated the writing of the paper. Collected data in collaboration with the co-author. Analyzed the data. Wrote most of the paper. Was responsible for revising the paper during the journal review process.

4. Made the research plan and coordinated the writing of the paper. Collected and analyzed the data. Wrote the paper together with co-author.

PART I: OVERVIEW

1. INTRODUCTION

1.1. Research background and motivation

Trust matters in a wide variety of spheres of social life, and is a fundamental element in any positive and productive social process (Zhang, Tsui, Song, Li and Jia, 2008). Interest in trust in organizational settings has been increasing both in academia and among practitioners, and nowadays there is much discussion about the concept and its significance to organizations. Studies on trust have been conducted from both inter-organizational and intra-organizational perspectives. The discussion usually focuses on its structure or consequences, including the antecedents, and processes of trust building (see Mayer, Davis and Schoorman, 1995; Rousseau, Sitkin, Burt and Camerer, 1998; Whitener, Brodt, Korsgaard and Werner, 1998; Kramer, 1999), This is enhanced by e.g. changes in both the organizational forms and nature of work itself. (Creed and Miles, 1996; Bijlsma and Koopman, 2003; Ahteela, Blomqvist, Puumalainen and Jantunen, 2010). Trust has a crucial role in organizations, in which knowledge and both interpersonal and intra-organizational collaboration are becoming indispensible in order to promote efficiency and effectiveness (cf. Tyler, 2003; Ellonen, Blomqvist and Puumalainen, 2008). In addition, the operational environment is complex, rapidly changing and dispersed. Hence economic efficiency and hierarchical levels are no longer the main organizing principles (Daft and Lewin, 1993; Clegg, 1999), and the emphasis is rather on co-operation, networks, strategic alliances and the ability to adapt (Carney, 1998; Cohen and Mankin, 2002). This brings new challenges to organizations, and trust has become an object of growing interest. It could be considered a kind of lubricant that both speeds up and strengthens what is done in collaboration.

As Barney and Wright (1998) argue, most organizations state in their annual reports that employees are their most important assets. However, when it is time to cut costs they look first to reduce investments in employees in the form of training, salaries and headcounts. One outcome of such downsizing and cost-cutting is mistrust and the creation of 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 and trust of employees managers and the organization as a whole are likely to experience lower productivity levels and weakened performance (Zeffane and Connell, 2003). Trust matters, especially in knowledge-based organizations because it is known to support knowledge-creation processes and related interactions (Blomqvist, 2002; Tyler, 2003).

It has been shown in organizational settings that trust is a crucial factor in different kinds of outcomes, such as cooperative behavior (Shockley-Zalabak, Ellis and Winograd, 2000), organizational commitment (Aryee, Budhwar and Chen, 2002), and employee loyalty (Costigan *et al.*, 1998). Consequently, building employee trust in the employer is a goal for all kinds of organizations (e.g. Zhang *et al.*, 2008). It is said that organizational efficiency 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 *et al.*, 2000; Blomqvist, 2002), and of organizational collaboration (Mayer *et al.*, 1995; Tyler, 2003). It has also been identified as a critical factor in leadership (Tyler, 2003), job satisfaction (Shockley-Zalabak *et al.*, 2000; Aryee *et al.*, 2002), commitment (Dirks and Ferrin, 2001; Bijlsma and Koopman, 2003), and performance (Barney and Hansen, 1994).

Although it is recognized that trust in organizations operates on multiple levels (see e.g. Rousseau *et al.*, 1998), at present there is no clear consensus on the concept of trust within the organization. Different types of trust have been identified, and distinctions are often 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.

Until recently organizational trust has been treated mainly as an interpersonal phenomenon (Mayer *et al.*, 1995; Cummings and Bromiley, 1996; Shockley-Zalabak *et al.*, 2000; Tyler, 2003) that comprised trust relations among employees as well as between employees and their immediate superiors (McCauley and Kuhnert, 1992; McAllister, 1995; Davis, Schoorman, Mayer and Tan, 2000). It could be argued that the interpersonal approach to organizational trust is limited. The need for trust in contemporary organizations has strengthened due to the emphasis on knowledge as a focal resource, for example. However, globalization and virtualization make the natural evolution of interpersonal trust more challenging. Thus, in the current organizational and managerial climate organizations cannot rely only on trust between individuals. Even in conditions in which close supervision and interpersonal trust are critical, they could benefit from complementary forms of trust. An employee who is able to trust the employer organization, for example, 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, the organization would be more efficient (Kramer, 1999). Employees' work is increasingly based on temporary and technology-enabled teams and projects, and even on virtual teams. Moreover, supervisors and managers may have dual roles, and could be working at the same time as experts and supervisors (Alvesson, 2004). In many cases employees may not have a past or future vision to share with the employer organization (Axelrod, 1984), and this kind of setting offers limited opportunities for the natural evolution of interpersonal trust. Consequently, employee trust in colleagues and managers may become very thin and fragile, and employees have actually become less trusting (Zeffane and Connell, 2003; Schoorman, Mayer and Davis, 2007).

Thus, there is increasing interest in the impersonal element of organizational trust, known as institutional (see e.g. Costigan *et al.*, 1998; McKnight *et al.*, 1998) or systems (Luhmann, 1979) trust. As discussed above, trust is needed more than ever, yet there are fewer natural opportunities for interpersonal trust to develop. The concept of impersonal trust and its underpinnings are not yet clear in the research on organizations. It is used mainly in sociology and economics, and more on the macro level. Impersonal trust in the organization refers to the trust employees have in its structures and processes, as well as in the fairness of its HRM policies and decision-making processes (see e.g. Costigan *et al.*, 1998; McKnight *et al.*, 1998; Kramer, 1999; Tan and Tan, 2000; Atkinson and Butcher, 2003). Researchers interested in organizational trust have only recently turned their focus more on the impersonal aspects of trust (see e.g. Bachmann, 2006; Möllering, 2006). In fact, it has been shown in empirical research (Ellonen *et al.*, 2008; Ahteela *et al.*, 2010) that impersonal trust is relevant and has an impact on the innovativeness of organizational units.

How, then, can organizations build and retain internal trust? Trust plays a key role in the successes of the HRM practices, and according to many authors the two are connected (see e.g. Robinson and Rousseau, 1994; Whitener, 1997; Bijlsma and Koopman, 2003; Tyler, 2003; Möllering, Bachmann and Lee, 2004; Tzafrir, 2005). Whitener and colleagues suggest that organizations can enhance trustworthiness in the eyes of employees by creating structures and processes that make trusting successful (Whitener *et al.*, 1998). Hence, the criticality of trust in HRM practices and their outcomes has created a great deal of discussion among both practicing managers and organizational researchers. Trust can be seen as "a consequence of the content and process of the HR activities and mediator of the impact of HR practices on important organizational outcomes" (Whitener, 1997). Thus, the employer organization can develop and sustain a high level of trust by increasing the confidence of employees in the organization, and increasing their indebtedness to it through HRM practices. (Creed and Miles, 1996)

All organizations have some form of HRM system, which could form a practical basis on which to build and retain trust, thereby bypassing the need to build distinct systems or adopt specific methods. According to Zeffane and Connell (2003), the level of trust determines much of an organization's character. Consequently, it influences aspects such as its structure and control mechanisms, job design, the effectiveness and extent of communication, relationships with other organizations, innovation, job satisfaction, commitment, organizational-citizenship behavior, goal sharing, and coping with crises. 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 their effect on trust (Tzafrir, Harel, Baruch and Dolan, 2004).

How, then, can organizations enhance their HRM practices and policies in order to turn them into sources of value? Attempts have been made to resolve the question of how HRM practices affect performance, and this could be described as the “Holy Grail” of the subject. It matters to organizations and their managers, too, in their constant search for sources of sustainable competitive advantage (Barney, 1991). A common feature of models explaining the HRM-performance linkage is an “underlying, causal link flowing from HR practices to organizational performance via the responses of employees” (Macky and Boxall, 2007). HRM works by shaping employees’ work-related attitudes and behaviors, in ways the organization values (Wright and McMahan, 1992). These attitudes and behaviors then have an impact on the employees’ own performance, through the exertion of more effort or the development of higher levels of commitment, conscientiousness and trust. Consequently, improved performance from individual employees has a positive impact on unit-level performance, and even organization-level metrics such as productivity (Youndt, Snell, Dean Jr. and Lepak, 1996; Cappelli and Neumark, 2001) and quality (Hoque, 1999; Appelbaum, Bailey and Kalleberg, 2000), ultimately even leading to higher profits and an increased market share (Huselid, 1995; Wright, McCormick, Sherman and McMahan, 1999; Wright, Gardner and Moynihan, 2003).

This so-called “black box” problem concentrates on the mechanisms that link HRM to whatever type of performance is desired (see e.g. Boxall and Purcell, 2011). It is recognized that intermediate outcomes, as part of direct linkage, are essential in order to develop a more comprehensive understanding of how HRM policies and practices drive the performance of the organization (see e.g. Wright, Dunford and Snell, 2001; Becker and Huselid, 2006). According to Theriou and Chatzoglou (2008), major contributors to the research on the HRM-performance linkage (e.g. Delaney and Huselid, 1996; Delery, 1998) believe that there is still insufficient understanding of the mechanisms through which HRM practices influence effectiveness. Thus, there is a need for research to clarify the content of the black box (see also Wright and McMahan, 2011). The most common candidate to date is commitment (see e.g. Guest, 1987; Wood, 1999; Meyer and Smith, 2001). The focus of the exploration in this study is on the merits of another candidate: trust. According to Gould-Williams (2003), the importance of trust is addressed in some studies, but more research is needed in particular on the relationship between HRM practices, trust, and outcomes such as performance. Thus far only a few studies have reported on the impact of trust on employee-performance metrics, including customer service (Salamon and Robinson, 2008) and sales (Davis *et al.*, 2000), although Colquitt, Scott and LePine (2007) carried out a meta analysis of trust and its consequences. The aim in this study is to assess impersonal trust as a potential mediating mechanism between HRM and organizational performance.

In sum, this study offers empirical evidence on the role of impersonal trust in the employee-employer relationship. It complements the research on trust by developing the construct of *impersonal trust*, and a scale on which to measure it reliably. In addition, it contributes to the research stream focusing on strategic HRM in two ways. Firstly, it assesses the relationship between HRM and impersonal trust in terms of whether HRM practices could be used as a building block, and secondly it investigates the mediating role of impersonal trust in the HRM-performance linkage. On the practical level the results can be used to 1) measure impersonal trust in the organizational context, 2) enhance trust in employee-employer relationships, and 3) clarify the role of trust in the relationship between HRM practices and organizational performance. The creation of new knowledge about impersonal trust will help to make people in managerial positions more aware of trust as a phenomenon.

1.2. Research gaps and objectives

Very few researchers have attempted to measure the impersonal nature of organizational trust (see e.g. McCauley and Kuhnert, 1992; Costigan *et al.*, 1998; Daley and Vasu, 1998; Tan and Tan, 2000; Lee, 2004). Scholars 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 *et al.*, 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. They merely measure certain dimension of impersonal trust and thus there is a gap in terms of clarifying the construct and developing a comprehensive measurement scale. Consequently, the first objective in this study is to *develop a construct and a scale encompassing the impersonal element of organizational trust*. The embedding of impersonal trust in the measurement of organizational trust would facilitate a more holistic understanding of the phenomenon.

Although there have been studies on the HRM-trust link (see e.g. Whitener, 1997; Bijlsma and Koopman, 2003; Tyler, 2003; Möllering *et al.*, 2004; Tzafrir, 2005), organizational trust is generally considered an interpersonal phenomenon (e.g., trust between employees and managers or top management). This study contributes to the literature on the relationship between HRM practices and organizational trust in treating trust as an impersonal issue. Hence, the second objective 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 used in the building and retaining of trust within the organization.

The “black box” model of HRM (see e.g. Guest, 1997; Boselie, Dietz and Boon, 2005; Boxall and Purcell, 2011), the “black box” being the process between the cause (i.e. HRM) and the effect (i.e. performance), is widely studied. The contents of the box are understood as a linking mechanism between HRM and performance, in other words it is a classic mediation model. However, only few studies have attempted to unlock the box to discover its contents, or to examine the mediating effects of the key variables. Delery (1998) noted how little is understood about “the mechanisms through which HRM practices influence effectiveness” (see also Batt, 2002; Wright and McMahan, 2011), whereas according to Purcell (1999), the link has been taken for granted. Boselie and colleagues (2005) reviewed 104 studies, of which just 20 reported identifiable mediating effects (see also Wright and McMahan (1992), and reviews from Wright and Boswell (2002), Wall and Wood (2005) and Combs and colleagues (2006)). Trust has an effect employee performance, and consequently on the employer’s performance as a whole. Although previous studies on the HRM-performance link refer to trust, this work contributes to the literature in considering trust as an impersonal issue in the relationship between HRM, trust and performance. Hence, the third objective is to *clarify the role of impersonal trust in the relationship between HRM and performance*.

In sum, given the research gaps identified above, the overall aim of this study is to explore the role of impersonal trust in intra-organizational relationships between individual employees and the employer organization. Accordingly, the *main research question* is:

How is impersonal trust manifested in intra-organizational relationships?

Finding an answer to this question requires a systematic and critical analysis of prior research on trust in an intra-organizational context. In other words, there is a need to clarify the conceptualization and operationalization of impersonal trust and to consider measurement issues. More specifically, both the construct and the measurement scale should be analyzed and tested. The following two sub-questions are thus addressed:

1) *What is the structure of impersonal trust within the organization?*

and

2) *How can one measure impersonal trust within the organization?*

Once the construct has been clarified and a measurement scale developed and validated, the question arises of how to build up this form of trust. Previous literature has revealed a linkage between HRM and trust, and thus it is worth investigating the role of HRM practices in building impersonal trust. Accordingly, the third sub-question is:

3) *Can HRM practices be used to build impersonal trust within the organization?*

Finally, the results of prior research suggest different kinds of mechanisms linking HRM practices and organizational outcomes (whatever the measure, e.g., different levels of performance, job satisfaction or commitment). However, trust, and especially impersonal trust, has not thus far been used as this kind of linking mechanism. Consequently, the fourth sub-question addressed in this study is:

4) *Does impersonal trust mediate the linkage between HRM practices and organizational performance?*

1.3. Assumptions

As discussed above, one objective of this study is to explain causal relationships between HRM practices, impersonal trust and organizational performance. Hence, it falls under the positivist paradigm. Attempts are made to explain phenomena and to show that the results are generalizable. The study is based on theory and theory testing (i.e. verification or falsification), hence a quantitative approach is adopted. Quantitative approaches are considered essential in order to facilitate the development of knowledge through valid and reliable measurement methods, because of the potential generalization and diffusion of the produced knowledge and the more rigorous theory testing (Churchill, 1979).

The relationship between the researcher and individual human beings, i.e. the research objects, so to speak, is very distant in this study. Data was collected by means of surveys, and there was no interaction between the researcher and the respondents. Furthermore, the analysis is such that there is no researcher influence in the interpretation of the data. Consequently, the objectivity of the research is ensured.

1.3.1. Positivism

This study deals with questions that arise from managerial problems, consequently the use of real data that describes the reality is justified. It is a research tradition that falls under the positivist[1] paradigm, which views reality as objective and apprehensible (Sobn and Berry, 2006). According to Eriksson and Kovalainen (2008), positivism, also known as logical positivism, is the mainstream philosophical position of management studies. One explanation for its dominance lies in the nature of management and business knowledge, which is often functional and so there is a need and a desire for universal truths that hold across industries,

[1] A term coined by Auguste Comte (1798-1857).

cultures, and countries, for example. Moreover, managerial implications are important value added. All these aspects call for a positivist approach in term of the research setting.

Positivism implies that the only legitimate knowledge is knowledge that comes from experience. The basic claim is that research a) produces facts and accounts that correspond to an independent reality, b) is value-free, and c) prioritizes observations. Positivists believe in empiricism, i.e. in the idea that observation and measurement are the essence of scientific endeavor. The key approach of scientific method is the experiment in which the operationalization of the issues under study is the prevailing idea: only things that are measurable can be dealt with. (Eriksson and Kovalainen, 2008)

1.3.2. Human beings and the organization in the context of trust

Basic assumptions about human beings are closely related to the definition of organizational trust as “positive expectations”. Trust could also be defined as “a willingness to be vulnerable”, a “belief in others’ trustworthiness” and a “willingness to rely”. In the organizational context, and in the employee-employer relationship, “vulnerability” and “willingness to rely” refer to both the competence and the fairness of the other party. These definitions also reflect the general assumption in the research on organizational trust that the trusting person, i.e. the trustor, makes the decision to trust or not to trust (i.e. “willingness”). Therefore a human being is able to make his/her own decisions about how to act, independently of other people’s choices and opinions. Moreover, these decisions control his/her actions consciously and unconsciously. It is my contention that a human being also operates voluntarily, without interference from others. Trust is therefore discretionary, and is observable in individual behavior. The trustee has the principal freedom to act in a way that either benefits or harms the trustor (see e.g. Möllering *et al.*, 2004).

The individual trustor and his or her role are examined in this study in terms of capability, prediction and intentionality processes. In a capability process the trustor evaluates the other party’s ability to fulfill promises as an individual, the idea being that individuals differ in their competences. Trust is thus based on analytical decisions rather than blind faith. In the prediction process trust is based on confidence in the predictability of the other party’s behavior and actions. The impersonal dimension of organizational trust in particular supports predictability. Finally, the intentionality process is based on the assumption that the other party is willing to share and contribute for the common good, and involves the monitoring of his or her motivation in order to ensure that this is the case. In the organizational context this implies a psychological contract between employee and employer: an employee expects mutuality and support from his/her employer (see e.g. Blomqvist, 2002).

Organizations are collectivities or social systems in which members operate, and which follow certain rules, roles and routines. According to the various definitions, trust is a psychological state and requires a trustor and a trustee who are able to act within a social system (see e.g. Möllering *et al.*, 2004) Trust is also "a collective attribute" based upon the relationships between people who do exist in such a system (Hosmer, 1995). Luhmann (1979) discusses trust on the functional level as a mechanism for reducing social complexity. Collaboration within and between organizations requires trust in order to complement control. Trust is also evident in prisoner's-dilemma-type studies when agents choose to co-operate rather than to compete.

1.4. Scope, definitions and limitations

The focus of this study is on the relationship between employees and employer organizations, and the trust relationships under scrutiny are limited to impersonal trust. Consequently, interpersonal trust relations within the organization, i.e. subordinate-superior and employee-colleague relations, are left aside. The employer's and its representatives' trust in employees also falls beyond the scope of the study. Impersonal trust is thus defined as *"the individual employee's expectation about the employer organization's capability and fairness"*.

There is still no agreement in the theorizing on what the operationalization of HRM practices means (see Boselie *et al.*, 2005). 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. Here HRM practices refer to strategic practices that have an influence on the performance of the organization, as well as to impersonal trust perceived by employees. As Delery and Doty (1996) define them, these are practices *“that are theoretically or empirically related to overall organization performance”*, including learning and development, communication, performance evaluation and rewards, career opportunities, participation and job design. They are studied here both as individual practices (Publication 3) and as an overall system, namely a HRM bundle (Publication 4).

Performance refers here to three levels of performance (individual, unit and organization) perceived by individual employees, which reflect the extent and degree to which the employee evaluates how he/she, his/her unit and the whole employer organization perform. Thus performance is the subjective perception of the individual respondent.

The unit of analysis in the study is the individual employee and his/her perceptions of HRM practices, impersonal trust, and different levels of performance.

1.5. Outline

The study is divided into two parts comprising the Introduction and four separate publications. Each publication addresses a distinct sub-question, whereas the Introduction discusses the overall results of the study in the light of the individual sub-questions. The conclusions of the whole study in terms of answering the main research question are also assessed in the Introduction. Figure 1 presents the outline of the study.

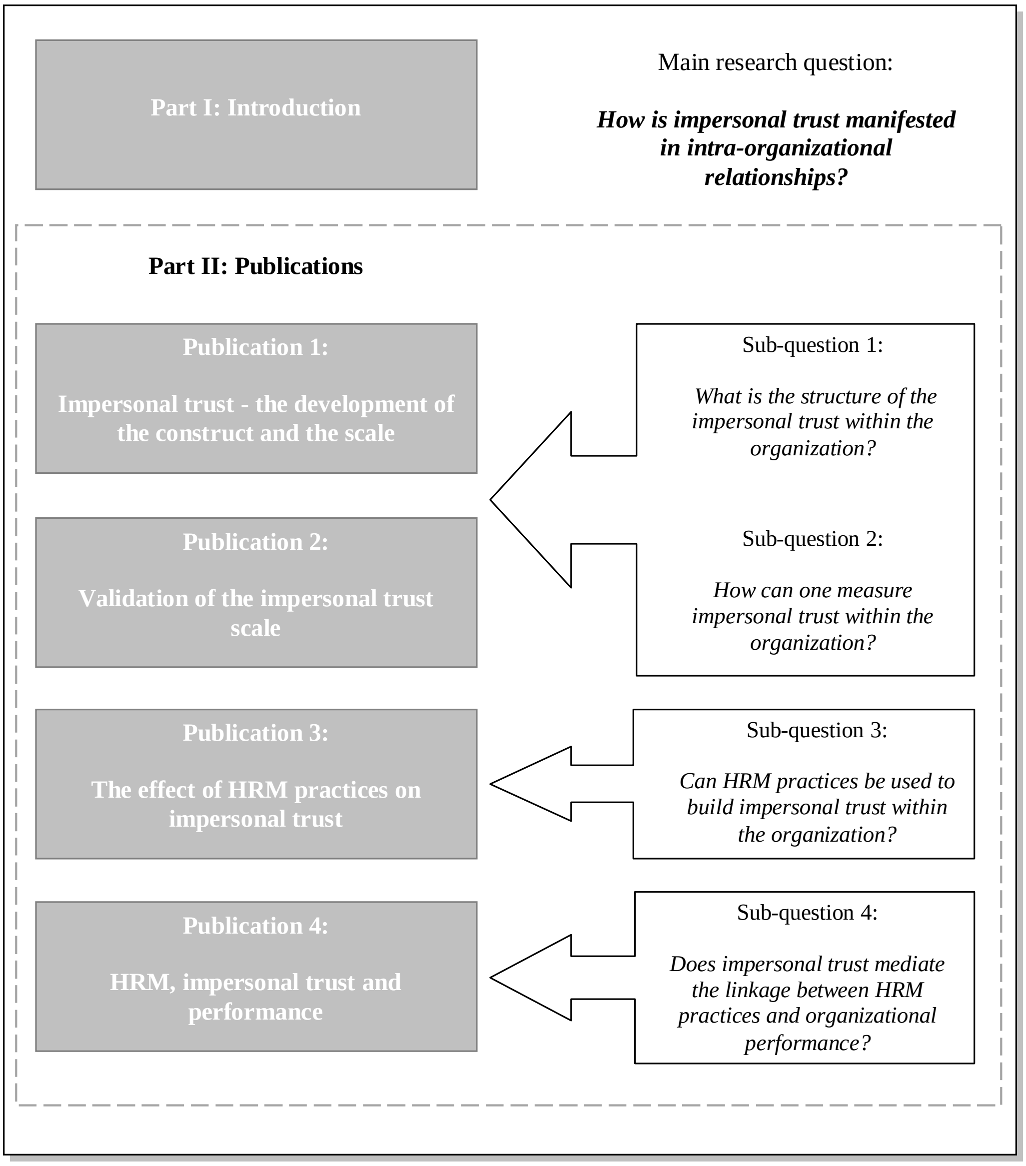

Figure 1. The outline of the study: the research questions and publications

Part I consists of five chapters. Chapter one covers the background and motivation, research gaps and objectives, assumptions, scope and limitations, as well as the study outline. The second chapter gives the theoretical background, and the third describes the empirical study, including the research strategy and methodology as well as the data collection and analysis. Chapter four summarizes the publications and reviews the results. Finally, chapter five presents the conclusions and contributions of the study, assesses the limitations, and gives suggestions for further research.

The second part of the study comprises four research publications. The first one describes the development of the impersonal-trust construct and the scale on which to measure it. The second one serves as the final validation of the scale. The third publication focuses on the effect of HRM practices on impersonal trust, and the fourth on whether impersonal trust mediates the HRM-performance link.

2. THEORETICAL BACKGROUND

This chapter introduces the theoretical foundations of the study. The first section describes the concept of trust in an intra-organizational context. The relationship between human resource management and organizational performance is discussed in Chapter 2 from a theoretical perspective. The final section introduces three theories explaining how HRM practices and organizational performance are linked through impersonal trust.

2.1. Trust in an intra-organizational context

2.1.1. Trust within the organization

Trust is commonly defined as "a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behavior of another". (Rousseau et al., 1998) These "positive expectations" are based on perceptions about the other party and its trustworthiness, whereas the "intention to accept vulnerability" is a risk-taking act. The trusting party relies on the trusted party to do something on their behalf (without constant monitoring), for example. (cf. Dietz and Den Hartog, 2006) According to Rousseau and colleagues, there are two conditions that must exist for trust to arise: risk and interdependence. *Risk* is the probability of loss perceived by the trusting party. The connection between trust and risk comes from a reciprocal relationship in that risk creates the opportunity for trust and this consequently leads to risk taking. Another necessary condition, *interdependence*, implies that one party's interests cannot be fulfilled without reliance on the other party. Thus, trust is not a form of behavior (e.g., cooperation), nor it is a choice (e.g., taking a risk): it is "an underlying psychological condition that can cause or result from such actions". (Rousseau et al., 1998)

Organizational trust refers to the expectations individuals have from networks of organizational relationships and behaviors. Individuals in organizations form perceptions of both individual and organizational trust. Employees experience trust differently depending on who their colleagues are and in what part of the organization they are working. (Shockley-Zalabak et al., 2000) According to Gilbert and Tang (1998), organizational trust is an employee's feeling of confidence in and support for an employer: the employee believes that the employer will be straightforward and will follow through on commitments. It thus refers to the employee's faith in the organization's leaders, and the belief that its goals are attainable and that, after all, all of its actions will be beneficial to the workforce.

McCauley and Kuhnert[2] refer to two dimensions of organizational trust. Employees may trust their coworkers but distrust their superiors or top management, or correspondingly they may think that top management is competent but that their colleagues are totally untrustworthy. Thus, employee trust occurs on the lateral and vertical level. *Lateral trust* refers to trust relations among peers (or equals), in other words people who share similar work situations. The term *vertical trust*, on the other hand, refers to trust relations between employees and their immediate superiors, top management or the organization as a whole. (McCauley and Kuhnert, 1992) Interpersonal trust (both lateral and vertical) could be further divided in terms of competence, benevolence and reliability. The *competence* dimension refers to the group of skills, abilities, and characteristics that enable a party to have influence within some specific domain: people tend to trust those they believe can solve problems and deliver desired outcomes (Mayer et al., 1995; Whitener et al., 1998). The *benevolence* dimension concerns the extent to which a trusted person is believed to want to do good, in other words to act benevolently, aside from an egocentric profit motive. Trust in another party reflects the

[2] See also Fox, A. (1974). *Beyond Contract: Work, Power and Trust Relations.* London: Faber and Faber.

expectation that the said party has good intentions and demonstrates concern for the welfare of others (Mayer et al., 1995; Dirks and Ferrin, 2001). Finally, the *reliability* dimension implies that the trusted person adheres to a set of principles that the trustor finds acceptable. In other words, one can rely upon the other person's actions and words, and on his or her willingness to tell the truth and to keep promises (Mayer et al., 1995; Williams, 2001).

According to Costigan and colleagues (1998), both lateral and vertical trust reflect the interpersonal aspect, with the exception of trust in top management. For most employees the decision to trust top management is based more on the outcomes of their decisions and less on direct personal experience of their character or actions. Moreover, McCauley and Kuhnert (1992) point out that trust between employees and management is not interpersonal in nature, but is rather based on roles, rules, and structured organizational relations. Employees monitor the organizational environment in order to evaluate whether they trust management or not. If the environment encourages a high level of management trust, the employees, in turn, will reciprocate high levels of trust in management (see also Robinson, 1996; Gillespie and Dietz, 2009). Blomqvist (1997) further states that trusting a person and trusting an organization are two different things. Trust in an organization is based on the way it acts, in particular if it acts in a "trusting" way. The perception may stem from the manager's personality, or from a strongly centralized decision-making structure and organizational culture. This kind of impersonal trust is discussed in the next section.

Employee trust in an employer could also be categorized as task-oriented and relationship-oriented. *Task-oriented trust* is defined as a psychological state entailing the willingness to accept vulnerability based upon positive expectations of the intentions or behaviors of others in the task-based context. In other words, employee expectations that others can execute their assignments successfully are high. R*elationship-oriented trust, on the other hand,* implies the willingness to accept vulnerability based upon positive expectations of the intentions or behaviors of others in the relationship-based context. In other words the employee evaluates the benefits of the relationship against the willingness to accept vulnerability. (Sherwood and DePaolo, 2005) Relational issues have a stronger impact on employee trust in managers than task-focused issues: if employees feel they are treated fairly, with respect and dignity they perceive their superiors as benevolent and thus trustworthy (Bijlsma and van de Bunt, 2003).

According to Tan and Tan (see also e.g. Atkinson and Butcher, 2003; Gillespie and Dietz, 2009), trust in superiors and trust in organizations are related variables, but they also differ. An employee may trust his or her superiors but not the organization. In this case the employee and the superior may have a good working relationship and so the employee trusts the superior as a friend. On the other hand, the employee's trust in the organization may change if it does not give fair compensation or recognize the employee's contributions. Of course, the employee may trust both the superior and the organization in that the superior represents the whole organization and thus the trust is extended. *Trust in superiors* is based on their ability, benevolence and integrity, and often reflects the willingness of an employee to be vulnerable to the actions of his or her supervisor, whose behavior and actions he or she cannot control. *Trust in the organization* encompasses the whole organization's trustworthiness as perceived by the employee. (Tan and Tan, 2000)

2.1.2. The literature on impersonal trust

The impersonal dimension of organizational trust is usually referred to as institutional trust. However, 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 supervisors/managers) and impersonal trust. A distinction between institutional and impersonal trust is made, the former referring more to trust in institutions (e.g., the government or a 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 organizational trust.

As stated earlier, trust in an organization entails the evaluation of its trustworthiness as perceived by employees, i.e. confidence that it will perform actions that are beneficial or at least not detrimental to them (see e.g. Tan and Tan, 2000; Atkinson and Butcher, 2003; Maguire and Phillips, 2008). Employees may draw inferences about impersonal trust from the behavior 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 than 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 monitor the organizational environment in order to determine 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 Lane (2002), interpersonal trust contrasts with either institution-based or system trust, both of which refer to impersonal trust. The difference between these two concepts is that whereas system trust implies trust or confidence in an abstract system, the source of institution-based trust is the institution. The latter kind of trust is not dependent on interpersonal familiarity and a common history, but rather relies on formal, socially produced and legitimated structures. According to Atkinson and Butcher (2003), for example, trust in organizations is not just an interpersonal phenomenon, and also exists in an impersonal form. *Impersonal* trust is based on roles, systems and reputation, whereas *interpersonal* trust relies on interpersonal interaction between individuals within a particular relationship.

Moreover, impersonal trust entails the belief that the necessary impersonal structures are in order. This matters particularly at the beginning of the relationship when little is known about the other party. McKnight et al. identified two dimensions of impersonal trust. First, *situational normality belief* arises from the individual's perception that things are normal or customary, and that everything seems to be as it should be. Situation normality implies properly ordered settings that are likely to facilitate a successful relationship, and is also related to an individual's comfort with his/her own role and other people's roles. Roles create a shared understanding among members of the social system (e.g., organization) and facilitate trusting intentions. Secondly, *structural assurance* refers to the belief that success is likely because structures such as guarantees, regulations, promises, legal resources and other procedures are in order. (McKnight et al., 1998; McKnight et al., 2002) Costigan and colleagues argue that most employees base the decision whether or not to trust top management on the outcomes of the organizational decisions it makes, and this involves monitoring organizational processes (Costigan et al., 1998). McCauley and Kuhnert (1992) also discuss trust in top management, stating that it is usually based on decision outcomes and is determined by the fairness and efficiency of the organizational systems in place.

According to Jalava (2006), Luhmann[3] refers to system trust, defined as the assumption that the system is functioning and that the trust is focused on the function, not the people. There are no interpersonal mutual trust relations. The trust is in the system and incorporates familiarity, for example. In some cases it can replace personal trust: if someone has enough money or power he or she does not have an intense need to trust others, and simply trusts that the money or power will solve the problem (see also e.g. Sydow, 2002). According to Blomqvist (1997), system and institutional trust refer to the same thing, and may substitute interpersonal trust. It can replace the need to trust on the interpersonal level, for example, in situations in which there is no previous experience of the other party.

In sum, the literature identifies the vision, strategy, decision-making processes, roles and HRM practices of top management as sources of impersonal trust within organizations (Costigan et al., 1998; Atkinson and Butcher, 2003). Fairness in decision-making and HRM are also critical factors (Tan and Tan, 2000; Kim and Mauborgne, 2003). Moreover, predictability, situation normality and structural safety, as well as impersonal structures, affect the experience of impersonal trust (McKnight et al., 1998).

2.1.3. The structure of organizational trust

In sum, organizational trust refers to trust in co-workers and other employees (*lateral trust*), and in supervisors and management (*vertical trust*) (McCauley and Kuhnert, 1992). Lateral and vertical trust may be further categorized as trust in the other party's competence, benevolence and integrity (Mayer et al., 1995; Whitener et al., 1998; Dirks and Ferrin, 2001; Williams, 2001). The third dimension is *impersonal trust*, in other words trust in top management and in the organization as a functional structure (McCauley and Kuhnert, 1992; Atkinson and Butcher, 2003). The following figure (Figure 2) depicts the structure of organizational trust.

[3] Luhmann, N. (1979). *Trust and Power.* Chichester: John Wiley.

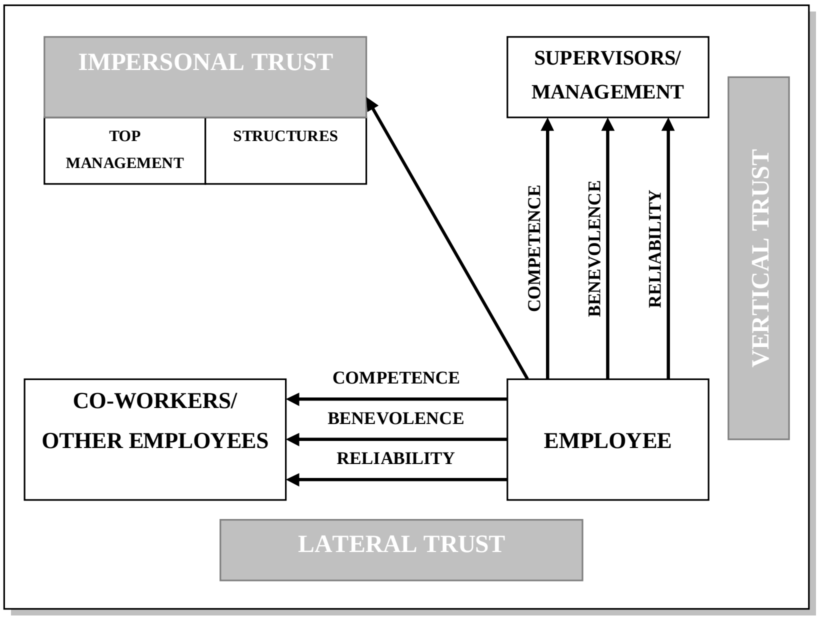

Figure 2. The structure of organizational trust: Adapted from Costigan et al., (1998)

2.2. The relationship between HRM and performance

2.2.1. Strategic Human Resource Management

Different kinds of organizations (e.g., companies, the public sector) are increasingly recognizing the potential of their personnel as a source of competitive advantage. According to Sheppeck and Militello (2000), HRM issues often dictate how organizations deal with their human resources. Thus, it can be said that in order to create competitive advantage through their employees, they should pay close attention to the practices that best leverage these assets. Consequently, there has been an increasing amount of research focusing on the impact of HRM practices in the last two decades (see e.g. Delaney and Huselid, 1996; Wright *et al.*, 2003; Becker and Huselid, 2006). There is a research stream focusing on *strategic human resource management* (SHRM). It is suggested that HRM practices have a crucial role in an organization's performance, and could thus be seen as a source of sustained competitive advantage (e.g. Delery and Doty, 1996; Becker and Huselid, 2006; Guest, 2011). The approach taken in this study is strategic, thus HRM practices are considered strategic practices. Delery and Doty (1996) define strategic HRM practices as "those that are theoretically or empirically related to overall organization performance".

There is a significant body of research in which it is argued that HRM practices can improve organizational performance as well as employee motivation and commitment, for example, and facilitate inimitable attributes in human resources that are important in the search for competitive advantage and enhanced performance (see e.g. Huselid, 1995; MacDuffie, 1995; Delaney and Huselid, 1996; Guest, 1997; Guest, Michie, Conway and Sheehan, 2003). Thus, recent attention has focused on how HRM practices affect individual employee attitudes and behaviors (Collins and Clark, 2003; Snape and Redman, 2010). For example, according to Tzafrir (2005), building and retaining organizational trust must involve HRM practices, which represent the relationships, interaction and messaging between the organization and its employees, as well as its whole philosophy. Moreover, Pathak and colleagues claim that human resources can make the difference between competitive and non-competitive firms, based on the belief that the knowledge and skills of employees are hard to imitate. This aspect of HR could be seen a soft version of HRM, which treats employees as valued assets and a source of competitive advantage by virtue of their commitment, adaptability and high-level skills. (Pathak, Budhwar, Singh and Hannas, 2005)

SHRM builds on two fundamental assertions. Firstly, an organization's human resources are of critical strategic importance in that employee skills, behaviors and interactions lay the foundation for strategy formulation and implementation. Secondly, its HRM practices are "instrumental in developing the strategic capability of its pool of human resources" (Colbert, 2004). In addition, most SHRM models assume that 1) any organizational strategy demands a certain set of behaviors and attitudes from employees, and 2) certain HRM policies produce unique responses from employees (cf. Wright *et al.*, 2001).

There are two contrasting approaches in the discussion on how HRM is linked to strategy. According to the *best-fit* perspective, organizations must adapt their HR strategy and HRM practices to other strategic elements as well as to the whole operational environment. In other words, a good HR strategy and good HRM practices are context-dependent. The *best-practice* argument, on the other hand, posits that all organizations will perform better if they identify and utilize HRM practices that have proved to be best in terms of organizing work and managing people. This universalistic perspective assumes that the linkage between HRM and performance is independent of external and internal organizational factors, and that certain HRM practices are always better than others. Moreover, all organizations should adopt such practices. Under this approach, strategic HRM practices are those that have been found (regardless of the strategy) to consistently lead to higher levels of organizational performance. (see e.g. Boxall and Purcell, 2000; Bowen and Ostroff, 2004; Colbert, 2004; Tzafrir, 2006; Boxall and Purcell, 2011)

Various HRM practices are classified as "best practices", which organizations use in order to enhance the skill and motivation levels of their employees, and to give them the opportunity to demonstrate both (see e.g. Tzafrir, 2006; Theriou and Chatzoglou, 2008; Boxall and Purcell, 2011). Efforts focus on improving the quality of current employees by providing training and development opportunities. In addition, employees should be motivated to perform their jobs effectively, which may involve incentive-driven compensation systems or employment-security provisions. They should also be involved in the decision-making, specifically in determining how the work is accomplished. Employee-participation systems and internal labor markets provide opportunities for internal advancement. Employees should also have the opportunity to express their views. It is argued that organizations that give this opportunity should see a positive impact on employees' perceptions of fairness, and on their behavioral output (Delaney and Huselid, 1996; Batt, 2002; Way, 2002). Delery and Doty (1996) identified the following seven best practices, which are referred to in the literature as strategic HRM practices: internal career opportunities, formal training systems, appraisal measures, profit sharing, employment security, voice mechanisms, and job definition.

It is suggested that an overall system or set of HRM practices, namely a HRM bundle, could provide a stronger basis than individual practice for understanding the relationship between HRM and employee performance and the firm's performance outcomes (Ferris, Hochwarter, Buckley, Harrell-Cook and Frink, 1999; Arthur and Boyles, 2007). Implicit in the notion of a bundle is the idea that practices engaged in within bundles are interrelated and internally consistent. The combination of practices into a bundle rather than a collection of individual practices shapes the pattern of interactions between and among managers and employees, as well as in the organization as a whole (MacDuffie, 1995).

HR practices, whether individual or as a set could be classified as control or commitment practices, and these represent distinct approaches to shaping employee behaviors and attitudes towards work. The aim in *the control approach* is to reduce direct labor costs and to improve efficiency by enforcing employee compliance with specified rules and procedures and basing rewards on measurable outcomes. There is thus heavy reliance on strict work rules and procedures, and output-based rewards. Employee behavior is regulated by means of rules, sanctions, rewards and monitoring. The typical practice is to monitor and reward employee behavior in accordance with its outcomes. The *commitment approach,* on the other hand, is aimed at increasing effectiveness and productivity, and relies on conditions that encourage employees to identify with organizational goals and to work hard to achieve them. The focus is on shaping desired employee behaviors and attitudes, and developing committed employees who can be trusted to use their discretion in carrying out their tasks consistently with the organization's goals. One option is to forge psychological links between organizational and employee goals. Practices that represent high commitment include sets of organization-wide HRM policies and procedures that affect employee commitment and motivation. They include selective staffing, developmental appraisal, competitive and equitable compensation, and comprehensive training and developmental activities, as well as employee involvement in managerial decisions, formal participation programs, training in group problem solving, and social activities (see e.g. Arthur, 1994; Whitener, 2001).

Gould-Williams, among others, lists employment security, selective hiring, team-working, performance-related pay, training and development, egalitarianism and information sharing as major elements of high-commitment HR practices (see also Pfeffer and Veiga, 1999; Whitener, 2001). The purpose of these practices is to achieve superior performance as they tap the discretionary effort of individual employees. High-commitment HR systems shape employee behaviors and attitudes towards the employer through the development of psychological links between organizational and employee goals. (Gould-Williams, 2003)

Traditional HRM practices and policies concentrate on improving functions such as selection, performance appraisal, and health and safety, whereas emerging practices focus on improving the flow of communication, developing special programs for maintaining procedural-justice and empowerment process, and helping employees to grow and develop within the organization. HRM policies and practices have widespread influence throughout the organization and on employees' attitudes and behaviors. For example, grievance procedures, "open-door" policies and the like reduce fear and encourage open and honest communication, and the opportunity to participate in organizational decision-making produces a culture of empowerment. Finally, providing employees with internal and external training opportunities creates a fertile ground for professional development. All of these practices affect the level of employee trust in the organization. (e.g. Tzafrir *et al.*, 2004)

High-commitment or high-involvement HRM practices refer to trust-building approaches and are designed to improve communication flow, empowerment, and procedural justice (e.g. Whitener, 2001; Gould-Williams, 2003). Batt (2002) argues that high-commitment practices enable the firm to build up firm-specific human capital, which in turn influences organizational performance both directly and indirectly. According to Batt (2002), such practices generally include three dimensions: high skill requirements, work designed so that employees have discretion and the opportunity to use their skills in collaboration with other workers, and an incentive structure that enhances motivation and commitment (see also Whitener, 2001; Gould-Williams, 2003).

2.2.2. The resource-based view of the firm

According to the resource-based view of the firm (RBV), an organization can be competitive only if its resources are unique and valuable (see e.g. Barney, 1991; Barney and Wright, 1998). The emphasis is on internal resources as a determinant of competitiveness (see e.g. Hoskisson, Hitt, Wan and Yiu, 1999). Briefly, resources include strengths such as assets, capabilities, processes, organizational attributes, and knowledge controlled by the organization that it can use to conceptualize and implement its strategies (Barney, 1991). Differences in performance across the organization can be attributed to the variance in its resources and capabilities. Resources that have certain qualities constitute the basis of competitive advantage, which in turn produces positive returns. (see e.g. Barney, 1991; Hitt, Bierman, Shimizu and Kochhar, 2001)

The RBV recognizes the potential of the organization's human assets to provide competitive advantage, and can be used to determine how these human resources can be a source of sustainable competitive advantage (Wright, McMahan and McWilliams, 1994; Barney and Wright, 1998). Thus, the resource-based view of the firm has been applied in many academic studies to enhance understanding of the role of HR in organizations, and provides an economic basis on which to examine the roles of both HRM practices and trust in sustaining competitive advantage and performance (Barney and Wright, 1998).

In accordance with the resource-based view, sustainable competitive advantage exists if the following four criteria are met (the so-called VRIN attributes): firstly, the resource must *add value* to the organization; secondly, it must be *unique or rare* among both current and potential competitors; thirdly, it must be *imperfectly imitable*; and finally, it *must not be substitutable* with another resource possessed by competing organizations (Barney, 1991; Barney and Wright, 1998). According to Wernerfelt (1984), a resource can be anything that could be considered a strength or a weakness in a given organization. More specifically, it could be defined as both a tangible and an intangible asset that is tied to the organization. Barney (1991) expands this to cover "all assets, capabilities, organizational processes, firm attributes, information, knowledge etc. controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness". He identifies three categories of resources: *physical capital* resources include things such as the organization's plant and equipment, technology and geographical location; *human capital* resources include the experience, judgment and intelligence of the individuals in the organization; and *organizational capital* resources cover the organization's structure, planning, controlling and coordinating systems, and the informal relations among groups within both the organization and other bodies (Barney, 1991; Barney and Wright, 1998; Wright and McMahan, 2011).

Rather than taking the transaction as the critical component in employment relations, the resource-based perspective encourages a shift in emphasis toward the inherent characteristics of employee skills and their relative contribution to value creation (Wright, Smart and

McMahan, 1995). This theory suggests that core employee skills (essential to the organization's competitiveness) should be developed and maintained internally, whereas skills of limited or peripheral value are candidates for outsourcing (Lepak and Snell, 1999). Thus, the resource-base view puts the emphasis on the internal resources of the organization (Hoskisson et al., 1999). Consequently, an organization's resources comprise both tangible and intangible assets that bring high returns on investment over extended periods of time (Wernerfelt, 1984). The HRM system is one such asset, and enhances organizational performance (Delaney and Huselid, 1996; Harel and Tzafrir, 1999).

Wright and colleagues define human resources as the pool of human capital that is under the organization's control and in a direct employment relationship with it. Human-resource practices, for example, are organizational activities that are carried out in order to manage the pool of human capital, and also to ensure that the use of capital furthers the achievement of organizational goals (Wright et al., 1994). Wright et al. also argue that this points to two aspects of human resources. First, the knowledge, skills and abilities of the employees make up the organization: this is based on the assumption that the individual members constitute the resource, not the practices, policies or procedures that are in use. Secondly, the aforementioned characteristics of individual employees do not provide value unless they are reflected in their behavior.

It is argued that HRM practices could not form the basis of sustainable competitive advantage merely through the application of the VRIN attributes, i.e. value, rareness, inimitability, and non-substitutability, simply because any individual practice could easily be copied by other organizations. The theory is rather that it is the pool of human capital (i.e. highly skilled and motivated employees) that has the greater potential to constitute a source of sustainable competitive advantage. (see e.g. Wright *et al.*, 1994; Wright *et al.*, 2001) Wright et al. (1994) further argue, in line with Barney (1991), that nevertheless, it is "virtually impossible for HR practices to be rare, inimitable and non-substitutable". However, in resource-based terms, HRM policies and practices employed by the organization may be valuable because they are socially complex and historically sensitive. They are socially complex in the sense that other organizations may not be able to replicate them given the diversity and depth of the linked processes embedded in them, and historically sensitive because it takes time to build high levels of trust in the organization, for example. These above-mentioned organizational features are examples of isolation mechanisms (Rumelt, 1984; Peteraf, 1993), in other words attributes of an organizational society that make replication difficult. (Barney, 1991; Wright et al., 1994; Boxall, 1996; Colbert, 2004) Thus, HRM practices per se do not function as a source of competitive advantage: it is rather from the unique organizational outcomes or "system-level characteristics" of the practices and performance that the sustainable competitive advantage stems. System-level characteristics (Colbert, 2004) are the organizational qualities that exist only in certain relationships and are organization-specific. Consequently, HRM practices could play a role in achieving sustainable competitive advantage through building up the human-capital pool and instilling attitudes and behaviors in a way that will eventually constitute an advantage (cf. Boxall and Purcell, 2000).

Boxall (1998; see also Boxall and Purcell, 2000) draws a distinction between advantage derived from human capital and organizational processes, respectively, in a framework that builds on the work of Wright and colleagues (1994) and Mueller (1996). He claims that human-capital advantage resides in employees with valuable but rare knowledge and skills, whereas organizational advantage is "a function of hard-to-imitate, highly evolved processes within the firm". Accordingly, human resource advantage, i.e. one organization's supremacy over its competitors, is a product of both.

Mueller (1996) argues that sustainable competitive advantage stems from a difficult-to-imitate organizational social architecture and not from easily imitable codified policies. Hence, outstanding organizational value is more likely to come from management processes that, over time, encourage skill formation and powerful forms of cooperation in-house. Many forms of competitive advantage depend on equal interests, or so-called interest alignment between the organization and its employees. (Mueller, 1996; Gottschalg and Zollo, 2007) In other words, organizations need process advantages in order to realize their potential to achieve competitive advantage through the human-capital pool. This kind of advantage is based on historically evolved and complex processes (e.g., high levels of trust and cooperation between the employer organization and employees) that are very difficult to imitate. (Wright et al., 1994; Gould-Williams, 2003; Boxall and Purcell, 2011) Thus, sustainable competitive advantage gained through human-capital resources is a product not only of talented people employed by an organization, but also of an exceptional working environment, or as Boxall and Purcell (2011) state, the “quality of its collective working environment”. Consequently, in order to achieve sustainable competitive advantage through employees management should concentrate on resources and processes that facilitate high mutuality, and invest in employee and team development alike. It is not only a matter of adopting certain HRM practices, but is also a systemic question. (Boxall, 1998; Boxall and Purcell, 2000)

HRM practices have various organizational consequences, both tangible and intangible (i.e. procedural justice, improved communication, and employee development). Employee and management development and empowerment are processes that create an atmosphere in which talents and abilities are celebrated and encouraged. Clear, honest, and open communication, together with procedural justice, reduce apprehension among organizational members, thereby creating, promoting and enhancing a culture of trust that is unique and inimitable. Moreover, it cannot be easily transferred to other organizations in that it is a product of historical development and is costly to imitate. Thus, a culture of trust could create sustained competitive advantage (Barney, 1986, 1991; Barney and Hansen, 1994).

A well-functioning internal organization, including good HR management (Barney and Wright, 1998) and high levels of trust (Barney, 1986), is seen as a strategic issue and a critically important source of competitiveness. Organizational trust is an attribute that has value to the organization, is rare, and is hard to imitate or replace, and could thus be a source of sustainable competitive advantage (Barney and Hansen, 1994). How, then, does it qualify as such a source based on the VRIN attributes? Firstly, it *adds value* to the organization: if there is a high level of trust between the organization and its members it will perform better than a low-trust organization. Secondly, in-house organizational trust is *unique* in a way in that it is based on social complexity (see above) as well as historical sensitivity, and takes time to achieve. Thirdly, it could be considered *imperfectly imitable* given the social complexity and historical sensitivity. Trust between an organization and its membership evolves over time and cannot be copied to another organization. Impersonal organizational trust in particular cannot be copied through the hiring of some key persons from the organization, for example. Finally, organizational trust *is not substitutable*, thus if the organization and its management could demonstrate the type of managerial decisions that create such trust through its HRM strategies and practices it could generate sustainable competitive advantage. In other words, organizational trust is a valuable intangible asset. (see e.g. Barney, 1991; Gould-Williams, 2003; Tzafrir, 2005; Boxall and Purcell, 2011)

2.3. Theories explaining the HRM-trust-performance linkage

2.3.1. Social Exchange Theory

Organizations are forums for exchange at multiple levels. An individual employee is involved in at least three kinds of social-exchange relationships within the organization, firstly with colleagues, secondly with his/her immediate supervisor or manager, and finally with the employer organization. (Masterson, Lewis, Goldman and Taylor, 2000; Zhang *et al.*, 2008) Hence, social exchange theory (SET) is considered an applicable theoretical model for explaining the employment relationship (see e.g. Coyle-Shapiro and Conway, 2004; Cropanzano and Mitchell, 2005).

SET posits that an exchange relationship develops between two parties (e.g., an employee and an employer organization or its representative) if one party provides benefit to the other. Inherent in this is an obligation to respond by providing something beneficial in return (see e.g. Farndale, Van Ruiten, Kelliher and Hope-Hailey, 2011). Known as *the norm of reciprocity*[4], it is a basic tenet of the theory and implies that an individual should help and should not injure those who have helped him/her. The implication is that if an individual receives benefits from others he or she also has an obligation to them, which is fulfilled by giving benefits in return. It is usually in the individual's interest to maintain a balance between inputs and outputs and to stay out of debt in their exchanges (e.g. Cropanzano and Mitchell, 2005; Parzefall, 2006). In an employment relationship social exchange may stem from employee perceptions of fair treatment in the organization. This perception of goodwill

[4] Originally presented by Gouldner, H. P. (1960). Dimensions of organizational commitment. *Administrative Science Quarterly*, 4, 468-490.

on the part of the employer engenders an obligation in the employees to reciprocate in a way that is beneficial for the organization. (Aryee *et al.*, 2002) In other words, if the employer demonstrates to its employees that they are cared for, valued and supported, then the employees will be expected to demonstrate effort and loyalty in return - particularly if the employer's actions are seen to extend beyond the normal employment contract. Caring, valuing and supporting could be demonstrated through the employer organization's HRM policies and practices, for example. The attitudinal and behavioral outcomes (e.g., trust) of the reciprocity could lead to improvements in various kinds of performance metrics.

According to many authors (see e.g. Whitener *et al.*, 1998; Parzefall, 2006; Snape and Redman, 2010), social exchange theory owes much to the work of Blau[5], who distinguishes between two types of relationships: economic and social exchange. Unlike formal-contract-based economic exchange, social exchange involves unspecified obligations, and the norm of reciprocity plays an important role in the process. One party has to trust the other to discharge future obligations (i.e. to reciprocate) in the initial stages of the exchange, and it is the regular discharge of obligations that promotes trust in the relationship. The underlying rationale is that *remaining obligated for a period of time to another party* and *trusting that the obligations will be discharged* serve to strengthen the social exchange. The process takes time to develop, beginning with minor transactions in which little trust is required. If the recipient reciprocates at this stage, it is a demonstration of trustworthiness and facilitates the ongoing conferring of benefits and discharging of obligations. Consequently, the norm of reciprocity and the importance of trusting the exchange partner to reciprocate distinguish social exchange from economic exchange. Thus, social exchange is characterized by investment in the relationship that carries an inherent risk of non-repayment (Parzefall, 2006; Snape and Redman, 2010).

Another difference between economic and social exchange is in the time orientation of the relationship. Economic exchanges are time-limited, whereas social-exchange relationships have a long-term orientation and the exchange is ongoing and indefinite. The long-term horizon is necessary for the development of trust and a pattern of predictability between the giving and receiving of benefits between the exchange partners. The key elements that

[5] Blau, P. M. (1964). *Exchange and Power in Social Life*. New York: John Wiley & Sons.

distinguish social exchange from economic exchange are the unspecified obligations, the norm of reciprocity, trust, and the long-term horizon of the relationship. (Cropanzano and Mitchell, 2005; Parzefall, 2006)

Trust is identified as an outcome of favorable social exchange (e.g. Konovsky and Pugh, 1994; Aryee *et al.*, 2002; Cropanzano and Mitchell, 2005), and according to Whitener and colleagues, many of the theories are grounded in social exchange theory and the assumption that trust emerges through the repeated exchange of benefits between two parties (Whitener et al., 1998). As discussed above, social exchange is based on the norm of reciprocity, which dictates that we help and not harm those who help us. This norm establishes the expectation that recognition, empowerment, investment in human assets, and other favors will be returned. If we perceive that the other party is acting in a way that implies that they trust us, we are more disposed to reciprocate by trusting them more. On the other hand, we show distrust towards those whose actions appear to breach our trust, or who show distrust towards us. Thus trust and reciprocity are closely related. An act that shows trust can trigger “a beneficial cycle of increasing trust and reciprocation”. (Pillutla, Malhotra and Murnighan, 2003) In sum, the dynamics of the exchange between parties in the interaction and the need for all sides to rely on the goodwill and obligation of others may create an uncertainty reaction (especially at the beginning of an exchange), and thus providing benefits is a voluntary action (Tzafrir, 2005). Social exchange emphasizes relationship development over time (e.g. Cropanzano and Mitchell, 2005), and implies that a successful exchange circle involves trust and uncertainty. For example, organizations that attempt to empower lower-level employees in order to enhance performance might run risks and create uncertainty in connection with the employees’ reaction to such initiatives. In an effort to identify the most efficient way of organizing employment firms, by and large, either rely upon the market to govern a transaction (i.e. the economic approach), or they govern this process internally (the psychological approach). Organizations desire to create an atmosphere in which managers and employees are willing to interact, and to promote situations in which trust is the glue that binds them together. Social-exchange behavior generates the expectation of some future return in terms of the joint improvement and positive contribution to the relationship. (Whitener et al., 1998; Tzafrir et al., 2004; Tzafrir, 2005)

2.3.2. Organizational Support Theory

Social exchange theory was initially used to explain the motivation behind the reciprocation of attitudes and behavior between individuals and the way that pairs of individuals build their relationship by trading favors and minimizing tension. Relationships between employees and employer organizations also appear to have the same kind of characteristics (cf. Snape and Redman, 2010). Employees have a tendency to personify the organization and thus the notions of social exchange and reciprocity applies to the relationship between the two. According to Levinson, employees personify the employer organization and identify with it through “unconsciously bringing past attitudes, impulses, wishes and expectations to organizations and institutions just as it occurs with individuals”. Consequently, “people project upon organizations human qualities and then relate them as if the organization did in fact have human qualities” (Levinson, 1965).

Eisenberger and colleagues have expanded social exchange theory, and propose that, combined with the norm of reciprocity it could be used to explain the relationship between the organization and its members. As they argue, “employees see themselves as having a relationship with their employer that is parallel to the relationship individuals build with each other” (Eisenberger, Huntington, Hutchhison and Sowa, 1986). Employees see the employer organization as a source of socio-emotional resources such as respect and caring, and tangible benefits such as wages and medical insurance. The fact that employees feel they are valued highly by the organization helps to fulfill their needs for approval and respect, for example, and provides an indication that increased effort will be noted and rewarded. They therefore take an active interest in finding out if they are valued and respected by their employer. This is based the assumption that in order to meet their socio-emotional needs and assess the benefits of increased work effort, they form a general perception concerning the extent to which the organization values their contributions and cares about their well-being. (Eisenberger et al., 1986; Rhoades and Eisenberger, 2002) It is argued that if an organization treats its employees well and values their efforts it can expect them to devote greater effort focused on goal achievement (Wayne, Shore and Liden, 1997), and that employees match their attitudes toward the organization with their perceptions of how they are treated (Eisenberger, Fasolo and Davis-LaMastro, 1990; Rhoades and Eisenberger, 2002).

Applying social exchange theory to the relationship between the organization and its employees reveals how positive and beneficial organizational actions directed towards employees contribute to the establishment of high-quality exchange relationships., which in turn creates obligations for employees to reciprocate in a positive and beneficial way (Whitener, 2001; Farndale et al., 2011). Organizational support theory (OST) adopts the relational perspective, which relies on social exchange theory and the norm of reciprocity. It is based on the notion that employees form global beliefs about the extent to which their employer organization values their contribution and cares about their wellbeing. (Eisenberger et al., 1986) This elicits a feeling of obligation to care about the organization's welfare and to help it to reach its objectives. Employees could reduce this indebtedness through greater affective commitment to the organization and the exertion of greater effort on its behalf. For example, if they feel that the employer is committed to them, they reciprocate with their commitment to the employer. (Eisenberger, Armeli, Rexwinkel, Lynch and Rhoades, 2001) According to OST, employees interpret organizational polices, practices and treatment (e.g., HRM practices) as indicators of support and commitment (Eisenberger et al., 1990; Whitener, 2006). Thus, OST applies the notions of exchange and reciprocity to the relationship between employees and personified organizations. Employees' attitudes toward the organization are affected by the extent to which they perceive they have received beneficial and favorable treatment (i.e. their perceptions of organizational support). Moreover, their trust in the organization and its leadership is rooted in the fairness and support they perceive in organization-wide practices and procedures (e.g., HRM practices). (Whitener, 2001, 2006)

OST has produced strong evidence of this reciprocal relationship (Eisenberger et al., 2001) in which employees reciprocate organizational actions through commitment and trust, for example. There is much empirical work supporting the theory. For example, it has been found to bind together HRM practices, organizational fairness, and particularly trust in the employer organization, which seems to stem from the fairness and support of its HRM policies and practices as perceived by employees (see e.g. Wayne *et al.*, 1997; Rhoades, Eisenberger and Armeli, 2001; Whitener, 2001; Albrecht and Travaglione, 2003; Allen, Shore and Griffeth, 2003). According to Whitener (2006) in particular, perceptions of organizational support and fairness, and equity of outcomes and procedures, affect employee trust in the organization.

2.3.3. Relational Signaling Theory

Relational signaling theory (RST) links individual employees' actions to the prevailing organizational conditions (Six, 2007; Six and Sorge, 2008). As Six and Sorge (2008) note, Wittek[6] defines relational signals as "behavioural clues that allow us to make inferences about other people's interest in maintaining a mutually rewarding social relationship with us".

Many authors argue that relational signals have a trust-building role in interpersonal relationships (Kramer, 1999; Lawler, Thye and Yoon, 2000; Bottom, Gibson, Daniels and Murnighan, 2002; Pillutla *et al.*, 2003; Weber, Malhotra and Murnighan, 2005). According to Six and Sorge (2008), the trustor evaluates the signals sent by the trustee. The trustor first checks that the behavior of the trustee demonstrates the competence to perform as expected, and then looks for signs indicating whether or not the trustee has the interest to maintain the relationship in the future. (Lindenberg, 2000; Six, 2007; Six and Sorge, 2008) On the interpersonal level, a positive relational signal is any kind of behavior by a party that makes another party sure that maintaining the mutually rewarding relationship is wanted (Six, 2007; Six and Sorge, 2008). Consequently, the consistent exchange of positive relational signals has a positive effect in terms of enhancing commitment and trust (Lawler et al., 2000).

This argument could be extended to the organizational level in that the employer organization sends relational signals to employees through its HRM policies and practices. According to Lindenberg, in companies in which relations are important, governance structures function mainly through clear relational signals from employer to employees concerning salaries, recruitment and generally fair rules. Moreover, the smooth functioning of an organization is related to the relational signals it sends as an employer (Lindenberg, 2000). It is through these signals that it sends messages about the values and mutual expectations that employer organizations and individual employees should share on the relationship level.

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[6] Wittek, R. P. M. (1999). *Interdependence and Informal Control in Organization.* Groeningen: University of Groeningen.

A relational signal in a relationship between an employee and an employer includes behavior that assures the recipient that relational norms are being followed and that there is no fear of opportunism. Such norms in an employment relationship include reciprocity, fairness and equity. (Mühlau and Lindenberg, 2003) It could thus be argued that employees perceive HRM policies and practices and interpret the employer's intentions behind them, as well as the promises and obligations implied in them. These signals are indicative of the employer organization's commitment to and trust in its employees (Six, 2007; Six and Sorge, 2008). In other words, perceived HRM practices and policies signal to employees the trustworthiness of their employer organization and its willingness to trust its workforce (Whitener, 1997; Aryee et al., 2002). The notable point behind this logic is that the aforementioned signals sent through HRM practices and policies come from the employer organization. HRM is generally an organization-level construct, thus its practices presumably represent the employer organization as a whole rather than a certain set of people or department within it (e.g., managers or the HR department), or any individual (e.g., one's own supervisor). Hence, the practices and policies represent the whole employer organization's values and interests.

2.3.4. How HRM works through impersonal trust

Impersonal trust in the organization is based on the outcomes of organizational decisions, for example. Thus, any investigation of trusting behavior in the employment relationship must involve the human-resource-management system. This system represents the relationship between the employer organization and the individual employee as well as the organization's philosophy. The effective management of employment relationships requires consideration of the underlying processes they involve rather than a focus only on HRM practices as such (Boxall and Purcell, 2011). The above discussion brings in an understanding of how HRM management and organizational promises and behavior affect employees' perceptions of trust in the organization over time. The argument is that employees who perceive that the employer organization supports and values them in its HRM practices respond with increased trust and extra effort. Consequently, employee perceptions about organizational trust are critical in linking HRM to company performance. It is argued that employees base their perceptions of trust on their interpretations of the actions the employer organization takes and the policies and practices in which it engages, which include HRM policies and practices. They thus decide whether to trust the organization or not. (Eisenberger et al., 1990; Whitener, 2001; Rhoades and Eisenberger, 2002; Blundsdon and Reed, 2003; Gould-Williams, 2003; Zhang et al., 2008) It has been reported in empirical studies that employees' trust in their organization is an outcome of their perceptions of organizational support (Whitener, 2001), and of the fairness and equity of the processes and practices (Konovsky and Pugh, 1994; Dirks and Ferrin, 2002).

In general, HRM policies and practices could be considered input into the social-exchange process. An organization's HRM practices are signals of its concern about its employees, and demonstrate its long-term commitment to them, its willingness to invest in them, and its concern about their wellbeing (see e.g. Bowen and Ostroff, 2004; Snape and Redman, 2010). Employees' perceptions about the HRM practices are likely to influence the decision of whether to trust the organization or not. From an SET perspective, it could be argued that the employee reciprocates supportive treatment, and one form of reciprocation is increased trust in the organization. It is suggested that individual employees interpret organizational actions (e.g., HRM practices) as indications of commitment and respect (see e.g. Whitener, 2001), and reciprocate their perceptions accordingly through their trust.

Employees interpret the intentions behind the various HRM practices at their workplace and the benefits to be accrued from them, and reciprocate in kind (cf. Aryee et al., 2002). In other words, they evaluate the capability and fairness of their employer in a way that is largely determined by the HRM practices. On the basis of these perceptions they decide to take the risk to engage in extra effort (which might go unrewarded), and to continue to work for the employer even if they have other options. Alternatively, they may feel that their employer's HRM practices do little to inspire confidence or promote reciprocity, or that the perceived implicit promises and obligations are not being met or are not being implemented as expected. As a result, if the employer organization breaks some basic rules related to work relationships, concerning good faith and fair dealing for example, there is a decline in trust. If it reneges on its promises, the employees question its integrity. Moreover, the loss of trust may lead to a loss of motivation because any violation signals that the employer's original objective to build and maintain a mutually beneficial relationship has changed or was false from the beginning. (see e.g. Robinson and Rousseau, 1994; Pillutla *et al.*, 2003)

If the employer demonstrates benevolence and support for its employees through its HRM policies and practices, especially if perceived to be beyond the normal scope of the employment contract and general competence, employees will be expected to demonstrate proactive effort and greater commitment and loyalty in response (Wayne et al., 1997). This, in turn, should cause effective work performance, in line with standard "black box" models of HRM (e.g. Boselie *et al.*, 2005; Boxall and Purcell, 2011). Thus, if HRM is designed to create a norm of reciprocity or "exchange paradigm" (Whitener, 1997, 2001) that is mutually beneficial, and if it is successfully realized, the result should be employee trust in the employer, and eventually through trust to better performance on behalf of the organization.

3. EMPIRICAL STUDY

The focus in this chapter is on the chosen research strategy and methods, and the data collection and analysis. In addition, the development of the scale measuring impersonal trust is briefly described, and some methodological issues concerning performance and HRM are discussed.

3.1. Research strategy and methods

A quantitative approach was adopted in the study. It was considered the most appropriate in order to facilitate the development of knowledge through valid and reliable measurement methods, and because of the wider generalization and diffusion of the produced knowledge and the more rigorous theory testing. The development and verification or falsification of theories is dependent on hypothesis testing, which again is dependent on the solid measurement of constructs. (see e.g. Churchill, 1979; Bacharach, 1989; Churchill, 1992; Currall and Inkpen, 2006) However, for the purpose of the scale development the focus-group approach was used, as well as an expert panel.

Causality

The aim in the study is to discuss and empirically assess a) the effects of HRM practices on impersonal trust and b) the effects of impersonal trust on the organization’s performance. Thus, it purports to assess the causal relationships involved. Methodological and philosophical literature defines certain conditions for causal relationships (see e.g. Hair, Black, Rabin, Anderson and Tatham, 2006; Kuorikoski, 2006), which include:

- Covariance between the variables in the relationship
- The independent variable must occur before the dependent variable
- The covariance in not due to an external factor
- A causal relationship has to have a theoretical foundation.

Strictly speaking, the research setting does not allow the making of causal inferences, in other words first observing the effect and then finding a cause, thereby preventing the fulfillment of the time-order condition (Hair et al., 2006; Metsämuuronen, 2006). A survey approach was adopted, with cross-sectional data, but even though the cause (HRM practices and impersonal trust) and the consequences (impersonal trust and the organization's performance) were measured, the study still fails to fulfill the time-order condition. However, this could be remedied by the addition of alternative causes (i.e. if this does not eliminate the relationship between the cause and the effect, then the causal inference is stronger), or by building a strong theoretical basis for the hypothesized causal relationships (see e.g. Hair *et al.*, 2006; Kuorikoski, 2006; Jokivuori and Hietala, 2007). It could also be argued that, although evaluation of HRM practices and other variables is simultaneous, an individual employee's perception develops over time and is path-dependent. Thus it is a perception that is made now, but it represents the past.

3.2. Data collection

The empirical part of the study is based on three surveys carried out in Finnish organizations. The data collection took place in two phases. The data gathered in the first phase was used in the development of the impersonal-trust construct and scale, whereas that collected in the second phase was used for the validation of the final scale, and for studying the relationships between HRM practices, organizational trust and the organization's performance.

3.2.1. Datasets

The first set of data was collected in 2007 from 166 respondents (representing a 46.6 per cent response rate) from different organizational backgrounds. An Internet questionnaire was used to collect this empirical data (see Appendix I). The respondents comprised a heterogeneous group, and included working adult students. They were not randomly selected, but the questionnaire was sent to all current and former students on the Master's program[7].

[7] Digital media and Knowledge Management Programme in Lappeenranta University of Technology.

During the second phase, which took place in 2008, data were collected from 715 respondents working in two companies operating in forestry and ICT (see Appendix II). The data from the forestry company, a large organization operating in Finland, was gathered from a sample of blue-collar workers and was collected in August-September 2008. Company representatives randomly distributed a total of 700 questionnaires, with a covering letter, among the firm's 1,400 employees. Of the questionnaires returned from eight units within two of the firm's mills, 411 were useable (a 58.7% response rate). The units concerned were engaged in paper and pulp production, and maintenance services, for example. Most of the respondents were men, most had long tenure in the firm, and most had no tertiary education. It was assumed on the basis of discussions with the company representatives and information in the annual reports that the sample demographics were representative of the whole workforce.

The data from the ICT industry comprised a sample of white-collar employees of a large ICT company in Finland, and was collected in May-June 2008 from 17 units within three R&D centers. The units were engaged in activities such as software engineering and hardware planning. A covering letter including a personal link to the questionnaire was sent to 1,384 potential respondents via email. A total of 304 completed questionnaires were received, representing a 22-percent response rate. The majority, again, were men, but the respondents were notably younger and better educated than the forestry workers, and had had much shorter careers with their current employer. Again, according to the company representatives and information in the annual report, the sample was representative of the workforce as a whole.

3.2.2. Measures

The study followed Churchill's (1979; 1992) recommendation to adopt and adapt measures used and validated in other studies. The aim was to contribute to the emerging theoretical discussion on trust and the strategic-HRM research stream at the same time, given that the constructs are comparable across studies. The challenge was to find appropriate measures from the literature, adapt them to the empirical and contextual settings, and to facilitate subsequent construct-validity assessment. Most of the measures were adapted from those used in previous empirical studies (see Table 1). However, there was no comprehensive and reliable scale on which to measure impersonal trust, therefore the scale used was developed as part of the study. The development process is discussed below.

Table 1. Scales used in the study

Concept	*Previously used by*
Individual performance	Robinson (1996)
Unit-level performance	Dvir and Shenhar (1992)
Organization-level performance	Delaney and Huselid (1996)
Interpersonal trust	Mayer *et al*. (1995; 1999)
Impersonal trust	Developed in this study
Commitment	Cook and Wall (1980)
Job satisfaction	Cook *et al.* (1981)
HRM practices	Delery and Dorty (1996)

The items were further modified with the assistance of the company representatives in order to make the questionnaire items more understandable and the wording more relevant to the company context (i.e. to speak the same language, so to say). The questionnaires were translated in Finnish in accordance with the strict rules governing the process of translation and back-translation in scientific research. In order to reduce measurement error each concept under study was operationalized by means of multi-item measures of variables (cf. Churchill, 1979, 1992; Malhotra and Grover, 1998). The response format for all the concepts and items except organization-level performance was a five-point Likert scale ranging from “I totally disagree” to “I totally agree”. A neutral alternative, “I neither disagree nor agree”, was adopted in order to reduce uninformed response and to assure the respondents that they need not feel compelled to answer every item. Organization-level performance was measured on a scale ranging from “1 = very poor to 5 = very good”. Please see the relevant publications for the specific scales and the wording of the items, and for the model fit and the reliability statistics.

Methodological issues

The organization's performance is assessed in accordance with the perceptions of individual employees, hence the use of subjective performance measures. There were two reasons for this. Firstly, the two companies were reluctant to share objective performance data, and secondly, the aim was to ensure comparability between different kinds of organizational unit and organization. Subjective measures assess an individual's (i.e. a member of the organization) estimation of the organization's performance (Reichel and Mayrhofer, 2006). According to Delaney and Huselid, perceptual data may introduce limitations through increased measurement error and potential mono-method bias. However, it has been found that measures of perceived performance correlate positively with objective measures (see e.g. Robinson and Pearce, 1988; Delaney and Huselid, 1996; Ruiz-Moreno, García-Morales and Llorens-Montes, 2008). According to Reichel and Mayrhofer (2006), there are cases (as in this study) in which there is no viable alternative to subjective data: there may be no appropriate financial record, or the financial-performance data might be on a level that is not compatible with the level of analysis. According to Wall and colleagues (2004), approximately half of the studies concerning the relationship between HRM and performance use subjective measures (see e.g. Delaney and Huselid, 1996; Youndt *et al.*, 1996; Wright *et al.*, 1999).

In this study performance is evaluated in three levels, those of the individual, the unit, and the organization, in terms of the individual employee's subjective perceptions. On the individual level the respondents evaluated their own performance (Robinson, 1996), on the unit level their unit's performance (Dvir and Shenhar, 1992), and on the organizational level the performance of the whole organization in comparison with other successful organizations (Delaney and Huselid, 1996). One item on the individual level ("I am satisfied with my work performance in comparison with employees who do the same kind of job") was created by the researcher and added to make the scale more reliable. The suitability of the measures, especially on the organizational level, was checked with the company representatives: the extensive internal communication practices helped the respondents to make comparisons with other firms, for example.

Another methodological issue under debate concerns the suitability of informants in HRM studies. It has been suggested that, particularly in the context of large organizations, managers are not reliable, and that information should be sought from those who are actually experiencing the practices, i.e. employees (Gerhart, Wright and McMahan, 2000; Guest, 2011). Employees are not influenced exclusively by formal HRM policies and practices. Moreover, it is the reality of what they perceive and experience on a daily basis that matters. As discussed above, the signals coming through HRM policies and practices perceived by employees are a critical factor in the HRM-performance relationship. Employees may have perceptions of the organization's HRM practices that run contrary to their purpose. Moreover, individual employees may attribute different purposes to what is seemingly the same practice. Different attributions and perceptions are thus connected to different levels of outcomes (e.g., trust). Consequently, variation reinforces the need to study employee experiences of HRM policies and practices, instead of relying on management reports. (cf. Whitener, 2001; Nishii, Lepak and Schneider, 2008; Boxall and Purcell, 2011) Thus, the informants in this study of HRM practices were employees.

3.2.3. Bias and validity

Given the data-collection methods used (the questionnaires were disseminated by the company representatives and they were returned within a single time period), assessment of non-response bias was not possible in the forestry-industry sample. An analysis of variance (ANOVA) was carried out on the other two samples in order to confirm the absence of such bias. It was assumed that those who were among the last to respond most closely resembled non-respondents (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 considered a problem in this study.

The data relied on self-report measures, and therefore common method variance might have biased the findings. Harman's one-factor test (Podsakoff, MacKenzie, Lee and Podsakoff, 2003) was used for the analyses reported in Publications 3 and 4 covering the samples from the forestry and ICT industries in order to assess the risk. A principal component analysis incorporating all the items from all of the constructs was therefore conducted. The solution was investigated in order to determine the number of factors that were needed to account for the variance in all of the items: the largest factor accounted for 30.6 and 29.4 percent of the variance in the forestry company and the ICT company, respectively. Thus, bias related to common method variance did not seem to be a problem.

With regard to Publication 4, the method recommended by Anderson and Gerbing (1988) was used assess discriminant validity, and two models for each possible pair of constructs were compared. The constructs were allowed to correlate freely in the first model, and were fixed as equal to one in the second. All the chi-square difference tests were significant, indicating that all the construct pairs correlated at less than one. Thus, there was evidence of discriminant validity.

3.3. The development of the impersonal-trust scale

Figure 3 charts the development and implementation of the scale, as reported in more detail in Publication 1. Phase 1 comprised a literature review and focus-group sessions, the aim of which was to identify the previous research on impersonal trust and its measurement, as well as to find the components that constituted the domain. The focus groups were used in order to further understanding of how employees perceive the impersonal element of organizational trust (cf. Shockley-Zalabak *et al.*, 2000; Connell, Ferres and Travaglione, 2003). The four focus groups comprised employees from eight different organizations and different positions in the ICT, forest and transport industries, as well as the public sector. Each group contained people in the same kind of organizational position. A total of 22 employees participated, including five planning staff, six experts, six managers, and five people engaged in HR development. The participants were first asked to discuss the following: “What kind of trust exists in your organization, and in organizations in general?” It should be noted that the issue of impersonal trust came up naturally (without the moderator’s probing) in all of the groups. Once it had been raised the participants were asked to discuss the following question in more detail: “What are the objects of impersonal trust in organizations?” The focus-group data were subjected to content analysis, from where the components of the data on impersonal trust were extracted. Atlas.ti software was used for the analysis of the empirical data.

Phase two focused on item development as well as content-validity assessment. Before the scale was constructed an extensive review of published measures dealing with impersonal organizational trust and other related aspects was carried out. About half of the items comprising the original version of the scale were drawn from the early studies, the other half being generated by the researchers based on the model of impersonal trust. The item pool was further refined by a group of PhD students and their supervisors. The questionnaire was then pre-tested on a group of PhD students, which led to the removal of about half of the items. The wording of some of them was also refined. As part of this phase an expert panel comprising people who were capable of understanding the construct of impersonal trust was used to evaluate the items generated (see e.g. Churchill, 1979; Hinkin, 1998; DeVellis, 2003). The panel consisted of seven members, five people with PhDs and two PhD students. The instructions and a list of items (in Finnish) were sent by e-mail to the members, who individually assigned each item to one of the eleven components. There was also the option of putting the item in a “no class” category. The items were listed in random order on the Excel sheet and the panelists were instructed to assign each item to only one component.

In phase three, exploratory, principal-component factor analysis (PCA) was used for the purpose of item reduction, the objective being to cull items that did not load on the appropriate component of the dimensions of impersonal trust. A further confirmatory factor analysis was carried out in order to test the dimensionality of the scales.

Finally, in phase four both the reliability and the construct validity were assessed by means of confirmatory factor analysis. Item reliability was evaluated in terms of the path coefficients and squared correlations. Cronbach’s alpha and composite (or construct) reliability were used to assess the reliability of each latent component. In addition, a measure of average variance extracted was used. Construct validity was evaluated by means of convergent and discriminant analysis.

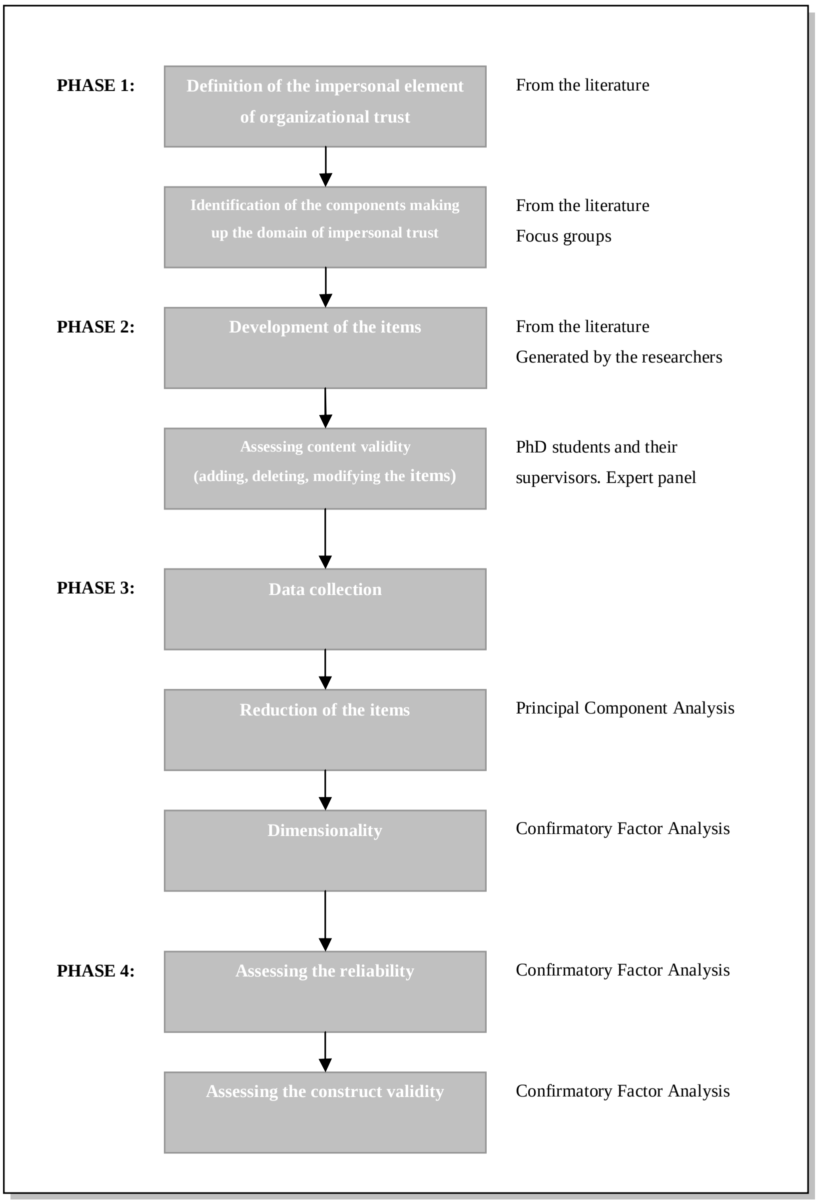

Figure 3. The scale-development process

The final validation of the scale is added in Publication 2. It became clear in the final stage that the concept of impersonal trust was different from that of interpersonal trust (i.e. the scale had discriminant validity). Its nomological validity was also assessed (i.e. are there theoretically supported relationships between impersonal trust and its outcomes in terms of individual employees' job satisfaction and commitment). Finally, it was confirmed that the scale was generalizable. In terms of cross-validation (see e.g. Hair *et al.*, 2006), a multi-group confirmatory factor analysis was conducted in order to assess generalizability, in other words measurement invariance between two samples. The measurement invariance across the two data subsets was examined in order to ensure that the respondents from both groups had interpreted the scale items in the same way. This involved the cross-validation of the impersonal-trust scale with groups of respondents, in this case companies from two different industries and different kinds of respondents (blue-collar vs. white-collar workers).

3.4. Analyses

The data was analyzed by means of factor analysis and Structural Equation Modeling (SEM). SPSS and LISREL software was used. Several different statistical analyses and tests were conducted. In general, the measures reported in each publication were first formed and validated by means of confirmatory factor analysis, and then SEM was used in order to test the hypotheses. The cases were processed through LISREL 8.50, and PRELIS 2.50 was used to compute the covariance matrix. Maximum likelihood estimation was applied.

Confirmatory factor analysis (CFA) and computer programs such as LISREL constitute a technique for assessing the quality of the factor structure by statistically testing the significance of the overall model and item loadings on the factors. CFA affords a stricter interpretation of unidimensionality than exploratory factor analysis. It can also provide a statistical criterion for evaluating how well the real data fit the specified model, and is useful for testing alternative models and comparing how well they fit the data (see e.g. Hinkin, 1998; DeVellis, 2003; Hair *et al.*, 2006). CFA has advantages over traditional methods of scale validation in the testing of a priori hypotheses[8]. For example, it 1) provides explicit measures with which to assess construct validity and to correct for unreliability that could contaminate theoretical relations, and 2) explicitly presents the extent of the measurement error. CFA goes

[8] A hypothesis that is generated before the study or experiment and is not based upon experimental data.

beyond traditional validation methods in explicitly assessing theoretical concepts, non-observational hypotheses, and errors. (Smith, Milberg and Burke, 1996)

As mentioned above, the aim of this study is to investigate and empirically assess the causal relationships between different concepts (i.e. HRM practices, organizational trust and the organization's performance). According to many authors (see e.g. Nummenmaa, 2004; Hair *et al.*, 2006; Metsämuuronen, 2006), SEM can provide evidence of systematic co-variation and helps to demonstrate that a relationship is not spurious. It is also helpful in establishing causal interference, but it cannot do it alone. It is always up to the researcher to find theoretical support for causal relationships. It should be emphasized that SEM is a confirmatory method guided by theory more than empirical results. Had the researcher used other multivariate techniques he may have been able to specify the basic model and allow default values in the statistical programs to "fill in" the remaining estimation issues. This option of using default values is not possible with SEM.

3.5. A summary of the analyses

The following table summarizes the analyses conducted in terms of the numbers of respondents, the variables, and the statistical methods used for each publication. Detailed descriptions of the empirical analyses including the measure constructs, the descriptive statistics and the methods used are given in the corresponding publications in Part II of this dissertation. The wording of the questionnaire items as well as the model fit and reliability statistics are given in the publications.

Table 2. A summary of the empirical analyses

	Publication 1	***Publication 2***	***Publication 3***	***Publication 4***
Title	*Impersonal trust - the development of the construct and the scale*	*Validation of the Impersonal Trust Scale*	*The effect of HRM practices on impersonal organizational trust*	*HRM, impersonal trust and performance*
Main objective	To conceptualize and clarify the impersonal element of organizational trust and develop a scale on which to measure it.	Final validation of the scale.	To examine the effects of various HRM practices on impersonal trust.	To explore the mediating role of impersonal trust between HRM and performance
Data	Former and current students on the Master's program from different organizational backgrounds.	Forestry company (blue-collar workers) ICT company (white-collar workers)	Forestry company (blue-collar workers) ICT company (white-collar workers)	Forestry company (blue-collar workers) ICT company (white-collar workers)
N (response rate)	166 (46.6%)	411 (58.7%) 304 (22%)	715 (34.3%)[b]	411 (58.7%) 304 (22%)
Dependent variable	[a]	[a]	Impersonal trust	Individual, unit-level and organization-level performance
Independent variable	[a]	[a]	Individual HRM practices	HRM practices as a system
Mediating variable	[a]	[a]	-	Impersonal trust
Statistical analysis method	Principal component analysis Confirmatory factor analysis	Confirmatory factor analysis Multi-group confirmatory factor analysis Structural Equation Modeling	Confirmatory factor analysis Structural Equation Modeling	Confirmatory factor analysis Structural Equation Modeling

[a] Scale development paper, [b] the datasets were merged

4. A SUMMARY OF THE PUBLICATIONS AND THE RESULTS

This chapter summarizes the results reported in the publications, first separately for each one and then synthesized to present the results of the whole study. Each publication focuses on separate research objectives and questions, and in combination they build up a holistic and general view of impersonal trust between employee and employer organizations in intra-organizational settings.

The publications form a continuum in that the successive studies deal with different aspects of the main research question. **Publication 1** clarifies the construct of impersonal trust and the scale on which to measure it. Continuing from this, **Publication 2** validates the scale for measuring the impersonal dimension of organizational trust. **Publication 3** examines the effects of various HRM practices on impersonal trust, and finally, **Publication 4** assesses whether impersonal trust mediates the relationship between HRM practices and performance.

4.1. Publication 1: Impersonal trust - the development of the construct and the scale

Background and objective

Trust within organizations has been treated mainly as an interpersonal phenomenon (Mayer *et al.*, 1995; Cummings and Bromiley, 1996; Shockley-Zalabak *et al.*, 2000; Tyler, 2003) consisting of trust relations among employees and between employees and their immediate superiors and top management. Modern organizations face an increasing need for trust, yet fewer opportunities arise to develop and maintain interpersonal trust so they cannot rely only on that. There is therefore a need for complementary forms of organizational trust, hence the impersonal element could be a useful concept.

However, only a few studies so far have attempted to measure the impersonal nature of organizational trust (see e.g.McCauley and Kuhnert, 1992; Costigan *et al.*, 1998; Daley and Vasu, 1998; Tan and Tan, 2000; Lee, 2004), and they focus only on specific dimensions.

Thus, there is need to clarify the construct of impersonal trust, and to develop a scale on which to reliably measure it. The objective in this publication was to conceptualize and clarify the impersonal element of organizational trust and to develop a suitable measurement scale.

Results and contribution

This publication resulted in the clarification of impersonal trust as a construct, and in the development and validation of a suitable measurement scale. It thus makes two major contributions to the research on organizational trust: it provides, first, *a framework describing the construct of impersonal trust,* and secondly *an instrument for measuring it*. Publication 1 thus represents a step forward on the road to the effective and reliable measurement of organizational trust. It could be concluded that impersonal trust in the organizational context consists of two dimensions, *capability* and *fairness*, and could be defined as *"the individual employee's expectation about the employer organization's capability and fairness"*. It could be assumed from the scale-development process described in this publication that these dimensions comprise the components listed in Figure 4.

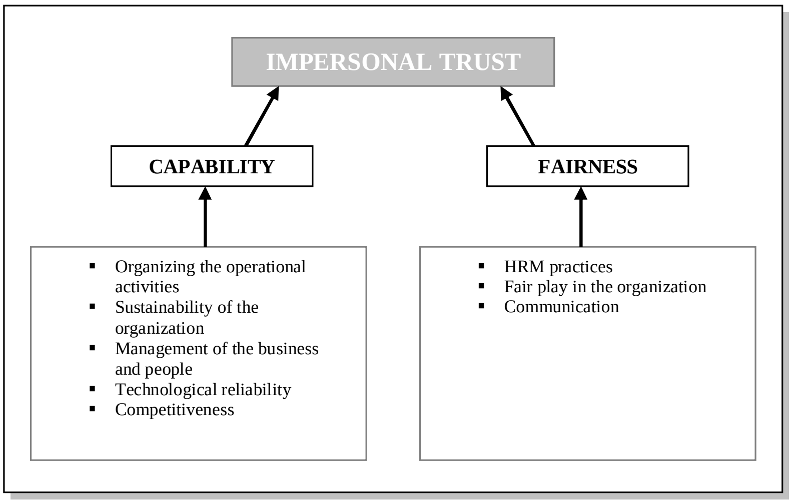

Figure 4. The structure of impersonal trust (aka Vanhala's box)

It should be noted that even though one component on the fairness dimension is termed HRM practices, this does not refer to the concept of HRM practices per se. Moreover, it reflects the impersonal element of organizational trust, i.e. the degree to which the employee perceives the HRM practices as fair.

4.2. Publication 2: Validation of the Impersonal Trust Scale

Background and objective

This publication is a follow-up of Publication 1. The development and validation of the scales required systematic retesting and replication (cf. Churchill, 1979; Hinkin, 1998). The construct of impersonal trust developed in the first publication was the first step, and had to be subjected to further research. In this last step of the scale-development process the objective was to validate the scale measuring the impersonal dimension of organizational trust. Neither discriminant nor nomological validity was covered in the first publication, thus the object of this one was to test both. The generalizability of the scales was also tested in terms of measurement invariance. In the context of measurement and scientific inference it is important to have evidence of measurement invariance (i.e. equivalence). However, such evidence is not often presented in studies on organizational trust.

Results and contribution

As a result of this publication the scale developed in Publication 1 could be considered a valid and reliable measure of impersonal trust within organizations. Its contribution is thus to *provide a comprehensive, psychometrically sound, operationally valid scale* on which to measure impersonal trust, and to take yet another step forward in terms of reliability. Moreover, the generalizability of the scale was ensured, as was its validity in various forms. Firstly, it provided evidence of a conceptual difference between impersonal trust and interpersonal trust (discriminant validity). Secondly, in terms of nomological validity, there was theoretical support for a relationship between impersonal trust and its outcomes, i.e. in the individual employee's job satisfaction and commitment to the employer organization.

Finally, cross-validation showed that the scale was generalizable: in was tested on two groups of respondents from two different industries (blue-collar vs. white-collar workers).

4.3. Publication 3: The effect of HRM practices on impersonal organizational trust

Background and objective

According to many authors, organizational trust is connected with HRM practices (see e.g. Whitener, 1997; Bijlsma and Koopman, 2003; Tyler, 2003; Möllering *et al.*, 2004; Tzafrir, 2005). However, in previous studies it is generally considered an interpersonal phenomenon. The objective of this publication was to assess the relationship between various HRM practices and dimensions of organizational trust from an impersonal perspective. Figure 5 depicts the hypothesized model.

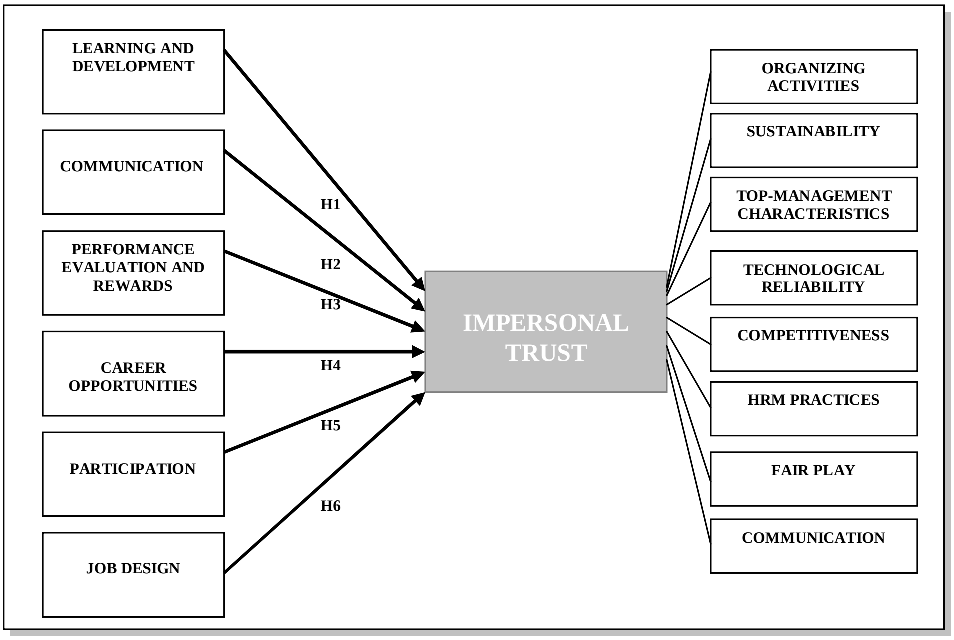

Figure 5. The hypothesized model in the Publication 3

Results and contribution

The main contribution of this publication was 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. According to the findings it could be argued that employees' trust in the whole employer organization is connected to their perceptions of its HRM practices. Consequently, HRM practices can be used in order to build up the impersonal dimension of organizational trust

As a result of this publication the notion that HRM practices matter in building impersonal organizational trust was validated: the main finding was that HRM practices do have an influence. It could thus be claimed 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 trust. The results of the study give strong empirical evidence of a relationship between HRM practices and impersonal trust, and each practice appears to play an important role in the development of employee trust in the employer organization. According to the findings, career opportunities explained most of the variation in impersonal trust (89.6%), and Participation the least (44.1%), and other practices combined explained around 60 per cent of the variance.

4.4. Publication 4: HRM, impersonal trust, and performance

Background and objective

As discussed above, the riddle of the black box plays a major role in terms of understanding how HRM practices affect organizational performance (see e.g. Boselie *et al.*, 2005; Becker and Huselid, 2006; Boxall and Purcell, 2011). However, little is known about the mechanisms through which such practices influence both effectiveness and performance, in other words about the content of the black box (e.g. Delery, 1998; Theriou and Chatzoglou, 2008). Moreover, the role of trust in the relationship requires deeper study (Gould-Williams, 2003).

Thus, the objective of this publication was to contribute to the discussion on the relationship between HRM and performance, and on the possible content of the black box. The merits of one candidate, impersonal trust, were explored. HRM in this publication covered learning and development, communication, performance evaluation and rewards, career opportunities, participation, and job design (see Figure 6 for the hypothesized model).

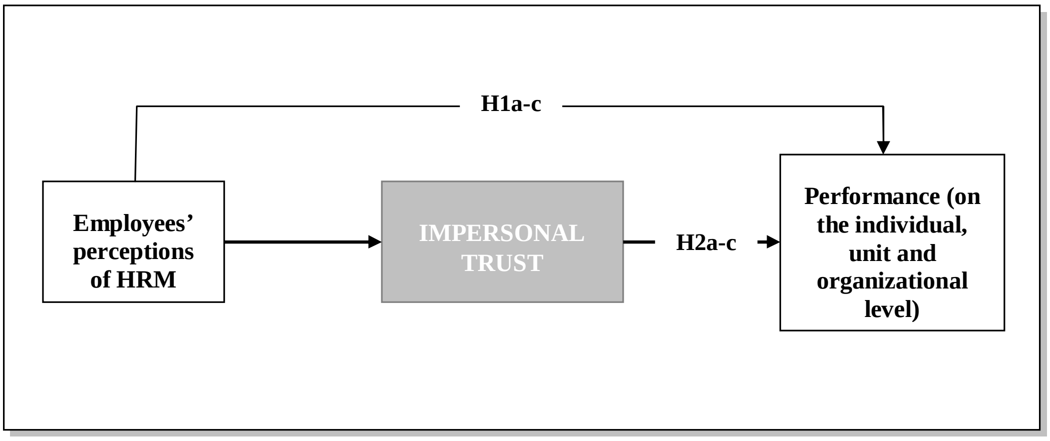

Figure 6. The model tested in Publication 4

Results and contribution

This publication contributes to the literature on the HRM-performance link, specifically in *identifying the path by which HRM contributes to performance on the individual, unit and organizational levels through the mediator of impersonal trust.* To the best of the researchers' knowledge, this is the first study to focus on the role of impersonal trust in this relationship.

It could be concluded from the publication that the effect on performance of HRM designed specifically to enhance employees' impersonal trust in the organization is positive. On both the unit and the organizational level, the full mediation models explained much more of the variation in performance. The coefficient of determination was low (Study 1 = 2.5%; Study 2 = 5.8%) on the individual level, but accounted for more than a third of the variance on the unit level (Study 1 = 31.4%; Study 2 = 34.4%), and a significant amount on the organizational level (Study 1 = 46.1%; Study 2 = 28%). HRM practices appear to affect performance through trust in the organization primarily on these two levels.

4.5. A summary of the publications and the results of the whole study

Table 3 below summarizes the research questions and the results reported in each publication comprising the study. The first two publications concern the development of the construct and a scale to measure impersonal trust in the employee-employer relationship. The focus then shifts to the HRM-trust linkage, and finally to the role of impersonal trust in the HRM-performance relationship.

Table 3. A summary of the sub-questions and the main results of the study

	Publication 1	***Publication 2***	***Publication 3***	***Publication 4***
Title	*Impersonal trust - the development of the construct and the scale*	*Validation of the Impersonal Trust Scale*	*The effect of HRM practices on impersonal organizational trust*	*HRM, impersonal trust and performance*
Sub-research question	What is the structure of impersonal trust within organization? How can one measure impersonal trust within organization?	What is the structure of impersonal trust within organization? How can one measure impersonal trust within organization?	Can HRM practices be used to build impersonal trust within organizations?	Does impersonal trust mediate the linkage between HRM practices and organizational performance?
Main results	A framework describing the construct of impersonal trust and an instrument for measuring it.	A comprehensive, psychometrically sound, operationally valid scale to measure impersonal trust.	Empirical evidence of a relationship between HRM practices and impersonal trust.	Identifying the path by which HRM contributes to performance on the individual, the unit and the organizational level through the medium of impersonal trust

5. DISCUSSION AND CONCLUSIONS

The main objective of this study was to find out how impersonal trust is manifested in intra-organizational relationships, and more specifically what it comprises, how to build it, and why it matters. The results provide empirical evidence of impersonal trust between individual employees and the employer organization in intra-organizational settings. In developing the construct of impersonal trust, and offering a scale on which to measure it reliably, the study contributes to the research on trust as a phenomenon, and to the strategic-HRM research stream. The focus was, firstly, on the relationship between HRM practices and impersonal trust, and it was shown that such practices could be used as a building block. Secondly, the mediating role of impersonal trust in the HRM-performance linkage was investigated and verified.

5.1. Answering the research questions

The overall objective of the study was to find an answer to the main research question: ***"How is impersonal trust manifested in intra-organizational relationships?"*** In order to achieve this, four sub-questions were addressed. The first two, "*What is the structure of impersonal trust within the organization?*" and "*How can one measure impersonal trust within the organization?*" concerned the development of the construct and a scale on which to measure impersonal trust in employee-employer relationships. Investigation of these questions shed light on the major gaps in the research, and resulted in an enhanced understanding of the structure of impersonal trust. It is claimed that impersonal trust within the organization comprises two dimensions, *capability* and *fairness*, and eight components within them, and could thus be defined as *"the individual employee's expectations with regard to the employer organization's capability and fairness"*. In addition, the scale-development process resulted in the provision of a comprehensive, psychometrically sound, operationally valid scale on which to measure impersonal trust. The scale showed both discriminant (i.e. impersonal trust is different from interpersonal trust) and nomological (i.e. impersonal trust has a theoretically supported relationship with other constructs) validity, and proved to be generalizable in that it could be used in different kinds of industries with different kinds of respondents.

The third sub-question was *"Can HRM practices be used to build impersonal trust within the organization?"* On the basis of the findings it could be argued that HRM practices are practical and effective in building impersonal trust. There was clear evidence of a relationship between six strategic-HRM practices (learning and development, communication, performance evaluation and rewards, career opportunities, participation, and job design) and employees' perceptions of impersonal trust. Moreover, each of these six practices appeared to have an important role in the development of employee trust in the employer organization.

The fourth and final sub-question was *"Does impersonal trust mediate the linkage between HRM practices and organizational performance?"* According to the findings, impersonal trust does work as a mediator. The relationship was studied on three different performance levels in two different industries. In both the HRM effect on the individual, unit and organizational levels of performance worked fully though impersonal trust.

The finding related to the four sub-questions presented above shed light on the main research question: ***"How is impersonal trust manifested in intra-organizational relationships?"*** In sum, impersonal trust, comprising the two dimensions of *capability* and *fairness*, could be defined as *"the individual employee's expectation about the employer organization's capability and fairness"*. It was also shown that HRM practices could be used to build and retain impersonal trust, and that impersonal trust is a strong candidate as black-box content in the HRM-performance relationship.

5.2. Theoretical contribution

The theoretical contribution of the study is twofold, and is discussed in the following in terms of both trust (or the emerging theory of trust) and the research on strategic HRM.

5.2.1. Research implications related to trust

This study contributes to the emerging research on trust in developing a more comprehensive concept incorporating not only the interpersonal but also the impersonal aspect. Despite the increasing attention to trust in an organizational context, to date there has been no attempt to analyze impersonal trust as distinct from interpersonal trust, nor has there been sufficient or deep enough consideration of its role.

This study makes two major contributions to the research on trust. Firstly, it offers *a framework describing the construct of impersonal trust*, which to date has not been clearly articulated in the research on organizational trust. The impersonal element of organizational trust was therefore conceptualized and clarified in order to provide a basis for further research. The results indicate that the construct is two-dimensional, consisting of capability and fairness. There are five components (Organizing operational activities, Sustainability of the organization, Management of the business and the people, Technological reliability, and Competitiveness) on the capability dimension, and three (HRM practices, Fair play in the organization, and Communication) on the fairness dimension.

Secondly, *a* comprehensive, psychometrically sound, operationally valid *scale for measuring impersonal trust* was developed, compensating for the lack of such a measure. Thus, it is now possible to reliably measure impersonal trust within organizations. The validities and the generalizability of the scale were assured. In terms of the research on trust, the discriminant validity of the scale is especially interesting. It was shown that the concepts of impersonal and interpersonal trust (in this case trust in the supervisor) are indeed different. Now, with the help of the new scale it is possible to study the links between the interpersonal and impersonal dimensions of organizational trust, and whether impersonal trust affects different kinds of organizational outcome parameters such as performance and innovativeness.

5.2.2. Implications for the research on strategic HRM

The study makes an empirical contribution to the research on strategic HRM in investigating the relationship between HRM and impersonal trust, and exploring the role of impersonal trust in the relationship between HRM and performance.

First, it shows that *HRM practices affect impersonal trust*. Thus far the concept of interpersonal trust (e.g., trust between employees and managers or top management) has been used in assessing the importance of HRM practices in trust building. The contribution of this study is to consider the HRM-trust link in terms of impersonal organizational trust. It is shown that each of the HRM practices (learning and development, communication, performance evaluation and rewards, career opportunities, participation and job design) in focus has a connection to impersonal trust. This represents a step forwards in terms of understanding the different dimensions of organizational trust as well as the HRM-trust linkage. The findings offer new knowledge and a more holistic understanding of the nature of organizational trust, and particularly of the impersonal dimension, to academics in both human-resource and organizational management.

A second and even more significant contribution is the attempt to unlock the black box, in other words to understand the mechanism through which HRM practices actually affect performance. The study explores *the impersonal element of organizational trust as contents of the black box*, in other words its mediating relationship between HRM practices and performance. The result is the identification of the path by which HRM contributes to performance on the individual, the unit and the organizational level through the mediator of impersonal trust. It is suggested that the effect on performance of HRM designed specifically to enhance employees’ impersonal trust in the organization is positive. The impact is realized fully through impersonal trust on the individual, unit, and organizational levels.

5.3. Managerial implications

This study highlights the importance of impersonal organizational trust and opens up new opportunities in terms of enhancing understanding of the phenomenon. Impersonal trust seems to be critical in the context of organizational trust. Thus managers should direct their efforts at increasing awareness of how to build it, and of its consequences (cf. Kosonen, 2011). The new knowledge provided will help to make people in managerial positions as well as those engaged in HR development and change management to become more aware of organizational trust and its implications. More specifically, on the practical level the results could be used to measure impersonal trust in an organizational context, to strengthen trust in employee-employer relationships, and to enhance understanding of the role of trust in the relationship between HRM practices and organizational performance.

In terms of management implications, it is suggested that *all the dimensions of organizational trust should be taken into consideration in its management and development*. Hence, a more comprehensive view, incorporating both interpersonal and impersonal elements, would have value especially for the strategic-management and HRM functions, which increasingly strive to differentiate the organization in terms of human capital. As discussed above, organizational trust may be crucial in achieving sustainable competitive advantage over other organizations (c.f. Barney and Hansen, 1994). Consequently, if an organization is able to build higher levels of trust in order to set itself apart from others, it could exploit the benefits related to organizational trust. Such benefits may be concrete in terms of increased efficiency and effectiveness, and ultimately enhanced performance in the whole organization. However, achieving sustainable competitive advantage through organizational trust is possible only if there is a comprehensive understanding of trust within organizations, incorporating both the interpersonal and the impersonal dimension.

Secondly, *HRM practices do influence impersonal trust*. It could be argued that organizations and their management and managers should put effort into designing HRM practices that also build on the impersonal dimension of organizational trust. This is important, especially in the current challenging organizational and managerial climate in which organizations cannot rely only on interpersonal trust, and opportunities for face-to-face communication and interpersonal-relationship development may be limited. If employees are able to trust the impersonal elements the trust remains even if the interpersonal relationships vanish (e.g., if colleagues or supervisors change).

It should be emphasized 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 also be 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.

Thirdly and lastly, *in order to enhance performance organizations should pay attention to HRM practices*. According to the evidence of this study, HRM practices can enhance employee trust in the impersonal elements of the organization, and through this the effect of such practices enhances its performance as a whole. However, it is important to develop the implementation of both HRM practices and the organization-wide HRM system in order to improve performance. It is crucial to understand that it is not enough only to focus on one HRM function (e.g., the personnel department), and that it is a matter of the management and even the strategy of the entire organization. Strategic and managerial actions that support organization-wide policies (e.g., communication, job rotation and performance evaluation) could enhance employee trust on all levels, and through this eventually overall performance.

5.4. Limitations and further research

This study has some limitations that should be noted, and researchers are encouraged to take these issues into consideration in future studies on organizational trust, HRM and performance.

Firstly, discriminant validity of the impersonal trust construct was tested only against interpersonal trust. In future studies impersonal trust could be compared to other conceptual frameworks, e.g. organizational fairness, to explore what is the relationship between components identified in this study and previous conceptualizations. Thus, it could be stated more precisely whether impersonal trust actually is a new and distinct concept compared to alternative and potentially competing concepts.

Secondly, the study focused on the relationship between HRM practices and impersonal trust. However, as stated above, HRM practices could also have relevance in building interpersonal trust, and not only trust among employees and employee trust in their supervisors and managers but also vice versa. 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. It would also be worth studying the relationships between overall systems of HRM practices (i.e. 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. In addition, it would be interesting to compare HRM practices in terms of their influence in building interpersonal and impersonal trust, if indeed there are differences.

Moreover, the study was limited to the one-way relationship between HRM practices and impersonal trust. This relationship becomes reciprocal over time in that not only do the practices build trust, but trust also affects how the practices are perceived. This reciprocal relationship should be explored in future studies from a longitudinal perspective. In terms of the longitudinal research design there is also the possibility of reverse causality, in that employees' trust in the employer organization may, in fact, explain their perceptions of its

HRM practices (see Tzafrir, 2005). Thus, longitudinal studies such as Mayer and Davis (1999) should be considered in terms of their value and implications on cause and effect.

Impersonal trust was considered as being among the contents of the black box, in other words a linking mechanism between HRM and performance. However, there are rival candidates, such as commitment. It would be worthwhile in future studies to test which candidate offers the best explanation of the variation in performance.

No objective measures of performance were available for this study, and future research incorporating them would further enhance understanding of HRM-trust-performance relationships. Moreover, the study was limited to Finnish organizations from two industries. Future research should validate the scale as well as the results concerning the above-mentioned relationships with data from different kinds of organizations (e.g., state administration) operating in different countries with different cultures.

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