

HRM practices, impersonal trust and organizational innovativeness

Vanhala Mika, Ritala Paavo

This is a Post-print version of a publication

published by Emerald Insight

in Journal of Managerial Psychology

DOI: 10.1108/JMP-03-2013-0084

Copyright of the original publication: © Emerald Insight 2016

Please cite the publication as follows:

Vanhala, M., Ritala, P. (2016). HRM practices, impersonal trust and organizational innovativeness. *Journal of Managerial Psychology*, Vol 31, Issue 1. p. 95-109. DOI: 10.1108/JMP-03-2013-0084

**This is a parallel published version of an original publication.
This version can differ from the original published article.**

HRM Practices, Impersonal Trust and Organizational Innovativeness

Abstract

Purpose – Organizational processes that create conditions to facilitate employee innovativeness have become topical due to the constant demand for organizations to renew themselves. Research shows that human resource management (HRM) practices can be used to create such conditions, but also the important complementary role of organizational trust has been highlighted in this context. In particular, earlier studies have mostly focused on the concept of interpersonal trust. However, impersonal trust (the individual employee's expectations about the employer organization's capability and fairness) has recently been suggested to be an equally or even more relevant facilitator supporting the effect of HRM practices on organizational innovativeness. The paper aims to discuss these issues.

Design/methodology/approach – The hypotheses were tested with two large-scale quantitative studies from the forestry and information and communication technology industries in Finland. Structural equation modelling (with LISREL) was used to test hypothesis.

Findings – This study shows that effective HRM practices indeed facilitate organizational innovativeness, and that this effect is partially mediated by impersonal trust in the organization. This result contributes to the existing literature and practice of HRM and the management of organizational innovativeness.

Research limitations/implications – Future studies could include also interpersonal trust in order to study trust-innovativeness linkage. The study also examined this phenomenon only in Finnish context and this sets some limitations to the generalizability of the results. In addition, single respondents were used to assess all the variables used in the study. Further studies could improve on this by utilizing more objective measures of organizational innovativeness.

Practical implications – The results suggest that organizations should pay attention to designing HRM practices so that they facilitate the building of impersonal organizational trust. In order to improve innovativeness through organizational trust, it is crucial to develop an organization-wide HRM system, since practices that are inconsistently used can lead to unwanted or inefficient results. Strategic and managerial actions related to HRM could increase employees' trust in the organization and subsequent conditions for providing continuously innovative solutions.

Originality/value – The authors add to the literature by identifying the connection of HRM practices to contributing to behavioural, process and strategic innovativeness through the mediation of impersonal trust. To the best of the researchers' knowledge, this is one of few studies and the first systematic large sample study that examines impersonal trust and its relationship between HRM practices and different types of organizational innovativeness.

Keywords Mediation, Innovativeness, Organizational trust, HRM practices, Impersonal trust

Paper type Research paper

Introduction

Organizations have to innovate continuously in order to remain competitive, and thus, organizational practices and processes which focus on facilitating the innovativeness of the personnel become important. Effective human resource management (HRM) practices can affect organizational innovativeness and knowledge sharing (Foss et al., 2010). However, it can also be suggested that HRM practices are only the means for creating the potential for organizational innovativeness, and there are most likely other factors involved. Therefore research is needed which concentrates on examining the mediating links between HRM practices and their outcomes, which have often been neglected in most of HRM research (Boselie et al., 2005; Kuvaas, 2010; Snape and Redman, 2010).

In particular, it has been shown that HRM practices heavily affect the formation and existence of trust in organizations (Gould-Williams, 2003; Searle and Dietz, 2012; Alfes et al., 2012). HRM has been seen as a key agent in order to build and maintain trust within organization because it affects an all levels of an organization and shapes employment relationships (Searle and Skinner, 2011; Searle et al., 2011). Furthermore, there is extensive evidence suggesting the positive effect of trust on the organization's innovative performance (Costigan, Iler, and Berman, 1998; Martins and Terblanche, 2003; Nahapiet and Ghoshal, 1998). As such, this intuition suggests a potentially mediating effect of trust between HRM practices and organizational innovativeness.

The literature has identified different types of trust within organizations, and the distinctions are often made on the basis of the nature of the trustee: one can trust in particular people or organized systems and institutions (see e.g. Bachmann, 2011; Bachmann and Inkpen, 2011; Maguire and Phillips, 2008). This study focuses specifically on the latter – organizational trust as an *impersonal* phenomenon (e.g. McCauley and Kuhnert, 1992; McKnight, Choudhury and Kacmar, 2002), which is defined recently as “*the individual employee's expectations about the employing organization's capability and fairness*” (Vanhala et al., 2011, p. 492). This perspective is in line with several recent arguments. Bachmann (2011) discusses the distinction between interpersonal and impersonal trust (or as his terms interaction- and institution-based trust). In addition, Dietz (2011) argues that in some cases sources for interaction based trust is not available at all in the organization. Furthermore, in a related line of argument, Edmondson (1999) found that psychological safety in a team context reaches beyond interpersonal trust.

In fact, we suggest that impersonal trust is, in the context of strategic management of HRM, the most relevant type of organizational trust. Firstly, interpersonal approach to organizational trust may be limited because, for example, due to the trends of globalization and virtualization of modern work. For instance, managers may have dual roles working only as part-time supervisors and in many cases employees may not have a shared past with their current colleagues or managers. Thus, organizations cannot rely only on trust between particular persons. Secondly, when analyzed as a mediating phenomenon between HRM and organizational innovativeness, impersonal trust can be seen as influenced by the systematic (i.e. strategic) HRM practices adopted in the organization. This is because the organization-wide system of HRM practices can be considered stable, whereas the effect of implementation of HRM practices in the supervisor or manager level is more unstable in nature since every manager differs in their style of implementation of those practices (e.g. Kuvaas, 2008).

Despite its importance, the concept of impersonal trust has only just emerged and has been studied very little in the organizational context, while some studies have already recognized its impact more or less explicitly (e.g. Atkinson and Butcher, 2003; Costigan et al., 1998; McKnight et al., 2002; Vanhala et al., 2011). In addition, in previous studies impersonal trust is characterized mainly as trust in top management (McCauley and Kuhnert, 1992; Costigan, Iler and Berman, 1998; Tyler, 2003;

Mayer and Davis, 1999), and also in the employing organization (Tan and Tan, 2000), its competence (Lee, 2004) and performance (Robinson, 1996) and there had not been comprehensive concept for that until Vanhala et al. (2011) presented one. There is also some evidence showing that in terms of organizational innovativeness, the most notable positive effects stem from impersonal trust (Ellonen et al., 2008). However, the roles and linkages between HRM practices, impersonal trust and organizational innovativeness have not been explicitly studied before although Searle and Skinner (2011; see also Eberl et al., 2012) called for more studies on combinations of variables in order to understand more about the effect of trust on outcomes. To address this research gap, the objective of this study is *to examine the mediating role of impersonal trust in the relationship between HRM practices and organizational innovativeness*. In the following sections, we argument for a mediation model where employees' perception of HRM practices is expected to increase their impersonal trust towards the employer, which in turn, will increase the organization's innovativeness. In the empirical part, we will test our mediation hypotheses with two survey-based empirical studies.

Organizational Innovativeness

Organizational innovativeness is an umbrella concept, which constitutes several approaches and levels of analysis around the value-added novelty in both the processes and outcomes of organizations (for review, see Crossan and Apaydin, 2010). In terms of our study, we focus on *innovation in firms' internal processes*, since these processes are directly connected with the actual behavior of the organization's personnel. Furthermore, such behavior can be affected by executing effective HRM practices and facilitating impersonal trust in the organization. In this sense, we follow the *strategic choice theory* (Subramanian and Nilakanta, 1996) in making the assumption that an organization can affect innovativeness in its processes through strategic and proactive initiatives made by the decision-makers in an organization. Furthermore, by focusing on innovation in the internal processes of the firm, we do not directly investigate concrete innovation outcomes such as product or technology innovations. This scope decision enables us to examine the social and behavioral processes related to innovativeness within the firm, and on the role of HRM practices and impersonal trust in this context.

To capture a representative conceptualization of innovativeness concerning the organization's internal processes, we follow Wang and Ahmed (2004) in differentiating between behavioural innovativeness, process innovativeness and strategic innovativeness. Behavioural innovativeness refers to sustained individual, team and management level commitment towards innovations as part of the organizational culture. Process innovativeness refers to the introduction of new production methods, new management approaches and new technology related to improving production and management processes. Finally, strategic innovativeness refers to the ability of the organization to manage ambitious organizational objectives in a way that leverages and stretches the existing resources effectively and creatively.

Strategic HRM Practices and Organizational Innovativeness

Research focusing on the company-level HRM practices has become popular over the past decade (e.g. Delaney and Huselid, 1996; Wright, Gardner and Moynihan, 2003). The research stream of *strategic HRM* (SHRM) has suggested that the system of HRM practices may lead to better performance, and thus they could be seen as sources of sustainable competitive advantage for an individual organization (Boselie et al. 2005). Recently, attention has been paid on how HRM practices affect individual employee attitudes and behaviors (Snape and Redman, 2010). In this study we focus on *strategic HRM practices*, which Delery and Doty (1996, p. 805) define as "those that are theoretically or empirically related to overall organization performance". Furthermore, an effective bundle of HRM practices can be defined as "a formal integrated system of HR activities that includes selective recruitment and selection, extensive training and development, regular performance

appraisal, performance-contingent rewards, and high levels of employee involvement” (Snape and Redman, 2010, p. 1222). Indeed, a firm-level HRM system has been seen as a valuable organizational asset, which has been suggested to potentially enhance firm performance (Barney and Hansen, 1994; Delaney and Huselid, 1996).

Organizations have various possibilities to use HRM practices in order to enhance the skills and the innovative output of their personnel (e.g. Boselie et al., 2005; Delaney and Huselid, 1996; Snape and Redman, 2010). We focus here on the most commonly used measures which consist of the following six practices: 1) The quality of the skills of current employees is improved by providing possibilities for *training and development*. 2) Employees extrinsic motivation should be increased so that they perform their jobs effectively, which can be affected by *objective performance evaluation schemes*. 3) Employees should also have the possibility to *participate in decision-making*, i.e. to be involved in determining how their work gets accomplished. 4) Well functioning internal labor markets provide employee *career opportunities* and to advance within the organization. 5) Employees should also have the ability to *express their views and to communicate*, since this has a positive impact on their perceptions of fairness and the output they provide. 6) Finally, organizational roles and tasks should *be designed in a flexible way*, which deliberately takes into account the individual employee’s skills and abilities.

Most of the existing studies on HRM-innovativeness linkage include these aforementioned six practices and their findings demonstrate – as a whole – that these practices increase various types of organizational innovativeness (e.g. Ahteela et al., 2010; Whitener, 1997). In general, the perceived usage of these practices on increasing organizational innovativeness is related to the increased potential and willingness of employees to use their skills and knowledge in ways which benefit the finding of improved and new solutions (Martins and Terblanche, 2003). Thus, when the employees of the organization perceive that innovative activities (e.g. utilization of specialized skills and proactive communication) are supported by their employing organization, they can be expected to act accordingly. While individual HRM practices might be important in their own terms in some contexts, the bundle of such practices is expected to be important in the practical and complex organizational reality (an “HRM-system approach”: Delaney and Huselid, 1996).

We suggest that effective HRM practices can directly facilitate organizational innovativeness, since such practices imply positive effects on behavioural, process and strategic innovativeness by creating conditions for the organization’s employees to utilize their skills and abilities effectively and flexibly.

The Mediating Role of Impersonal Trust

Even though the utilization of HRM practices can enhance organizational innovativeness, it is not enough to fully understand how individual employees’ motives and feelings situate within the larger social system of an organization. Recently, the role of organizational trust in the organization’s ability to innovate has received growing interest (e.g. Costigan, Ilter, and Berman, 1998; Martins and Terblanche, 2003). Nahapiet and Ghoshal (1998) suggest that trust has a crucial role in the exchange of ideas. If there is trust, parties have greater openness to the potential for value creation. In fact, there is ample empirical evidence about the relationship between trust and innovativeness (Ruppel and Harrington, 2000; Tan and Tan, 2000). However, research on trust and innovativeness in the organizational context has thus far mainly focused on inter-personal trust, whereas much of recent research has suggested that impersonal trust might even be more important in the this context (Ahteela et al., 2010; Ellonen et al., 2008; Vanhala et al., 2011).

Theoretical Approaches on Intra-Organizational Trust

Social exchange theory (SET) has been noted as being an applicable theoretical model for explaining the employment relationship (Cropanzano and Mitchell, 2005). The basic notion of the theory is *the norm of reciprocity*: if the employer demonstrates to its employees that they are cared, valued and supported, then employees will be expected to demonstrate effort and greater loyalty in response—particularly if the employer’s actions are seen to be beyond normal employment contracts. The demonstration of caring, valuing and supporting could happen, for example, through the employing organization’s HRM policies and practices. This is visible in the symmetry of the psychological contract between employer and employee (Rousseau, 1989; Whitener, 1997; Blau, 1964). Not only may a reciprocal attitude affect the dyadic relationship, it could also become a meta-psychological contract and a generalized level of reciprocity (Rousseau et al., 1998). The attitudinal and behavioural outcomes (e.g. trust) of reciprocity can lead to improvements in different performance metrics, such as innovativeness.

Furthermore, according to *organizational support theory* (OST), employees interpret organizational policies, practices and treatment (such as HRM) as indicators of the organization’s support and commitment to them (Eisenberger et al., 1990). In particular, employees’ perceptions of organizational support and the fairness and equity of outcomes and procedures affect their trust in the organization (Alfes et al., 2012; Dirks and Ferrin, 2002; Eberl, 2012; Saunders, 2011; Searle et al. 2011; Whitener, 2006). Employees have a tendency to personify the organization and, thus, OST applies the notions of social exchange and reciprocity to the relationship between employees and the organization (Whitener, 2006). OST assumes that employees form general beliefs concerning how much the organization values their contributions and cares about their well-being (Eisenberger et al., 2001), and if employees feel that the employer is committed to them, they reciprocate with their commitment to the employer.

Distinguishing Impersonal Trust

In general, impersonal trust has been seen as the evaluation of an organization’s trustworthiness, perceived by the employee. It encompasses the employee’s confidence that the employer will perform actions that are beneficial, or at least not detrimental, to him or her. It is also confidence in the enduring reliability of the systems, role allocations and reputation of the organization (see also Atkinson and Butcher, 2003; Gillespie and Dietz, 2009; Maguire and Phillips, 2008; Tan and Tan, 2000). In this study, we adopt the definition of Vanhala et al. (2011, p. 492), who define impersonal trust as “*the individual employee’s expectations about the employer organization’s capability and fairness*”. In this definition, *capability* refers to the employee’s perception of the organization’s effectiveness in terms of the top management, organizing of the work, the organization’s sustainability and competitiveness, and technological reliability. Further, *fairness* refers to the employee’s perception of fairness concerning HRM practices, communication and fair play in the organizational principles.

Impersonal trust stems from many sources within the organization. For instance, employees in the organization may draw inferences about impersonal trust from the behavior of highly visible role models such as the top management (Gillespie and Dietz, 2009). According to Costigan et al. (1998), the decision to trust the top management is based, for most employees, more on the outcomes of their decisions and less on direct personal experience of their character or actions. Supporting this, McCauley and Kuhnert (1992) point out that trust between employees and the management is not interpersonal in nature. Blomqvist (1997) states that trusting a person and trusting an organization are two different things, and the latter is based more on roles, rules and structured relations within the

organization. Employees also monitor the organizational environment to evaluate whether or not they can trust their management. In fact, trust towards an organization is based on the way the organization acts, in other words, on a particular trustworthy way of behaving (Gillespie and Dietz, 2009).

Setting up the model: Impersonal Trust as a Mediator Between HRM Practices and Organizational Innovativeness

Due to the specific nature of impersonal trust, we suggest that it acts as a *mediator between HRM practices and organizational innovativeness*. This is because employees evaluate their employing organization (especially its competence and fairness) based on the executed HRM practices, since they reflect the decisions and actions made by the management (cf. Atkinson and Buthcer, 2003; McCauley and Kuhnert, 1992; Tan and Tan, 2000). In fact, Skinner et al. (2004) argue that the policies utilized by the management can be seen as visible manifestations of the “promises” the management has made to the organizations employees. In our context, the applied HRM practices can be seen as concrete manifestations of such promises, visible to the organizations employees.

Thus, to consciously manage and meet the expectations of the employees, certain specific organizational arrangements are needed, which often relate to deploying strategic HRM practices. These practices can facilitate impersonal trust within the organization because those allow individual employees' trust to be extended beyond interpersonal trust (i.e. those known personally) to either the organization as whole or larger groups within them (cf. Saunders, 2011). Especially when practices are executed effectively and perceived as valuable from the employee perspective they are likely to interpret HRM practices as in investment to them and put more effort in their work (see e.g. Alfes et al. 2012). Theoretically, these claims can be justified since HRM practices can be seen as an input in the organization's social exchange process and create a norm of reciprocity (cf. Snape and Redman, 2010). If HRM practices signal positive exchange and organizational support between the employer and the employee, this will result in employees' trust in their employer, and consequently, trust can be expected to have a positive impact on the organization's innovativeness (for a related discussion, see Ahteela et al., 2010).

As such, we believe that impersonal trust in the organization will mediate all discussed types of innovation in the organizations internal processes (behavioural, process, and strategic). This is because the consistent usage of strategic HRM practices affects the *perceptions* of employees of the capability and fairness of the employing organization (which facilitates the formation of impersonal trust, Vanhala et al., 2011), creating an atmosphere where the employees will behave and put forward ideas that potentially improve the organizations existing processes and ways of doing things. Based on the overall theoretical reasoning, we put forward the following set of hypotheses:

Hypothesis 1a-c: Employees' impersonal trust positively mediates the relationship between perceived HRM practices and a) behavioural innovativeness, b) process innovativeness and c) strategic innovativeness.

Method

Sample and Data Collection

Study 1 is based on a sample of blue-collar workers with a large forestry company in Finland. The data were collected in August–September 2008 from 411 respondents in eight units within two mills.

In total, 700 questionnaires with a covering letter were distributed by the company representatives to 1,400 employees, and there were 411 respondents (representing a 58.7% response rate).

In order to improve the potential generalizability of our findings to different organizational and job contexts, we undertook an additional study within another industry. Study 2 is based on a sample of white-collar workers with a large information and communication technology (ICT) company in Finland. The data were collected in May–June 2008 from 17 units within three R&D centers. A covering letter including a personal link to the questionnaire was sent to 1,384 potential respondents via e-mail. A total of 304 completed questionnaires were received representing a 22.0% response rate.

In both studies the majority of the respondents were men (Study 1: 79.3% and Study 2 84.9%). Respondents in Study 2 were higher educated (45.1% vs. 4.9%) had a higher university degree and 39.1% (8.5%) had a lower university degree. In terms of employment duration, in Study 1 52.3% of the respondents had worked for the organization over 20 years whereas 78.9% of the respondents in Study 2 had worked for their organizations less than 10 years.

Measures

All of the measures were based on a five-point Likert scale (1=strongly disagree, 5=strongly agree). The items were adopted from earlier studies and further modified, with the help of company representatives, in order to make them more understandable in the company context (to speak the same “language”). Due to the space limitations, the full list of items and factor loadings is available from the author’s by request.

Dependent Variables

In this research setting we are particularly interested in innovativeness within the internal processes of the organization. Thus, we applied scales measuring such types of innovativeness that are related to the behavior of the organization’s employees and that can be affected by HRM practices and impersonal trust. Organizational innovativeness was measured on 10 items adapted from Wang and Ahmed (2004). The respondents were asked to indicate their perceptions of how behavioural innovativeness (four items), process innovativeness (three items) and strategic innovativeness (three items) occur in their organizational unit. An example of the items was, "The managers in my unit give a lot of support to those who try new ways of doing things."

Independent Variables

The bundle of HRM practices were measured on a scale adapted from Delery and Doty (1996). The initial scale was chosen for this study, since it covered the six of the most important strategic HRM practices as outlined in the literature. The eventual scale consists of eight items covering training and development, performance evaluation schemes, participation in the decision-making, career opportunities, communication and purposeful job design. These were treated as a reflective measure. The respondents were asked to indicate the extent to which they strongly agreed or disagreed with the statements related to their perceptions of HRM practices in their organization. An example of the items was, "Learning (on the job) and training are encouraged in my organization."

Mediating Variable

Organizational trust was analyzed as impersonal trust. The seven items were based on the work by Vanhala et al. (2011) on the construct of impersonal trust and its measurement. The scale is designed

to assess employees' trust in their employer as an organization. The respondents were asked to indicate how they perceived the statements related to impersonal trust in their organization. The items covered the employing organization's work practices, its competitiveness and sustainability, top management characteristics and assistance in technical problems. An example of the items was, "There are work practices in my organization that help us to overcome exceptional situations."

Control Variables

In the literature on trust and HRM, certain differences between individuals have been found to influence their perceptions (see e.g. Kuvaas, 2008). In addition, the unit of the respondent as well as some demographic values could influence how innovativeness is perceived (see e.g. Skalski et al., 2006). We therefore used unit, job tenure, education and the respondent's position as control variables in our models. We classified education as comprehensive school, vocational education, upper-secondary school, lower university degree, higher university degree, and licentiate or doctoral degree. Job tenure was classified as under one year, 1–5 years, 6–10 years, 11–15 years, 16–20 years and over 20 years. Position was classified as employee, official, team leader, manager and director.

Results

The measurement model was tested using confirmatory factor analysis (CFA). Second, we used structural equation modeling (SEM) to test each hypothesis. A total of 411 cases for Study 1 and 304 for Study 2 were processed through LISREL 8.50, and PRELIS 2.50 was used to compute the covariance matrix. We used the maximum likelihood estimation method.

Measurement Model, Reliability and Correlations

The CFA found that the loadings of all the items were high and statistically significant. This means that they were all related to their specified constructs, verifying the posited relationships among the indicators and constructs. In terms of construct reliability and the Cronbach's alpha (Tables 1 and 2), all constructs exceeded the level of .70, with the close exception of strategic (Study 1: alpha .68) and process innovativeness (Study 2: CR .67 and alpha .66). For the measurement models' fit indices, see Table 3. Fit indices for all of our models in both studies are within the acceptable limits: RMSEA around 0.06 and GFI, NNFI, CFI and IFI above 0.90 (Hair et al., 2006).

We evaluated discriminant validity with a method presented by Anderson and Gerbing (1988). We compared two models for each possible pair of constructs. In the first model we let constructs correlate freely, and in the second model the correlations were fixed as equal to one. All chi-square difference tests were significant for both studies, which indicates that all pairs of constructs correlated at less than one and there is evidence of discriminant validity.

Tables 1 and 2 presents the correlation matrix, mean scores, standard deviations and reliability statistics for all the main concepts. Note that there are statistically significant positive correlations between all of them.

Table 1. Correlation matrix: Study 1 (N=411)

| <i>Concept</i> | <i>Mean</i> | <i>SD</i> | <i>1</i> | <i>2</i> | <i>3</i> | <i>4</i> | <i>5</i> |
|-------------------------------|-------------|-----------|--------------------|--------------------|--------------------|--------------------|--------------------|
| 1. Behavioural innovativeness | 3.06 | 0.87 | 0.84 (0.85) | | | | |
| 2. Process innovativeness | 3.15 | 0.82 | 0.870*** | 0.77 (0.76) | | | |
| 3. Strategic innovativeness | 3.03 | 0.77 | 0.860*** | 0.878*** | 0.71 (0.68) | | |
| 4. Impersonal trust | 3.16 | 0.65 | 0.618*** | 0.756*** | 0.567*** | 0.78 (0.78) | |
| 5. HRM practices | 3.15 | 0.69 | 0.721*** | 0.801*** | 0.637*** | 0.827*** | 0.84 (0.84) |

*** p < 0.005. CR and (alpha) associated with the construct are presented diagonally.

Table 2. Correlation matrix: Study 2 (N=304)

| <i>Concept</i> | <i>Mean</i> | <i>SD</i> | <i>1</i> | <i>2</i> | <i>3</i> | <i>4</i> | <i>5</i> |
|-------------------------------|-------------|-----------|--------------------|--------------------|--------------------|--------------------|--------------------|
| 1. Behavioural innovativeness | 3.06 | 0.87 | 0.82 (0.82) | | | | |
| 2. Process innovativeness | 3.15 | 0.82 | 0.965*** | 0.67 (0.66) | | | |
| 3. Strategic innovativeness | 3.03 | 0.77 | 0.858*** | 0.901*** | 0.76 (0.76) | | |
| 4. Impersonal trust | 3.16 | 0.65 | 0.602*** | 0.708*** | 0.670*** | 0.76 (0.76) | |
| 5. HRM practices | 3.15 | 0.69 | 0.721*** | 0.755*** | 0.708*** | 0.826*** | 0.81 (0.81) |

*** p < 0.005. CR and (alpha) associated with the construct are presented diagonally.

Analysis

The results of the chi-square tests were not significant. However, this test has been found to be sensitive to sample size, and other tests can be used to assess the goodness of fit (Hair et al., 2006). It can be seen from the indices presented in Table 3 that the models produced an adequate fit.

Table 3. The fit indices and path coefficients of the models: Study 1 and 2

| Path model | Study 1 (N=411) | Study 2 (N=304) |
|--|--------------------|--------------------|
| HRM→Impersonal trust | .920*** | .850*** |
| Impersonal trust → Behavioural innovativeness | .920*** | .880*** |
| Impersonal trust → Process innovativeness | .990*** | .990*** |
| Impersonal trust → Strategic innovativeness | .880*** | .880*** |
| <i>Overall fit</i> | | |
| Chi-square (df) | 912.33 (355) | 868.63 (355) |
| RMSEA | .062 | .069 |
| GFI | .872 | .835 |
| CFI | .968 | .956 |
| NNFI | .964 | .950 |
| IFI | .968 | .956 |
| <i>R²for Behavioural innovativeness</i> | .849 | .571 |
| <i>R²for Process innovativeness</i> | .932 | .711 |
| <i>R²for Strategic innovativeness</i> | .859 | .571 |

*** p < 0.005.

It should be noted that the model also includes control variables, but for the clarity reasons those are left out from the table.

Measurement models

Study 1: Chi-square (df)=541.41(265),P=0.00, RMSEA=0.050,GFI=0.904,CFI=0.981,NNFI=0.978,IFI=0.981

Study 2: Chi-square (df)=527.48(265),P=0.00, RMSEA=0.057,GFI=0.878,CFI=0.973, NNFI=0.970,IFI=0.973

Path models reflecting the posited relationship between HRM, impersonal trust and innovativeness were estimated in order to test the hypotheses. The path coefficients and fit indices are reported in Table 3. The model for both studies show that paths from HRM practices to impersonal trust, and from impersonal trust to all three types of innovativeness are significant. Taken together, this analysis supports our Hypothesis 1a-1c.

Discussion

In this study, we theoretically and empirically establish the connection of HRM practices in contributing to behavioural, process and strategic innovativeness through the mediation of impersonal trust. To the best of the researchers' knowledge, this is one of few studies (see Ellonen et al., 2008 and Ahteela et al., 2010) and the first systematic large sample study that examines impersonal trust and its relationship between HRM practices and different types of organizational innovativeness. Thus, the construct of impersonal trust and its mediating role between HRM practices and innovativeness tested in this study represent a step forward in terms of understanding the different dimensions of organizational trust, as well as provide new insights into the HRM/innovativeness linkage. We developed three hypotheses (1a-1c), which suggested that the employees' impersonal trust will positively mediate the relationship between perceived HRM practices and behavioural, process and strategic innovativeness. Our two studies from the forestry and ICT industries in Finland

validated our hypotheses and confirmed that HRM is positively related to innovativeness, and this effect is mediated through impersonal trust.

Theoretical Implications

Trust has been used in previous studies to explain the HRM/innovativeness link indirectly (e.g. Gould-Williams, 2003). However, for example compared to Gould-Williams (2003) our study contributes to the HRM literature by providing two systematic quantitative studies with large data sets from different industries and with more comprehensive measure for impersonal trust showing its mediating effect by using more robust analysis methods. Thus, for its part our study fulfills the need for large-scale studies in multiple contexts for HRM-trust linkage (see e.g. Searle and Dietz, 2012). In addition, the HRM/outcome relationship has been criticized as being under-researched, and research on the “black box” between HRM practices and their performance outcomes are called for (Boselie et al., 2005; Snape and Redman, 2010). This study provides important evidence on this linkage especially in the organizational innovation context, with a structural equation model that shows how impersonal trust acts as a partial mediator between HRM practices and organizational innovation outcomes.

This study also contributes to the growing literature on the role of trust in intra-organizational relationships. Although it is recognized that trust in organizations operates at multiple levels (Rousseau et al., 1998), at present there is no clear consensus on the concept of trust within the organization. In earlier studies the concept of *interpersonal* trust (i.e. trust between employees and managers or the top management) and its role in organizational settings and in different outcomes have been tested quite extensively (e.g. Costigan et al., 1998; McCauley and Kuhnert, 1992). However, concept of trust in the organization as a whole has attracted less attention by the researchers and it is surprising how few studies have concentrated on employees' trust in their employing organization (see e.g. Searle et al., 2011; Eberl et al., 2012). It is increasingly recognized that there is also an *impersonal* dimension to employees' trust (Costigan et al., 1998; Maguire and Phillips, 2008; McCauley and Kuhnert, 1992; Vanhala et al., 2011) in which employees place trust in their top management team as a unit, and in their organization as a functional structure (e.g. strategy, vision and processes). We have suggested that this type of organizational trust can be seen as related to the HRM practices adopted in the organization, and also as particularly relevant in the context of organizational innovativeness.

Managerial Implications

From the managerial perspective, our results suggest that organizations should pay attention to designing HRM practices so that they facilitate the building of impersonal organizational trust. Furthermore, in order to improve innovativeness through organizational trust, it is crucial to develop an organization-wide HRM system, since practices that are inconsistently used can lead to unwanted or inefficient results. Due to this, we believe that building such an HRM system that supports impersonal trust is not a responsibility of only some certain HRM function (e.g. personnel department). More likely, the issue is relevant for the whole management and strategy of the organization. Indeed, strategic and managerial actions related to HRM could increase employees' trust in the organization and subsequent conditions for providing continuously innovative solutions.

Limitations and Further Research Directions

This study involves some limitations due to the chosen research design and context, which also serve as a basis for further research directions.

First, we only examined the mediating role of impersonal trust between HRM practices and innovativeness. In practice, this linkage is not limited only to impersonal trust and we recognize that HRM practices can also be used to build interpersonal trust (e.g. among employees). Hence, future studies could include interpersonal trust in a similar setting as in our study to compare the two types of trust in organizations and their role in innovativeness.

Second, our study examined the research setting between two organizations, which operate in the Finnish context known as its high levels of trust between people as well as between people and institutions. This sets some limitations to the generalizability of our results, and further studies are needed to provide more evidence on the subject. Even though there are advantages in examining HRM practices and impersonal trust within the whole employee base of a single organization, other approaches could examine a similar setting with a dataset covering various types of organizations. Further studies could also examine the issue of impersonal trust in other cultural contexts, since trust-related issues may vary a lot between different countries.

Third, single respondents were used to assess all the variables used in the study. Further studies could improve on this by utilizing more objective measures of organizational innovativeness. This is also concern in terms of possible common method bias. Although based on the tests we have conducted it is not a major problem in this study, we suggest that to improve methodological rigor, in future studies respondents for independent and dependent variables should represent different roles in the organization (e.g. supervisors' responses on innovativeness constructs).

Fourth, while our tests provided support for the measurement model used, further work could be conducted to improve the discriminant validity between different measures. This relates to the above-mentioned issue of using different responses, as well as using objective measures as part of the research design. Also the measures for impersonal trust, as well as organizational innovativeness dimensions could be developed to better incorporate different levels of analysis and viewpoints.

Finally, in future studies also individuals' propensity to trust should be covered. Propensity to trust can be seen as an underlying personality dimension that might significantly influence on how one perceives trust. Thus it should be covered in order to control its influence on studied relationships.

Conclusion

In this study, we theoretically argued and empirically examined a mediating role of impersonal trust in the relationship between HRM practices and organizational innovativeness. Our findings provide novel results about the important role of impersonal trust in between strategic HRM practices, and various types of organizational innovativeness. The implications of the findings are that managers in HRM function and beyond should pay close attention to the trust employees have towards the institution – not only their immediate supervisors – in order to improve the innovation performance of their organizations.

References

- Ahteela, R., Blomqvist, K., Puumalainen, K. and Jantunen, A. (2010). 'HRM practices, innovativeness and performance: The mediating role of organizational trust'. *International Journal of Strategic Change Management*, 2: 2-3, 241-261.
- Alfes, K., Shantz, A. and Truss, C. (2012). 'The link between perceived HRM practices, performance and well-being: the moderating effect of trust in the employer' *Human Resource Management Journal*, 22: 4, 409,427.
- Atkinson, S. and Butcher, D. (2003). 'Trust in managerial relationship' *Journal of Managerial Psychology*, 18: 4, 282-304.
- Bachmann, R. (2011). 'At the crossroads: Future directions in trust research' *Journal of Trust Research*, 1: 2, 203.213.
- Bachmann, R. and Inkpen, A. C. (2011). 'Understanding institutional-based trust building processes in inter-organizational relationships' *Organization Studies*, 32: 2, 281-301.
- Barney, J.B. and Hansen, M.H. (1994). 'Trustworthiness as a source of competitive advantage' *Strategic Management Journal*, 15: 1, 175-190.
- Blau, P. M. (1964), *Exchange and Power in Social Life*, John Wiley & Sons, New York, NY.
- Blomqvist, K. (1997). 'The many faces of trust' *Scandinavian Journal of Management*, 13: 3, 271-286.
- Boselie, P., Dietz, G. and Boon, C. (2005). 'Commonalities and contradictions in HRM and performance research' *Human Resource Management Journal*, 15: 3, 1-29.
- Costigan, R.D., Ilter, S.S. and Berman, J.J. (1998). 'A multi-dimensional study of trust in organisations' *Journal of Managerial Issues*, 10: 3, 303-317.
- Cropanzano, R. and Mitchell, M. S. (2005). 'Social exchange theory: an interdisciplinary review' *Journal of Management*, 31: 6, 874-900.
- Crossan, M. M. and Apaydin, M. (2010). 'A multi-dimensional framework of organizational innovation: A systemic review of the literature' *Journal of Management Studies*, 47: 6, 1154-1191.
- Dirks, K. T. and Ferrin, D. L. (2002). 'Trust in Leadership: Meta-Analytic Findings and Implications for Research and Practice' *Journal of Applied Psychology*, 87: 4, 611-628.
- Delaney, J.T. and Huselid, M.A. (1996). 'The impact of human resource management practices on perceptions of organizational performance' *Academy of Management Journal*, 39: 4, 949-969.
- Delery, J.E. and Doty, D.H. (1996). 'Modes of theorizing in strategic human resource management: Tests of universalistic, contingency, and configurational performance predictions' *Academy of Management Journal*, 39: 4, 802-835.

- Dietz, G. (2011). 'Going back to the source: Why do people trust each other?' *Journal of Trust Research*, 1: 2, 215-222.
- Eberl, P., Clement, U. and Möller, H. (2012). 'Socialising employees' trust in the organisation: an exploration of apprentices' socialisation in two highly trusted companies' *Human Resource Management Journal*, 22: 4, 343-359.
- Edmondson, A. (1999). 'Psychological safety and learning behavior in work teams' *Administrative Science Quarterly*, 44, 350-383.
- Eisenberger, R., Armeli, S., Rexwinkel, B., Lynch, P. D. and Rhoades, L. (2001). 'Reciprocation of Perceived Organizational Support' *Journal of Applied Psychology*, 86: 1, 42-51.
- Eisenberger, R., Fasolo, P. and LaMastro, V. (1990). 'Perceived organizational support and employee diligence, commitment, and innovation' *Journal of Applied Psychology*, 75: 1, 51-59.
- Ellonen, R., Blomqvist, K., and Puumalainen, K. (2008). 'The role of trust in organisational innovativeness' *European Journal of Innovation Management*, 11: 2, 160-181.
- Foss, N.J., Husted, K. and Michailova, S. (2010). 'Governing knowledge sharing in organizations: Levels of analysis, governance mechanisms, and research directions' *Journal of Management Studies*, 47: 3, 455-482.
- Gillespie, N and Dietz, G (2009). 'Trust repair after an organization-level failure' *Academy of Management Review*, 34: 1, 127-145.
- Gould-Williams, J. (2003). 'The importance of HR practices and workplace trust in achieving superior performance: A study in public-sector organizations' *International Journal of Human Resource Management*, 14: 1, 28-54.
- Hair, J.F., Black, W.C., Babin, B.J., Anderson, R.E. and Tatham, R.L. (2006), *Multivariate data analysis – 6th ed.* New Jersey: Pearson Education.
- Kuvaas, B. (2008). 'An Exploration of How the Employee–Organization Relationship Affects the Linkage Between Perception of Developmental Human Resource Practices and Employee Outcomes' *Journal of Management Studies*, 45: 1, 1-25.
- Lee, H.-J. (2004). 'The role of competence-based trust and organizational identification in continuous improvement' *Journal of Managerial Psychology*, 19: 6, 623-639.
- Maguire, S. and Phillips, N. (2008). '“Citibankers” at Citigroup: A Study of the Loss of Institutional Trust after a Merger'. *Journal of Management Studies*, 45: 2, 372-401.
- Martins, E. C. and Terblanche, F. (2003). 'Building organisational culture that simulates creativity and innovation' *European Journal of Innovation Management*, 6: 1, 64-74.
- Mayer, R. C. and Davis, J. H. (1999). 'The effect of the performance appraisal system on trust for management: a field quasi-experiment' *Journal of Applied Psychology*, 84:1, 123-136.

- McCauley, D.P. and Kuhnert, K.W. (1992). 'A theoretical review and empirical investigation of employee trust in management' *Public Administration Quarterly*, 16: 2, 265-284.
- McKnight, D.H., Choudhury, V. and Kacmar, C. (2002). 'Developing and validating trust measures for e-commerce: An integrative typology' *Information Systems Research*, 13: 3, 334-361.
- Nahapiet, J. and Ghoshal, S. (1998). 'Social capital, intellectual capital and the organizational advantage' *Academy of Management Review*, 23: 2, 242-266.
- Robinson, S. L. (1996). 'Trust and breach of the psychological contract' *Administrative Science Quarterly*, 41, 574-599.
- Rousseau, D. M. (1989). 'Psychological and implied contracts in organizations' *Employee Responsibilities and Rights Journal*, 2: 2, 121-139.
- Rousseau, D.M., Sitkin, S.B., Burt, R.S., and Camerer, C.F. (1998). 'Introduction to special topic forum: not so different after all: a cross-discipline view of trust' *Academy of Management Review*, 23: 3, 393-404.
- Ruppel, C. P. and Harrington, S. J. (2000). 'The relationship of communication, ethical work climate, and trust to commitment and innovation' *Journal of Business Ethics*, 25: 4, 313-328.
- Saunders, M. N. K. (2011) 'Trust and strategic change: an organizational justice perspective'. In Searle, R. H. and Skinner D. (Eds), *Trust and Human Resource Management*, Cheltenham: Edward Elgar Publishing Limited, 268-286.
- Searle, R. H. and Skinner D. (2011) 'Introduction'. In Searle, R. H. and Skinner D. (Eds), *Trust and Human Resource Management*, Cheltenham: Edward Elgar Publishing Limited, 3-17.
- Searle, R., Den Hartog, D., Weibe, A., Gillespie, N., Six, N., Hatzakis, T. and Skinner, D. (2011). 'Trust in employer: the role of high-involvement work practices and procedural justice in European organizations' *The International Journal of Human Resource Management*, 22: 05, 1069-1092.
- Searle, R. H. and Dietz, G. (2012). 'Editorial: Trust and HRM: Current insights and future directions' *Human Resource Management Journal*, 22: 4, 333-342.
- Skalski, P., Neuendorf, K. A. and Atkin, D. (2006). 'Predictors of support for doctoral programs in media information technologies' *Telematics and Informatics*, 23: 4, 332-342.
- Skinner, D., Saunders, M. K. and Duckett, H. (2004). 'Policies, promises and trust: improving working lives in the National Health Service' *International Journal of Public Sector Management*, 17: 7, 558-570.
- Snape, E. and Redman, T. (2010). 'HRM practices, organizational citizenship behavior, and performance: A multi-level analysis' *Journal of Management Studies*, 47: 7, 1219-1247.
- Tan, H.H. and Tan, C.S.F. (2000). 'Toward the differentiation of trust in supervisor and trust in organization' *Genetic, Social, and General Psychology Monographs*, 162: 2, 241-260.
- Tyler, T. R. (2003). 'Trust within organisations' *Personnel Review*, 32: 5, 556-568.

Vanhala, M., Puumalainen, K. and Blomqvist, K. (2011). 'Impersonal trust – the development of the construct and the scale' *Personnel Review*, 40: 4, 485-513.

Wang, C. L. and Ahmed, P. K. (2004). 'The development and validation of the organisational innovativeness construct using confirmatory factor analysis' *European Journal of Innovation Management*, 7: 4, 303-313.

Whitener, E.M. (1997). 'The impact of human resource activities on employee trust' *Human resource management review*, 7: 4, 389-404.

Whitener, E.M. (2006). 'International human resource management, fairness and trust: an organizational support theory framework'. In Stahl, G.K. and Björkman, I. (Eds), *Handbook of Research in International Human Resource Management*, Cheltenham: Edward Elgar Publishing Limited, 488-501.

Wright, P.M., Gardner, T.M. and Moynihan, L.M. (2003). 'The impact of HR practices on the performance of business units' *Human Resource Management Journal*, 13: 3, 21-36.

Zhang, A.Y., Tsui, A.s., Song, L.J, Li, C and Jia, L (2008). 'How do I trust thee? The employee-organization relationship, supervisory support, and middle manager trust in the organisation' *Human Resource Management*, 47: 1, 111-132.