

How Trust in One's Employer Moderates the Relationship Between HRM and Engagement Related Performance

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HOW TRUST IN ONE'S EMPLOYER MODERATES THE RELATIONSHIP BETWEEN HRM AND ENGAGEMENT RELATED PERFORMANCE

ABSTRACT

Trust can be seen as important element for the effectiveness of organizational engagement. In particular, in order to be engaged to their work employees' trust in their employer organisation plays a crucial role. This study adopts Dirks and Ferrin's somewhat neglected model of trust as a moderator on the link between HRM and performance. Using a Finnish data-set from a forestry company, we find that trust in the employer moderates the relationship between HRM and unit-level performance. In three out of six HRM practices studied (communication, career opportunities and job design) the moderation effect was as expected: in a climate where the employer is highly trusted, the effect of the HRM practice on performance was enhanced. However, for three practices (learning and development, performance evaluation and rewards, participation) the effect of HRM was contrary to our hypotheses. We consider the implications of these results for both the trust and HRM literatures, and for HR practitioners.

Keywords

HRM practices, organizational trust, trust in employer, performance, Finland, moderation

INTRODUCTION

Trust is very likely to be important for the effectiveness of organisational engagement programmes (Chughtai & Buckley, 2008), not only in encouraging employees to participate in such initiatives in the first place, but for the programme to have a strong effect. In particular, employees need to trust their employer for engagement to work. Chughtai and Buckley have proposed an "upward spiral effect" (2008: 51): high levels of trust in a variety of working relationships boost engagement at work, and engagement subsequently increases trust in working relationships. However, as far as we

are aware, there are not so many previous studies that have investigated the link between trust and employee work engagement. Trust has been found to explain why some employees are more effectively in completing their jobs than others and also why they go beyond their official tasks, even if there is no notable reward. This kind of effect is very close to the employee engagement which can be characterised by ‘employees going the extra mile’ (see e.g. Ugwu et al., 2014.)

Trust itself has been extensively studied, including its antecedents, trust-building processes (Dirks & Ferrin, 2001; Mayer, Davis & Schoorman, 1995; Lewicki, Tomlinson & Gillespie, 2006), and how it might be repaired (Dirks, Lewicki & Zaheer, 2009). Other studies have examined the impact of trust on several outcomes, including job satisfaction (Aryee et al., 2002), the psychological contract between employees and employer (Robinson, 1996), and behaviours such as cooperation (De Cremer, Snyder & Dewitte, 2001), and team collaboration (Gillespie & Mann, 2004 – but see Langfred, 2004, for a note of caution on trust dynamics in self-managing teams). A handful of studies have reported the decisive impact of trust on employee performance metrics, including improved customer service (Salomon-Deutsch & Robinson, 2008) and sales (Davis et al., 2000) – see Colquitt, Scott and LePine (2007) for a meta-analysis of 132 samples.

There is also a substantial literature on the influence of HRM on a wide range of outcomes. At individual level, in terms of impact on employee attitudes and behaviours, studies have linked HRM to job satisfaction (e.g., Guest, 1999; Hoque, 1999), organizational commitment (e.g., Meyer & Smith, 2000) and labour turnover (e.g., Batt, 2002; Gelade & Ivery, 2003). Many of these variables have been posited as the mediator in so-called ‘black box’ models of HRM, wherein HRM is understood to shape employees’ attitudes and behaviours toward the realization of their employer’s strategic aims. These productive attitudes and behaviours are then hypothesized as yielding performance benefits (Purcell et al., 2003). Indeed, there is some evidence of this pathway to

organizational effectiveness. At unit and even organisational level, HRM has been linked to performance metrics, including productivity (e.g., Cappelli & Neumark, 2001; Youndt & Snell, 1996), quality (e.g., MacDuffie, 1995), and higher profits and market share (e.g., Huselid, 1995; Wright et al., 2003) – though the link is disputed (see Schneider et al., 2003). For wide-ranging reviews, see Boselie, Dietz & Boon (2005); Bowen and Ostroff (2004); and Wood and Wall (2005). For a meta-analysis of HRM's impact on performance, based on 92 studies, see Combs et al (2006).

Despite trust's apparent significance for employees' work-related activities, few studies of the HRM-performance relationship have explored the role of trust (for reviews, see Whitener, 1997; Zeffane & Connell, 2003; Searle & Dietz, 2013). Among those that have looked into the role of trust, a common approach has been to posit a main-effect model: HRM is hypothesized as having a *direct* effect on employees' trust (in whoever is the 'referent' for the trust), and employees' trust then serves to mediate the impact of HRM on performance (we review several of these studies shortly). However, the predominance of the main-effect model overlooks a vital but curiously neglected insight revealed by Dirks and Ferrin (2001). After reviewing several major studies of trust, they concluded that trust's influence is more readily apparent as a *moderator* of other relationships, rather than as a direct contributor. Yet surprisingly, this alternative approach to trust remains under-developed in the trust literature (we review several moderation studies shortly).

Whether a main-effect or moderation model best accounts for the HRM-performance link is important, because it carries clear implications for the focus of HR efforts: whether that focus should be on HRM's *direct* impact on trust, via the design and implementation of particular policies, or whether HR practitioners should pay more attention to creating a broader 'climate' of trust in the organisation, aided and abetted by HR policies. Only one study has taken up Dirks and Ferrin's call for such a moderation analysis (Innocenti, Pilati & Peluso, 2010). We contribute to the

literature by supplementing the work of Innocenti and her colleagues with data that extends the impact of HRM into the realm of employee performance and explicitly tests how trust moderates this relationship.

The paper proceeds as follows. We first define our central variable of interest, trust, and summarise the two basic models of trust: the main-effect and the moderating effect models. Next, we review the literature on its role in the HRM-performance relationship, highlighting the gap addressed in our study of a Finnish forestry firm. We then present our hypotheses, describe our method and report our findings. In the Discussion, we consider the implications of our results for theory and practice.

THEORETICAL FRAMEWORK

Trust

During the 20 years or so since Mayer, Davis and Schoorman's (1995) classic conceptualization of trust, a broad consensus has emerged on a three-stage process to trust (McEvily et al., 2003; Colquitt et al., 2007; Dietz, 2011). Trust's antecedents are, firstly, the trusting party's own propensity to trust and, secondly, their assessment of the focal party's trustworthiness. In the influential framework developed by Mayer et al. (1995), three factors are involved when assessing interpersonal trustworthiness: ability (i.e., technical competence), benevolence (i.e., benign motives), and integrity (i.e., adherence to acceptable principles of conduct, such as fair treatment and keeping promises). These three attributes can be translated into manifestations at the organizational level (see Gillespie & Dietz, 2009): employees' judgements of 'ability' assess the employer's overall effectiveness, as realised via its managers and staff, and evidenced in the reliability and efficiency of its processes, as well as its performance outcomes and access to resources; 'benevolence' perceptions reflect an assumption of, and evidence for, benign, or at least non-detrimental, motives on the part of the employer toward its staff, while organisational

'integrity' implies consistency between the employer's stated intentions and their actions, as well as an assessment of the organisation's moral character, including its commitment to honesty and fair treatment of others. These beliefs, if sufficiently positive, induce "confident positive expectations" (Lewicki et al., 1998) about the focal party's "intentions or behaviour" (cf. Rousseau et al. 1998: 395) that enable the trustor to render him/herself "vulnerable" to the actions of the focal party. As such, trust is typically viewed as "a psychological state" (Rousseau et al., 1998): a decision, or a judgement call. Yet there is a final behavioural stage which amounts to demonstration of that trust through a risk-taking act (Dietz & den Hartog, 2006; Dietz, 2011). For employees in their dealings with their employer, this can include commitment to substantial effort and performance (in the expectation of receiving monetary and non-monetary rewards), as well as loyalty (in the form of a disinclination to quit or to disparage the organization in public), and allowing the employer's representatives to have discretion over something of value, such as one's career.

The influence of trust on work attitudes and behaviours

According to Gupta and Kumar (2015; see also Chughtai & Buckley, 2008) trust can be conceptualized as an antecedent of employee engagement. The social exchange theory (Blau, 1964) can explain the relationship between trust and employee engagement: if employees trust organisation they work for, they will be more willing to work harder compared to those who don't trust. In other words, engagement of the employees can be seen as a way they reciprocate or refund to the trustworthiness of the employer organisation (see e.g Ugwu et al., 2014). Marais and Hofmeyr (2013) confirmed the relationship between trust and employee engagement with the result that if employees have negative trust in their employer, it impacts negatively on how they engage with the organisation, and vice versa. In addition, also Ugwu et al. (2014) found support for this linkage by discovering that organisational trust is positively related to employee work engagement.

According to them this can be explained by the fact that when employees trust their employer, they will accordingly respond with positive job behaviours (see also e.g. Wat & Shaffer, 2005).

In a comprehensive 2001 review, Dirks and Ferrin (2001) explored the theory and examined the available evidence for two models for the impact of trust on outcome variables. Much the most common is the main effect model, wherein one party's high trust in another is hypothesized to have a demonstrable direct effect on the outcome variables of interest. The theory behind this is that the extent to which one party trusts another shapes the interactions between them, with a concomitant, direct effect on levels of, for example, engagement, monitoring, support and risk-taking: "higher levels of trust are expected to result in more positive attitudes, higher levels of cooperation and other forms of work behaviour, and superior levels of performance" (Dirks & Ferrin, 2001: 451). Direct-effect models accounted for 90% of published trust studies in Dirks and Ferrin's review sample. Overall, they found that the evidence is "highly supportive" of a main effect model on *attitudes* (such as 'engagement'), but found a "weaker and less consistent" effect on *behaviours* and *performance* (2001: 455). They concluded, counter-intuitively for the literature, that trust was not shown to have a particularly strong effect on behaviours and performance. Yet Colquitt and colleagues' alternative meta-analysis (2007) found that trust does predict risk-taking – part of our three-stage model outlined above; that trust correlates positively, but weakly, with commitment (2007: 922), and that trust is strongly related to task performance (.36, $p = 0.05$).

The alternative proposition, that trust acts more as a moderator on the relationship between another independent variable and its outcomes, is a "less developed" research stream (Innocenti et al., 2010: 2; Jarvenpaa, Shaw & Staples, 2004). In the moderation model, the theory is that trust "provides the conditions under which certain outcomes, such as cooperation and higher performance, are likely to occur" (Dirks & Ferrin, 2001: 450-451). Trust levels affect how parties interpret other parties' past behaviours, and/or how they assess each other's likely future conduct (ibid: 456):

“Under high trust the action is interpreted positively, but under low trust, the action is more likely to be interpreted negatively. Hence, the individual is acting in response to the partner’s actions [in our case, HRM]... as opposed to trust directly. Trust shapes the response elicited” (Dirks & Ferrin, 2001: 460).

There have been only a few studies of moderation models of trust: Dirks and Ferrin point to Robinson’s (1996) study of recruitment, in which psychological contract breaches were found to be buffered by trust; Rousseau and Tijoriwala’s (1999) study of employees’ reactions to proposed change management initiatives found that trust in management moderated the relationship between the managers’ rationale for change and the perceived legitimacy of their logic, and Dirks’ own study of U.S. college basketball (1999) found no direct effect for trust, but that it did moderate between players’ motivation and their team processes and even outcomes. For one, in the recent study by Nair and Salleh (2015) it was found that trust moderates the relationship between performance management practices and their outcomes (one of those being employee engagement). Also Chughtai and Buckley (2008) suggest that if there is high levels of trust within organisation, employees are more likely to perceive e.g. more resources in their work environment. Consequently, this would drive them to be more engaged in their work.

De Cremer and Tyler (2007) confirmed in two experimental studies and two field studies that people’s cooperation with an authority is enhanced by the authority’s demonstration of procedural fairness, and that this effect is moderated by people’s trust in the authority, such that when trust is high, the procedural fairness is seen as more meaningful, credible and valued, and hence has its greatest impact. We expect a similar relationship for HRM: the impact of an organization’s HRM will be enhanced if employees trust their employer, and hence impute benign and honest motives to the design and implementation of its HRM policies.

Finally, Grant and Sumanth (2009) explored the impact on performance of prosocial motivations in members of mission-driven organizations such as charities, NGOs, hospitals and universities. In a series of three studies, they confirmed that trust in management moderated the relationship, such that a trusted manager inspired employees to give greater significance to their work, which had a knock-on beneficial impact on performance: “prosocial motivation is more likely to predict performance when trust cues [from managers] signal to employees that their efforts will have a positive impact on beneficiaries” (2009: 940). Grant and Sumanth conclude that a sense of trust in the workplace enables people to focus on “value-producing activities” rather than worrying about their jobs or career, or monitoring managers’ activities (2009: 941). We expect a similar interaction effect for HRM: employees who trust their employer will be less likely to question or even resist its HR practices, and more likely to reciprocate with superior performance levels. We now turn to the role of trust in HRM.

HRM and trust

Employee trust at work can be interpersonal (e.g., with regard to immediate bosses and colleagues: see Davis et al., 2000; McAllister, 1995), but also organisational, which is our interest in this paper.

The main-effect model, wherein employer trustworthiness is hypothesized as being directly influenced by the organization’s HRM policies, is the standard approach to analysing the relationship. Several individual practices have been found to predict levels of trust in a variety of relationships: with senior management (voice mechanisms – Farndale et al., 2011; appraisal – Mayer & Davis, 1999; communication, procedural justice, empowerment and employee development – Tzafrir et al., 2004), and with co-workers (performance measurement, appraisal, pay

policies – Pearce et al., 2000). HRM Systems have also been shown to contribute to perceptions of employer trustworthiness. Tsui and colleagues (1997; Tsui & Wu, 2005) compared four models of ‘employee-organization relationship’, differentiated by the inducements offered by the employer and the employee obligations these sought to invoke. They found that the ‘mutual investment’ approach (an open-ended, long-term social and economic exchange arrangement) delivered the highest levels of trust and the best performance outcomes, although the strictly transactional ‘quasi-spot contract’ model (minimal social engagement but high rewards attached to demanding performance targets) also produced good performance. Gould-Williams (2003; 2004) found support for the hypothesis that HR practices can be a powerful predictor of UK local government workers’ trust in their employer’s systems and in interpersonal trust in the workplace. In both these studies, positive trust levels were associated with beneficial effects on organizational performance. Tzafrir (2005) found that HR managers’ trust in their staff predicted investments in HR systems, which in turn had an impact on performance. Whitener (2001) found that trust in management mediates the relationship between perceived organizational support and organizational commitment. She suggested that employee trust is stronger when they perceive that the employer organization is committed to and supportive of them. She also found that trust in management was stronger if organizations conducted developmental appraisals. McCauley and Kuhnert (1992) found out that employee trust in management was associated with job security, performance appraisal and professional development. They state that professional development (i.e., promotion and career opportunities) may, in fact, be the most important factor in differentiating the level of employee trust in management.

Although researchers recognize that trust in organizations operates at multiple levels (see e.g., Rousseau et al., 1998), at present there is no clear consensus on the concept of trust within the organization. Increasingly, studies recognize that there is also an impersonal dimension to

employee trust in employer organizations (see, for example, Maguire and Phillips, 2008; McCauley and Kuhnert, 1992; Vanhala et al., 2011), whereby employees trust their top management team as a unit, and their organization as a functional structure (e.g., strategy, vision and processes). However, research on organizational trust has not typically analyzed trust in employer organizations as distinct from interpersonal trust, nor has the role of that kind of trust been studied comprehensively enough. We have suggested that this type of organizational trust can be influenced by the HRM practices adopted in the organization.

However, recent theorizing (Gillespie & Dietz, 2009) suggests that HRM policies are not the only source of evidence for employer trustworthiness. Other indicators are relevant to employee appraisals of trustworthiness, including the decisions, statements and actions of senior and line managers; the cultural values espoused and enacted by the organization; the various systems and practices it creates and deploys in order to operate, including its policies for employee welfare and development (i.e., HRM); and, finally, evidence sourced beyond the organization, in the institutions and regulations that govern its activities, and in the reputation it has with wider public audiences (for more detail on organization-level trust, see Gillespie & Dietz, 2009). The implication of this is that trust can be hypothesized as moderating the impact of HRM on work-related attitudes and behaviours such as employees' engagement to their work.

The moderation model posits an alternative to the main-effect model. If employees trust their employer in general, they will be expected to adopt benign or, at least, non-cynical interpretations of the intentions behind the employer's HR practices. This should lead to a reciprocal response, in terms of increased employee effort and performance (Dirks & Ferrin, 2001; Rousseau & Tijoriwala, 1999). By contrast, a moderation model would predict that employees who doubt their employer's motives and/or competence will be less likely to view their employer's HR policies as a positive

exchange, which would have a damaging knock-on effect on attitudes and behaviours at work. As we have already discussed, trust levels partly determine how parties interpret other's past behaviours, and/or their likely future conduct (Dirks & Ferrin, 2001: 456). As Innocenti and colleagues have suggested, factors beyond the HR sphere of influence can affect employees' general trust perceptions, and may damage or enhance the impact of HRM:

“Any behaviours that run counter to perceptions of support, equity and integration may compromise the effects of [HRM's] ‘positive chain of influence’ [on performance], and reduce or nullify the impact of a company's HRM system” (2010: 11-12).

There is the only study of which we are aware to have tested the moderating effect of trust on HRM and performance. Specifically, Innocenti et al (2010) posited a moderating effect for ‘trust in management’ on the relationship between an ‘AMO’ style (cf. Appelbaum et al., 2000) configuration of HRM – in which policies influence employees' ability, motivation and opportunities to utilise their skills and knowledge and participate meaningfully in work-based decisions – and employees' ‘attitude toward their employer’ (a compilation of items on job satisfaction and organisational commitment). Using a sample of 9,166 respondents from the Great Place To Work survey in Italy, with its own measures for each variable, they found that trust did enhance HRM's ‘motivation’-oriented policies (namely ‘non-monetary recognition’ and ‘economic rewards’), but had no effect on the other two elements of HRM: “When trust is high the path from motivation to EAO [Employee Attitudes towards the Organisation] is significantly stronger than when trust is low ($t = 3.0, p < 0.05$)” (Innocenti et al., 2010: 10).

Hypotheses

From the above, we argue that employee trust in their employer positively moderates the impact of individual HRM practices on performance. Specifically, the more employees trust their employer,

the stronger the effect of HR practices on employee performance. We collapse our six separate hypotheses for each HRM practice into one overall hypothesis as follows:

Employee trust in their employer positively moderates the relationship between unit-level performance and a) 'learning and development', b) 'communication', c) 'performance evaluation and rewards', d) 'career opportunities', e) 'participation (i.e., employee voice mechanisms)' and f) 'job design'.

Figure 1 below summarises the model tested in the study.

INSERT FIGURE 1 ABOUT HERE

METHOD

Data collection and sampling

Our analysis is based on a sample of blue-collar workers in a large forestry company in Finland. We collected the data in August-September 2008. Company representatives randomly distributed 700 questionnaires with a covering letter among the firm's 1400 employees. We received 411 useable responses from eight units in two of the firm's mills (a 58.7% response rate). As shown in Table 1, most of the respondents were men, most had long tenure at the firm, and most had not attended higher education. Our discussions with company representatives and details contained in the firm's annual report confirm that our sample is representative of the whole workforce.

INSERT TABLE 1 ABOUT HERE

Measures

For all measures and the reliability results, see Appendix 1. All scales were five-point Likert scales (1 = strongly disagree, 5 = strongly agree).

Independent variable: 'Perceived HRM'. We adopted and adapted the scale by Delery and Doty (1996). 18 items covered six main areas of HRM: learning and development (3 items), communication (3 items), performance evaluation and rewards (3 items), career opportunities (3 items), participation (3 items) and job design (3 items). The respondents indicated the extent to which they strongly agreed or disagreed with the statements describing their perceptions of HRM practices in their organization.

Dependent variables. In this study we measure performance as the individual employee's subjective perceptions of performance at unit level. This is for two reasons. Firstly, the company was reluctant to share objective performance data and, second, we wanted to ensure comparability between different kinds of organizational units. While perceptual data may introduce limitations through increased measurement error and mono-method bias, research has found that measures of perceived performance do tend to correlate positively with objective measures (see Delaney and Huselid, 1996; Robinson and Pearce, 1988). We measured unit-level performance using four items from Dvir and Shenhar (1992). These cover how one's work-unit copes with new business opportunities and future challenges, as well as the resources of the unit. In other words, our measure for performance is related to how capable the unit is to perform at present and in the future. Based on this one can make assessment about the unit he/she is working for and consequently it will also have an effect to one's engagement to their work.

Moderating variable. We measured ‘organizational trust’ using the seven items developed, tested and affirmed by Vanhala et al. (2011). The scale is designed particularly to assess employees’ trust in their employer as an organization. The items cover the essential attributes of trustworthiness (cf. Mayer et al., 1995), including the organization’s resilience, sustainability and competitiveness (i.e., its ability), positive staff expectations about their own future (i.e., organizational benevolence), and the commitment of the organization and its senior management team to ethical conduct (i.e., integrity). The authors used Confirmatory Factor Analysis on data from 166 respondents with different kinds of organizational backgrounds in Finland to validate the scale (Vanhala et al, 2011).

Control variables.

Certain respondent characteristics can influence the relationship between HRM practices and performance (see Tzafrir et al., 2004). We therefore controlled for job tenure, classified as under one year, 1–5 years, 6–10 years, 11–15 years, 16–20 years and over 20 years.

Methods

The data relied on self-report measures, and so common method variance might have biased the findings. We used Harman’s one-factor test to control for this (Podsakoff et al., 2003). The largest factor accounted for 31.7% of the variance, which suggests that common method variance bias was not a concern.

The first step was to validate the measurement model, including HRM practices, trust in employer and performance by means of confirmatory factor analysis (CFA). Second, we used structural equation modelling (SEM) to test each hypothesis. We processed 411 cases using LISREL 8.50, and computed the covariance matrix using PRELIS 2.50. We used the maximum likelihood estimation method.

FINDINGS

Measurement model, reliability and correlations

The CFA revealed that the loadings of all the items were high (with the exception of one item in ‘career opportunities’) and statistically significant (see Appendix 1). This means that they were all related to their specified constructs, confirming the posited relationships between the indicators and constructs. In terms of construct reliability and Cronbach’s alpha, all concepts exceeded an acceptable level of 0.60, with the exception of ‘career opportunities’ (CR = 0.52; alpha = .47).

Table 2 presents the correlation matrix, mean scores and standard deviations for all the main variables. Note that there are statistically significant positive correlations between them all.

INSERT TABLE 2 ABOUT HERE

Analysis

We used structural equation modelling to test our hypotheses. We conducted a multi-group analysis to check whether ‘trust in employer’ moderates the relationship between perceived HRM practice and unit-level performance. We averaged the scores for the items covering trust in employer to obtain a composite indicator of trust. We used a median split (median=3.14) to divide our respondents into two sub-samples according to their trust score; one with a low level of trust (sample size: 183, mean=2.58, SD=0.41) and one with a high level (sample size: 228, mean=3.62, SD=0.39).

Next, we tested the models on each sub-group separately in order to check whether the models produced an acceptable fit for each group. Results for the 'Low trust model' were as follows: Chi-square=320.68, df=188, p=0.000, RMSEA=0.062, GFI=0.862, NNFI=0.941, CFI=0.952, IFI=0.953. Results for the 'High trust model' were as follows: Chi-square=336.11, df=188, p=0.006, RMSEA=0.059, GFI=0.881, NNFI=0.948, CFI=0.958, IFI=0.958. 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 goodness of fit (see e.g., Hair et al., 2006). Overall, the indices suggest that the models produced an adequate fit.

We then conducted a multi-group analysis by comparing the two groups associated with different levels of trust. We compared a constrained model against an unconstrained one (see, for example, Hair et al., 2006). In the constrained model, the path from HRM practice to performance was not allowed to vary across the two sub-groups. In the unconstrained model, this path was allowed to freely change across the sub-groups. If the chi-square difference test and other fit indices show that constraining the path weakens the model, the moderation is supported. After this we compared the parameter associated with the relationship between HRM practice and performance. If the parameter is higher in the 'high trust' sample the moderation is in the direction hypothesized.

Results

Our results reveal (see Table 3) that 'trust in employer' moderates the relationships between all of the HRM practices and unit-level performance. For three practices (Hypothesis 1b: communication; H1d: career opportunities; H1f: job design), the parameter associated with the relationship between HRM practice and performance was as we supposed (i.e., higher in the 'high trust' sample). This supported hypotheses 1b, 1d, and 1f. However, for three of the practices (H1a: learning and development; H1c: performance evaluation and rewards; H1e: participation) the parameter

associated with the relationship between HRM practice and performance was higher in the *'low trust'* sample. Consequently, we rejected hypotheses 1a, 1c and 1e. These findings will be discussed in more detail in the Conclusion.

INSERT TABLE 3 ABOUT HERE

DISCUSSION AND CONCLUSIONS

In this paper we enhance the HRM and trust literatures by studying the moderating role of 'trust in employer' in the HRM-performance linkage. This is the one of the first studies to do so, and contributes to the growing literature on the role of trust in the context of intra-organizational relationships. In a previous studies (Vanhala & Dietz, 2015; Vanhala & Ritala, 2016) exploring trust's direct and mediating effects it was found out that at different levels of performance (individual, unit, and organization levels) as well as at innovativeness of the organization HRM practices can make a positive impact through the mediation of 'trust in employer'. This previous study suggested that if HRM practices can be designed specifically to enhance employees' trust in their employer organization, the effect on performance will be positive. In the alternative model presented here, we follow Dirks and Ferrin's theoretical arguments for trust's role as a moderator. Our results show that for all six HRM practices that we studied, trust in employer moderates the relationship between HRM and unit-level performance. In three HRM practices (communication; career opportunities; job design) the moderation effect of the trust in employer was as we expected: if the employer is perceived as trustworthy, the effect of HRM on performance is positive. These results suggest that the association between these three individual HRM practices and unit-level performance is more effective if employees trust their employer. However, for three other HRM practices (learning and development; performance evaluation and rewards; participation) the moderating effect proved contrary to our hypotheses: the effect of HRM on performance is *greater*

when employees trust their employer *less*. These results support Dirks and Ferrin's arguments in favor of trust as a moderator. Yet the different effects of different policies have implications for theory and practice, which future research will need to address.

One explanation could be that the effect of these latter three practices impact performance less if the organization is greatly trusted. For example, considering 'performance evaluation and rewards,' it could be that when employees trust the organization, they do not want to compete against each other, and consequently such a policy affects performance, and ultimately their engagement to work) negatively. Alternatively, if the organization is highly-structured (as could be assumed in a paper mill), participative decision-making might be less effective in high-trust situations. Another explanation might be that the sequence is the reverse of that depicted by Dirks and Ferrin: HRM brings clarity to the relationship and to the link between employees' work and their unit's performance. In so doing, the determinant [HRM] overcomes a low trust climate to bring benefits to performance.

This does not, however, account for the different effects found for different HR policies. We suggest possible explanations for these individual policy effects. Performance evaluations may be more effective in low-trust environments, because the appraisal may induce fear and pressure, which, from a work intensification perspective (cf. Green, 2004), might enhance performance. Contrarily, voice may be viewed by low-trust employees as a valuable counterbalance to the power of their employer, for whose subsequent impact on unit-level performance *employees* can take credit. Our findings for 'learning and development' may have a similar explanation: in a low-trust climate, the impact of the HRD may be perceived as within the *employees'* realm of control (i.e., *their* skills and knowledge are being utilized, enhanced, and exploited). In other words, policies controlled primarily by the employer might be most effective in a high-trust climate, whereas

policies significantly influenced by employees might be most effective in low-trust conditions. We offer some further thoughts on this below, in addressing the study's limitations.

LIMITATIONS AND FURTHER RESEARCH

One limitation of this study is that we only looked at the relationship between HRM practices and trust with regard to a single referent, the employer. We did so for the theoretical reasons outlined above. However, the role of trust in the relationship between HRM and performance is not limited to trust in the employer. HRM practices can also build interpersonal trust, such as employees' trust in their immediate and senior leaders (Davis et al., 2000; Spreitzer & Mishra, 1998); managers' trust in their subordinates (Salomon-Deutsch & Robinson, 2008); or trust among colleagues (McAllister, 1995). For example, learning and development, and job design, could also affect trust between colleagues. If an employee knows that a system of learning and development is in place, or that jobs are well-designed and there is scope to modify work tasks, they may be more confident in their colleagues' competence. HRM practices also influence trust in supervisors and managers, who implement these organization-wide practices. For example, appraisal systems have been found to shape employees' trust in their line and senior managers (Mayer & Davis, 1999). The key point here is that employees do not perceive HRM practices in a vacuum. Supervisors and managers implement HRM practices, and employees develop trust in them based on how they behave and act. Even so, HR practices are typically *organization-level* variables, and might be expected to impact on this relationship the most. Nevertheless, future studies could explore multiple interpersonal trust relations, alongside 'trust in employer', to see which trust relationships matter, and which are influenced by HRM. Then it would be possible to build and test a model of the relationships between HRM practices, different levels of trust and performance. A second limitation of this study is that objective measures of performance were not available, and future studies incorporating these

would further enhance our understanding of how trust moderates the HRM-performance relationship.

Future research might look into three-way interactions with a mediating 'black box' attitude (cf. Grant & Sumanth, 2009). Given the meta-analysis finding by Colquitt et al. of a relationship with organizational commitment but, curiously, no relationship with organizational citizenship behavior, these two variables suggest themselves as obvious candidates. Engagement is another candidate e.g. by testing Chughtai and Buckley's (2008) propositions. In their conceptual paper it is suggested that the direct effect of inter-personal trust (i.e. individual employees' trust in colleagues as well as trust in supervisors/managers) on work engagement should be studied. In addition they suggest that also the interaction effect of individual's propensity to trust in above mentioned relationship should be taken into account as well.

Finally, Dirks and Ferrin (2001: 461) proposed that future research should investigate the suggestion that 'situational strength' (cf. Mischel, 1977) – the clarity of cues and institutions governing the relationship between HRM and performance, such as, in our case, a company's HRM practices – might determine whether a main-effect model would be more likely than a moderation model (see also Jarvenpaa et al., 2004). Thus, future research might explore the hypothesis that the moderating effect of 'trust in employer' on the relationship between HRM and attitudes such as engagement, and hence on performance indicators, will be greater in organizational settings where the signals sent by the HRM system are of moderate strength.

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Figure 1 Trust in employer as a moderator of the relationship between perceived HRM and unit-level performance

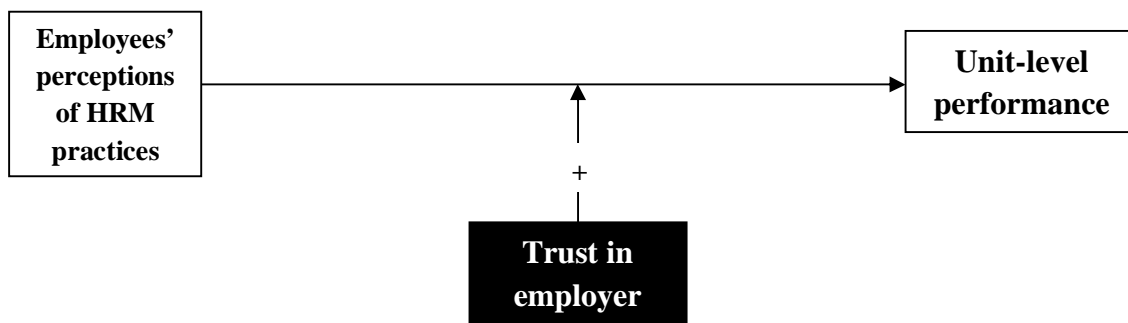


Table 1. Profile of the respondents.

	FORESTRY COMPANY.
<u>Gender</u>	
Men	79.3
Women	18
<u>Age</u>	
21-30	7.8
31-40	23.4
41-50	39.9
51-60	25.8
<u>Education</u>	
Vocational education	63
Further education qualification	8.5
Higher education qualification	4.9
<u>Tenure</u>	
Less than 10 years	0.2
11-15 years	14.4
16-20 years	13.6
More than 20 years	52.3
<u>Job position</u>	
Employees	72.5
'Officials'	14.8
Team Leaders	6.1
Managers	3.6

Table 2. Correlation matrix.

Construct	Mean	SD	1	2	3	4	5	6	7	8	9
1 Job tenure	4.96	1.30									
2 Trust in organization	3.16	.65	-.023	(.78)							
3 Unit-level performance	3.69	.70	.071	.530**	(.75)						
4 Learning and development	3.11	.90	-.008	.593**	.407**	(.86)					
5 Communication	3.36	.80	-.030	.571**	.329**	.529**	(.73)				
6 Performance evaluation and rewards	3.08	.69	.015	.573**	.376**	.520**	.509*	(.69)			
7 Career opportunities	2.97	.72	.058	.562**	.343**	.668**	.472*	.491*	(.47)		
8 Participation	2.73	.84	-.061	.538**	.327**	.598**	.490*	.522*	.502*	(.81)	
9 Job design	3.10	.78	-.008	.521**	.334**	.629**	.522*	.510*	.506*	.519**	(.74)

** indicates statistically significant correlation at the .01 level.
Cronbach's alphas are presented in parentheses on the diagonal.

Table 3. Model comparison.

Model	Chi-square (df)	Change in chi-square (df)	RMSEA	GFI	CFI	NNFI	IFI	CAIC
Learning and development								
Unconstrained	175.56 (47)		.114	.919	.871	.846	.872	348.024
Constrained	275.83 (49)	100.27 (2)	.15	.855	.749	.713	.751	437.26
Gamma _{LT}	.31	Gamma _{HT}	.30					
t	3.32	t	3.27					
Communication								
Unconstrained	174.6 (47)		.115	.907	.798	.759	.801	350.066
Constrained	201 (49)	26.4 (2)	.123	.892	.755	.720	.758	362.428
Gamma _{LT}	.14	Gamma _{HT}	.41					
t	1.59	3.335	3.35					
Performance evaluation and rewards								
Unconstrained	156.3 (47)		.107	.924	.807	.77	.81	331.767
Constrained	186.68 (49)	30.38 (2)	.117	.901	.765	.731	.767	348.109
Gamma _{LT}	.37	Gamma _{HT}	.3					
t	3.33	t	2.7					
Career opportunities								
Unconstrained	152.73 (47)		.105	.911	.778	.735	.782	202.73
Constrained	169.85 (49)	17.12 (2)	.11	.903	.741	.704	.745	331.28
Gamma _{LT}	0.1	Gamma _{HT}	.42					
t	.83	t	2.64					
Participation								
Unconstrained	174.73 (47)		.115	.926	.826	.792	.828	350.199
Constrained	284.15 (49)	109.42 (2)	.153	.841	.701	.658	.704	445.582
Gamma _{LT}	.33	Gamma _{HT}	.13					
t	3.37	t	1.43					
Job design								
Unconstrained	132.89 (47)		.095	.938	.876	.852	.877	308.354
Constrained	165.3 (49)	32.41 (2)	.108	.925	.823	.798	.825	326.727
Gamma _{LT}	.24	Gamma _{HT}	.36					
t	2.35	t	3.55					

Appendix 1: Measurement items.

	CONCEPT	ITEM	MEAN	SD	FACTOR LOADING	CR	α
HRM PRACTICES	LEARNING AND DEVELOPMENT	Learning (on the job) and training are encouraged in my organization.	3,30	1,02	.837 ^a	.86	.86
		Employees are offered opportunities to develop their skills in order to help them advance in their careers.	3,12	1,02	.878 ^{***}		
		Employees are encouraged to develop themselves and to learn new skills even if they are not directly related to their current position.	2,91	1,02	.737 ^{***}		
	COMMUNICATION	Information on our business situation and plans is regularly provided to all employees.	2,90	1,01	.685 ^a	.73	.73
		Information on our organization's financial results is provided to all employees.	3,39	1,01	.726 ^{***}		
		The unit's performance targets are shared among all employees.	3,79	,94	.658 ^{***}		
	PERFORMANCE EVALUATION AND REWARDS	Performance is evaluated by objective means.	2,86	,96	.775 ^a	.69	.69
		Performance evaluation emphasize results.	3,35	,90	.599 ^{***}		
		Performance evaluation include how results are achieved.	3,02	,77	.575 ^{***}		
	CAREER OPPORTUNITIES	Individuals in my organization have the opportunity to develop and move to new tasks.	2,97	1,06	.757 ^a	.52	.47
		Employees have very little future within this organization. (R)	2,79	1,06	.267 ^{***}		
		Managers are aware of their subordinates' career aspirations.	3,13	,97	.483 ^{***}		
	PARTICIPATION	Employees in my organization can participate in the decision-making.	2,50	,94	.807 ^a	.82	.81
		Employees are often asked by their managers to participate in the decision-making.	2,45	1,02	.805 ^{***}		
		Employees are encouraged to suggest improvements in the way we work.	3,23	1,01	.716 ^{***}		
	JOB DESIGN	We have flexible jobs and roles in my organization.	3,26	,98	.592 ^a	.75	.74
		In my organization job rotation is in active use as a competence-development activity.	3,01	,93	.746 ^{***}		
		In my organization jobs are deliberately allocated so as to exploit the employees' skills and abilities as effectively as possible.	3,03	,99	0,772 ^{***}		
UNIT-LEVEL PERFORMANCE	My unit has been successful in advancing and supporting new business opportunities.	3,70	,901	.659 ^a	.75	.75	
	My unit has prepared well for future opportunities and challenges.	3,55	,952	.695 ^{***}			
	My unit has the relevant scientific, technical and professional knowledge to cope with future needs.	3,87	,887	.661 ^{***}			
	My unit has adequate people and skills to convert ideas into new products and services, and to produce and implement them.	3,62	,974	.608 ^{***}			
TRUST IN ORGANIZATION	There are work practices in my organization that help us to overcome exceptional situations.	3,35	,890	.598 ^a	.78	.78	
	Employees have a bright future when working with this employer.	2,43	1,05	.617 ^{***}			
	Our top management has a clear vision of the future.	3,17	1,198	.674 ^{***}			
	I receive assistance with technical problems whenever I need it.	3,82	,933	.554 ^{***}			
	Outsiders consider my employer to be a successful player in its field.	3,52	,941	.645 ^{***}			
	The top management never puts their success ahead of that of the employees.	2,281	,966	.521 ^{***}			
	Top management has made it clear that unethical action is not tolerated in my organization.	3,526	,950	.457 ^{***}			

^a Significance level is not available, because the coefficient is fixed at 1. *** Statistically significant at 0.01 significance level.

Measurement model (HRM practices and Unit-level performance): Chi-square=445.16, df=188, P=0.00, RMSEA=0.058, GFI=0.910, NNFI=0.973, CFI=0.978, IFI=0.978.

Measurement model (Trust in organization): Chi-square=27.84, df=14, P=0.015, RMSEA=0.049, GFI=0.981, NNFI=0.978, CFI=0.985, IFI=.985.