Employee involvement, organizational change and trust in management

David E. Morgan and Rachid Zeffane

Abstract Trust is an important concept in social science research as a key factor in organizational success and human resource practice. Few models of organizational change encompass the role of trust in the process of change. Further, little empirical research has focused on the potential effects of change strategies on employee trust in management. To address this gap, this paper explores the effect that different types of change strategies may have on employee trust in management. More specifically, it examines the effect of several types of major organizational change – technological, structural and work role – and types of employee involvement. Using data from the most recent Australian Workplace Industrial Relations Survey, covering over 2,000 workplaces and over 19,000 employees, statistical analysis reveals significant negative effects of change on trust. However, the effects vary by type of change and employee involvement. Structural reorganization is particularly corrosive of trust in management. However, given the imperative of change for organizational success, the key question for management is: how can change be managed to minimize its corrosive effects? The analysis also indicates a central role for senior management in the process of change in Australian workplaces. In particular, the results for human resource management suggest an important role for direct consultation between employees and higher management (i.e. above the workplace level) in major change processes.

Keywords Organizational change; trust in management; employee involvement; consultation; HRM; management.

Introduction

Recent developments in human resource management (HRM) and organizational science reflect the importance of interpersonal trust for sustaining individual and organizational effectiveness. Researchers have recognized the influence of trust on co-ordination and control at the institutional and interpersonal levels of organization (Lane and Bachman, 1998). Contributions to the literature span basic social science disciplines as well as applied management (for reviews, see Gambetta, 1988; Kramer and Tyler, 1996; Lewicki and Bunker, 1995; Worchel, 1979; Rousseau *et al.*, 1998). For HRM, the core of the issue lies in how trust develops and functions in organizational settings. One difficulty in previous trust research is the lack of clear differentiation among factors that contribute to trust itself (the act of trusting) and trust in management in particular (Clark and Payne, 1997; Gilbert and Tang, 1998; Mayer *et al.*, 1995).

This exploratory paper investigates the effect of antecedent change conditions on employee trust in management. Specifically, it examines types of organizational innovations and change – technological, structural and work role – and forms of

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employee involvement in Australian workplaces in the 1990s. Given the imperative of change for organizational survival and success. a clearer understanding of the relationship between change and trust is important for HRM practitioners and researchers. The practitioner literature stresses the need to maintain employee trust as a key element in organizational change. The results reported here show the effects of different types of change, and suggest responses by change agents and senior management. For researchers, the results indicate a need to review the role of trust in HR systems (Condrey, 1995) in general, and to re-evaluate the components of employee acceptance or 'buy-in' of change programmes. In particular, the role of HRM interventions in managing change may be more contingent on the type of change and the efficacy of implementation processes (Godard, 1999) than current research indicates.

Manager–employee relations are both economic and normative. Economic orientation is embedded in normative and affective evaluation (Wicks *et al.*, 1999; McAllister, 1995). The latter entails moral obligations on the part of the more powerful party. the managers, to act with consistency, honesty, integrity and competence (Soule, 1998; Whitener *et al.*, 1998; Clark and Payne, 1997). Hence, perceptions of managerial actions trigger varying degrees of trust or lack of trust, from employees. Indeed, management may set the benchmark of organizational trust as the initiators of trust (Whitener *et al.*, 1998: 525). Thus in 'high trust' situations, employees expect consistency, integrity and concern from managers, even in periods of disagreement, conflict or crisis. Accordingly, under conditions of change, trusting individuals would believe that integrity and concern lie behind manager's actions. However, the tension which arises from balancing improvement in competitive performance and maintaining concern for employees is a significant issue for trust in organizations (Mishra, 1998: 57). This paper contributes to the, presently limited, information available on the contextual elements and antecedents of trust in managerial behaviour and employees' reactions (Whitener *et al.*, 1998: 525–6; Gilbert and Tang, 1998: 321–3; Condrey, 1995: 342–3) in the context of substantial change.

Organizational change has been substantial in Anglophone countries since the mid-1980s. However, countries differ in scope, frequency and outcomes. Reviews of empirical studies indicate that Australian organizations have undergone extensive and frequent change, with comparatively poor HR outcomes (Littler *et al.*, 1994: 3–25, 1997). Thus, the data set considered here (components of the Australian Workplace Industrial Relations Survey, AWIRS95)[1] represents an international 'high change' case for investigating change, involvement and trust. The AWIRS95 covers a broad range of organizational practices across a large national sample of workplaces and employees. Despite limitations, its comprehensiveness provides a unique opportunity to shed empirical light on these issues.

The paper begins with a review of some key issues and themes in the literature on trust and trust in management, organizational change and employee involvement. We then turn to the empirical analysis of trust, consultation and change, including a discussion of the results of the research. We conclude with discussions of the main thrust of our findings and their contributions to the ongoing debates and theoretical developments.

Trust and change

Early research work using the concept of trust was framed by concern over system disturbance and its pathological effects. Prior to 1980 research investigated discord.

such as group and interpersonal conflict management (Deutsch, 1958, 1960, 1969; Evans, 1964), political systems analysis (Cole, 1973; Watts, 1973) and industrial relations dynamics (Fox, 1974). In contrast, work since 1980 is framed by concern over *system maintenance or stability* and the requisite morphological characteristics. With roots in the earlier period, the latter frame initially focused on specifying the systemic role of trust in routine social relations (e.g. Garfinkel, 1963; Holzner, 1973; Giffen and Patton, 1971). Recently, its main concern has been centred on trust as a resource for competitive performance at various organizational levels.

Management research interest from the early 1980s has increasingly focused on system stability under conditions of uncertainty. Calls have emerged for 'optimal' trust (Wicks *et al.*, 1999) and a theory grounded on 'the inherent tensions of complex relationships' where '*the challenges of the modern global marketplace center on the simultaneous management of trust and distrust in a hostile environment in which individuals may be just as inclined to distrust as they are to trust*' (Lewicki *et al.*, 1998: 349, emphasis in original). As Wicks *et al.* (1999: 99) note, trust is largely an 'underappreciated' issue in the management literature.

This instrumentalist interest in trust has emerged from growing competitive pressures on organizations under conditions of globalization, de-regulation and higher consumer expectations. The consequences are seen in internal and external organizational features, such as less formal procedures, lateral flexibility, multi-task teams and a plethora of 'new organizational forms'. Dealing with the speed of transactions and diversity of the workforce is a major challenge for organizations. Employers can no longer rely on interpersonal similarity to generate the positive in-group relations, confidence, predictability and trustworthiness, which underpin effective work performance (Mayer *et al.*, 1995; Brewer, 1981; Kanter, 1977; Komorita *et al.*, 1992). Building trust is one mechanism that bridges intergroup and interorganizational 'structural holes' (Burt, 1992, 2001; also Lane and Bachman, 1998) and thereby enables organizations to cope with operational flexibility and constant change.

Current models of organizational change not only seek to determine the reasons why change occurs, but also the consequences of change. Barnett and Carroll (1995) argue that models that consider the content and process of organizational change show the most explanatory potential. Here, we consider the links between types of change (content), employee involvement (process) and their effects on employee trust in management. Two fundamental tensions for organizational change management are the tensions, first, between design and the environment and, second, between planning and action. Planned change is invariably triggered by the failure to create continuously adaptive organizations (Dunphy, 1996) to match environment demands. Hence, organizational change routinely occurs under conditions of perceived failure. Unintended consequences from inappropriate design or implementation overwhelm planned change (Czarniawska and Sevon, 1996: 20), which, in turn, triggers further change, which may contradict the initial direction. Although the general rationale of the contingency-based approach is to re-align firm structure with espoused strategy, the numerous forms of restructuring or transformation (e.g. divisional re-configuration, delayering, broadening spans of control, reduction of product diversification, overhaul of business processes, overhaul of governance) often entail increasingly negative effects on employees. The downsizing of employee numbers is often a by-product of such restructuring efforts or, in many instances, an objective in itself (Littler *et al.*, 1997). Against this background, our concern here is with certain types of changes and their effects on trust in management.

Second, planning initiatives assume that change is or should be (Godard, 1999: 680) most effectively imposed through top-down formal systems and structures that guarantee co-ordination and effectiveness. However, the import of the new internal and external relations mentioned earlier is that flexibility and diversity are key components that enhance organizational competitiveness. Here, we investigate process mechanisms of employee involvement in organizational change. For, at the core of the tensions in design/environment and planning/action in change, is the role of organizational trust in general, and trust in management in particular.

Trust in management

The importance of trust in the processes of managing change is widely reported in the practitioner and popular literature. Mutual trust is consistently presented as an essential feature of change and best achieved through consultation, participation and empowerment (e.g. Andrews, 1994; Khan, 1997; Cashman, 1998; Barrier, 1998; Holoviak, 1999; Marshall, 1999).[2] Examples are numerous: Khan notes that 'empowerment is an ongoing interpersonal relationship that fosters *mutual trust* between employers and employees' (1997: 44, emphasis added); Cashman emphasizes that '*a trust focus*' (1998: 12) is a key to change mastery; Barrier (1998: 34) singles out the importance of long-term trust building for change; and so on and so forth. In general, trust is seen as an essential interpersonal component in the management of people.

In the research literature, Rousseau *et al.* mirror the practitioner view in their definition, '[t]rust is a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behavior of another' (1998: 395; also Mayer *et al.*, 1995: 712). In their view, risk, interdependence and the willingness to accept vulnerability are necessary conditions in all formulations of trust. The latter is an underlying psychological state. Yet this essentialist interpretation overlooks key elements in trust relations that have an impact on organizational management.

As a multidimensional construct (Rousseau *et al.*, 1998), trust is as much an emergent property of patterned relations as a trait of a discrete entity. Trust *emerges* in, and from, and is *sustained* by, the patterned and cumulative enactment of social relations as a collective property (Lewis and Weigart, 1985; Barber, 1983) and has been termed 'system trust' (Luhman, 1979). The latter is enhanced when people believe systemic protection of their position exists. In other words, at the interpersonal level, it is the assessment of *trustworthiness* by the truster of a trustee that can be said to be a psychological state. It encompasses an intention to act entailing vulnerability.

Fundamentally, all trust relations are reciprocal in nature (Fox, 1974: 67), and in them some measure of symmetrical exchange is crucial (Gouldner, 1960). They are based on three dimensions – behaviour of the trustee, evaluation of trustee qualities, as well as the collective or general context in which it is embedded (Clark and Payne, 1997: 219–22). Employees evaluate the key qualities of managers – whether these are the five components of integrity, competence, consistency/fairness and openness identified by Clark and Payne (1997) or similar attributes (e.g. Mayer *et al.*, 1995: 716–23; Butler, 1991) – in light of past behaviour and the situation in which they are embedded. An additional affective component plays a part, since 'trust begins where prediction ends' (Lewis and Weigart, 1985: 966; McAllister, 1995), but this too is shaped by experience and context. On the content dimension, Clark and Payne (1997: 221) found that respondents clearly made a distinction between 'job related' and 'management in general' which created an axial partitioning on all the items used in

their facet analysis. Each of the dimensions may be expanded, but the database used for this study does not permit such an analysis.

In an organizational context, it is the employees' experience at work that shapes their evaluation of risk and vulnerability and so the extent of their general trust and trust in management in particular. Although differences in the disposition to trust (Mayer *et al.*, 1995: 715) exist prior to entry to particular organizations, the experience *in* organizations, of behaviour, qualities and context, remain crucial. For organizational management, these require careful consideration, as any breach is likely to result in an adverse effect on trust.

Employee involvement: conceptual issues

Employee involvement is a broad concept that encompasses a wide scope of practices. It is taken here to be 'the exercise, by employees of influence over how their work is organized and carried out' (Fenton-O'Creevy, 2001: 28). In this section, a brief outline of the forms of involvement is undertaken to distinguish critical aspects.

Management interest in employee involvement – whether participation, decision making, consultation and, more recently, empowerment – has varied in response to the wider political, economic and social issues. The underlying rationales have been classified into humanistic or democratic and pragmatic or efficient (see Black and Gregersen, 1997: 860–1). The latter may be further divided into rational and normative emphases – the first with little involvement and the latter with greater employee input (Barley and Kunda, 1992).

Apart from during periods in the 1970s and 1980s, little attention has been paid to democratic participation in Australia, unlike Europe, where a broad range of organizational mechanisms, from the board level to workplace, are found (Hyman and Mason, 1995; IDE, 1981). Conversely, the efficiency rationale (e.g. Lawler, 1991, 1996; Cotton *et al.*, 1988; Zaheer *et al.*, 1998) has gained more attention from management in Australia and internationally over the last two decades. This is illustrated by the considerable emphasis on consultation and empowerment found in the practitioner literature mentioned earlier, in maintaining trust during change programmes.

The definition of involvement above permits a wide range of arrangements and practices. Lawler (1991, 1994) sees involvement as equivalent to participation and distinguishes four elements – power, information, knowledge and rewards. Other writers include influence sharing, participative decision making, the degree of employee involvement, empowerment, participation, consultation and other terms (for reviews, see Glew *et al.*, 1995; Cotton *et al.*, 1988; Black and Gregersen, 1997; also cf. Wagner, 1994). Many of these terms are often ill defined (Cotton, 1993). Accordingly, we set out some key issues in the remainder of the section.

The rationale of involvement systems has five additional dimensions identified by Black and Gregersen (1997: 860–2). First, there is structure, which ranges from formal, based on rules and procedures, to informal, based on open issues and decisions. Some evidence indicates that formal structures are associated with the democratic rationale (Black and Gregersen, 1997: 861). Second comes form, which ranges from direct, that sees employees immediately involved in decisions that affect them, to indirect, based on some form of delegate or representative function ceded to others. Direct forms are associated with higher degrees of involvement. The third dimension concerns decision issues, which include work and task design, working conditions, strategy issues and capital and investment issues. Some research indicates that the knowledge participants bring to issues increases the level of satisfaction (Black and Gregersen, 1997: 861).

Fourth is the degree of involvement, which ranges on a continuum from no advance information at one end, through some information, to input of opinion, consultation and employee veto, to full employee decision making at the other end. This dimension is moderately positively associated with satisfaction and performance (Black and Gregersen, 1997: 862–3). The final dimension, the decision process, includes problem identification, generating alternatives, selection of solutions, planning implementation and evaluation.

In essence, the key elements of involvement are the distribution of power and the scope of decision making. These two dimensions are conceptually linked – for without the requisite power to implement decisions (manifest in the degree, structure and form of involvement), the scope of decision making (decision issues and processes) will generally be limited. The relationship is not direct or linear, however. In Europe the democratic rationale has resulted in structural participation via formal power sharing, but experience shows that this rationale does not necessarily lead to higher informal power sharing or to desired performance outcomes (e.g. Marchington *et al.*, 1994). In contrast, the efficiency-driven managerial use of empowerment is designed to increase the informal features of involvement encompassing a wide scope of decision making. In practice, the variations of features and outcomes are complex.

Thus, the two rationales differ initially on the dimensions of structure and form, with the degree of involvement providing the crucial power differential. Each of these dimensions – structure (direct/indirect), form (formal/informal) and degree of involvement (high/low) may be plotted in Euclidean space as in Figure 1. The examples indicated therein are ideal types.

European systems are oriented to a high degree of involvement via formal power sharing and representative systems, from the board level down. They are power-centred, in that employee participation involves considerable consultation embedded in complex social processes, as illustrated by the conceptual area A in Figure 1 (Brewster, 1995; Hyman and Mason, 1995; Ryan, 1999; IDE, 1981). In contrast, pragmatic systems in other advanced countries are task centred, that is, primarily oriented to workplace issues. Ideally, they rely on 'flexible' informal structures and direct employee consultation. Hence, empowerment programmes avoid union participation and use a variety of informal information and communication channels. While both seek to improve operational performance, they employ different decision rules. Where power-centred systems entail evaluative decisions addressing distributive effects, task-centred ones focus on corrective decisions in defined domains.[3]

In the research reported here, the available data set can measure only a small slice of the conceptual space set out in Figure 1. The measures used are set in a context of a low degree of power sharing and formal involvement in Australia. Falling union density (28 per cent overall and below 20 per cent in the private sector) and the decentralization of industrial relations have weakened unions while boosting the spread of HRM systems (Hampson and Morgan, 1998). The latter systems emphasize task-centred involvement. The concern felt by many employees over the distribution of authority (or power sharing) can be expected to influence the level of trust in management.

The context: the extent of change and employee involvement in Australian organizations

This section sketches the Australian context of organizational change through the 1990s. The AWIRS95 research (Morehead *et al.*, 1997) provides the most comprehensive survey of organization change in this period, which we outline here. Other

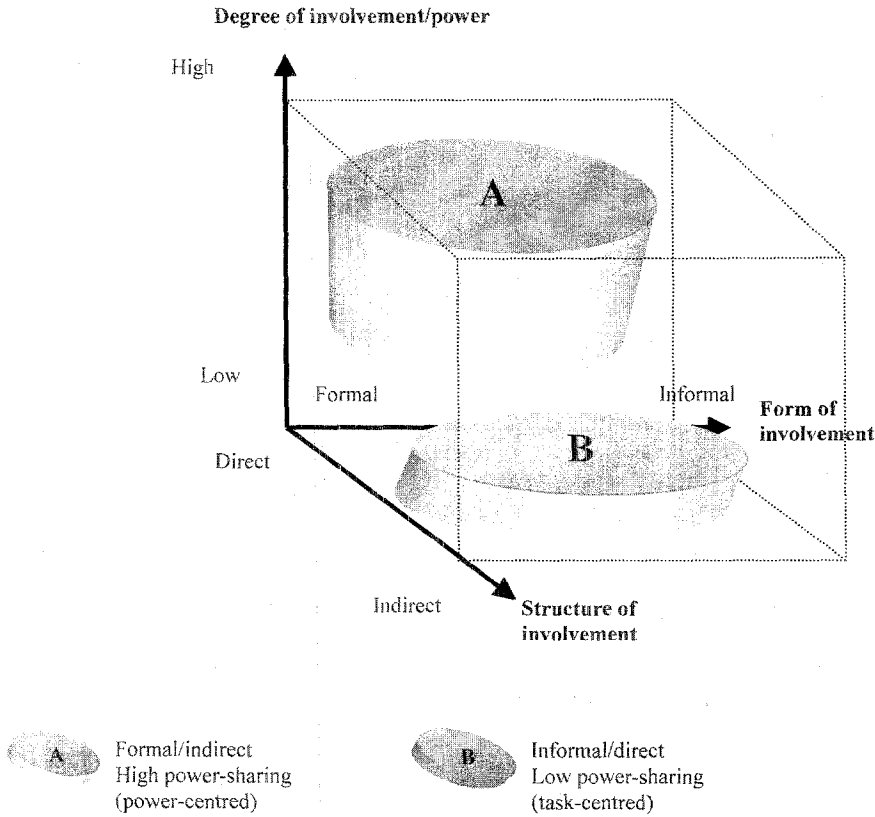Degree of involvement/power

Figure 1 *The conceptual space of employee involvement*

research assessments of the business environment highlight the pervasiveness and cycles of change. By the mid-1990s more than half of all Australian organizations had downsized. For example, twenty large companies averaged over 47 per cent loss of their workforce during 1993–5 alone (Littler *et al.*, 1997; ACIRRT, 1999: 149). Overall, AWIRS95 (Morehead *et al.*, 1997: 237) found that 81 per cent of workplaces identified at least one type of organizational change in the mid-1990s. Structural reorganization was the most widespread (public sector 48 per cent, private 60 per cent and overall 51 per cent), although new office technology (47 per cent) and work change (43 per cent) were also common. An analysis of variance on each type across sectors indicated that the *frequency* of change was higher for the public sector.[4] This reflects other surveys – Littler (1996: 10) reports that 71 per cent of Australian organizations downsized two or more times over the period 1993–5, and 44 per cent three or more times. Not surprisingly, the frequency of restructuring and downsizing has alarmed most employees (Littler *et al.*, 1997: 70–4).

Consistent with the informal structure of involvement in Australia, only 16 per cent of workplaces reported any employee representation at the board level, particularly in the private sector (11 per cent). In contrast, direct involvement was common (team building, teamwork, quality management and quality circles), particularly in larger

organizations (>500 employees) (Morehead *et al.*, 1997: 188–94). A similar pattern existed for indirect forms of involvement (joint consultative and *ad hoc* committees, task forces) with large workplaces at 74 per cent and small workplaces (< 100 employees) at 33 per cent. This was much more prevalent in the public sector (Morehead *et al.*, 1997: Table A9.4a, b, 506–7). The major objectives were higher productivity, quality and customer service, and the changes were prompted by organizational restructuring rather than falls in demand (ACIRRT, 1999: 148). Employee input was mentioned most (79 per cent) as a positive benefit for work groups and quality circles. We might note that management's assessment of success (high at 87 per cent) was not matched by the views of union representatives.

The methods of communication were consistent with the informal structure of involvement. Most workplaces used at least one form of communication, with the daily walk around by senior management the most common (86 per cent), particularly in smaller establishments. Communication with employees via newsletters, surveys/ballots and e-mail was more prevalent (twice to five times) in larger workplaces (Morehead *et al.*, 1997: 181–6).

In short, the methods of involvement found were predominantly task centred with no effective change in the existing power structure. Managers reported that in only 20 per cent of workplaces were decisions made by workers or did workers have any significant input. Such decisions were almost entirely task centred. In another 29 per cent of workplaces, employees were consulted, and in the rest they were either only informed, or not informed at all (10 per cent). Correspondingly, 58 per cent of employees reported they had little or no influence over change and only a small minority (about 10 per cent) had a lot of influence in decision making (for managers and administrators this was approximately 20 per cent). Thus, as one report of organizational change in Australia concluded, most change occurred outside the formal industrial relations system and '*the majority of changes have been implemented with little involvement, either through bargaining or consultation in the decision-making process, by the workers most affected by the changes*' (ACIR RT, 1999: 54, emphasis in original; see also Davis and Lansbury, 1996).

As noted previously, the role of unions declined in workplaces over this period, with falls in density and delegate representation (Morehead *et al.*, 1997; Hawke and Wooden, 1997; Drago and Wooden, 1998). However, where unions remained – notably in larger organizations – their role expanded in areas such as formal consultative mechanisms, preparation of information newsletters, negotiations over wages and other employment conditions (Drago and Wooden, 1998: 26–8) and the use of consultation clauses in registered collective agreements (from <40 per cent to >50 per cent) over 1994–7 (ACIRRT, 1999: 45). But only half of the labour force is covered by collective agreements in the face of legislation antithetical to collective bargaining.

Taken together, these factors indicate only minor employee involvement, via any meaningful consultation in organizational change, in Australia in the 1990s. This is reflected in employee assessments reported in other research (DIR, 1995). Of fourteen perceptual measures of change the worst related to management – between 40 and 50 per cent of employees reporting *lower* satisfaction with management (DIR, 1995: 376, Table 16a, 290). Weakening job security, higher stress and effort across more tasks were all issues of concern for employees. Most thought decisions were made by workplace or more senior managers (56 per cent and 48 per cent respectively) and, pointedly, management did not consult employees (40 per cent) at all (DIR, 1996: 87, Table 3.4). It is in this context that the following sections examine our central question:

how do types of change or change strategies and processes tend to affect employee trust in management?

Data and methodological issues

The data were drawn from the second national workplace survey (AWIRS95) conducted by the Federal Department of Industrial Relations (Morehead *et al.*, 1997). The primary unit of analysis is the workplace in the series of survey instruments used. The analysis here is based on a merged data file of the General Management Questionnaire (GMQ) and the Employee Survey (ES). The GMQ involved interviews of the most senior workplace manager and the manager responsible for employee relations. in a population of 2001 workplaces (>20 employees). The ES involved interviews with over 19,000 employees in those workplaces. The GMQ includes information on workplaces, organizations and managers' assessments of several aspects of the organizational practices and conditions. The ES includes employee experiences of the issues set out in the GMQ and attitudes to a variety of additional organizational questions.

The distinguishing feature of the AWIRS95 methodology is that the survey questionnaires permit compatibility of factors via merging of survey data. The quota-stratified sample surveys of workplaces were drawn from the Australian Bureau of Statistics companies register, covered all States and Territories, and were administered between August 1995 and May 1996. When weighed against the actual population, the 2001 workplaces represent an estimated population of 37,200 workplaces collectively employing 3.6 million people. The ES yielded 19,155 questionnaires for analysis (Morehead *et al.*, 1997: 16, 22, also 25–47 for descriptive statistics). The limitations of large-scale general surveys in employment and organizational research are recognized here. One such limitation is the scope and sensitivity of the questions and items used to test factors. The narrow response scales in the AWIRS95 decrease the size of standard deviations and resultant beta coefficients in regression analysis. The AWIRS95 merged data set includes measures from both the GMQ and the ES as follows below. A counterbalancing strength of the data set is that a survey of this scale. sample design, size and high response rate (GMQ 80 per cent and ES 64 per cent) provides a high level of generalizability, which is rare in organizational research. Thus, significance levels are meaningful. These features provide an excellent cross-sectional data set largely unique for organizational analysis.

Measures

Trust in management is measured by the ES single item. 'Management at this workplace can be trusted to tell things the way they are'.[5] The distinction between interpersonal and system trust mentioned above (Luhmann, 1979; Clark and Payne, 1997), is reflected in overall employee experiences in the assessment of interpersonal trustworthiness of immediate managers and management as a whole. The stability of this distinction has also been found in multi-item instruments (Nyhan and Marlowe, 1997: 620–6). The item also echoes the information content (tell things) and structural position (the way they are).

Organizational change is measured at the *structural* level by four types of change introduced over the previous two years.[6] These are:

- Introduction of major new office technology (information)
- Introduction of major new plant. machinery or equipment (operations)

- Major reorganization of workplace structure (structure)
- Major changes to how non-managerial employees do their work (task).

Each type has been identified by its key attribute (in parenthesis). Both technological changes exclude routine replacement: thus office technology is primarily devoted to the increasing role of *information* in organizational management and new plant devoted to *operations*. Major workplace reorganization is primarily centred on *structure* – i.e. change in hierarchical levels, restructuring of divisions and sections. Changes in non-managerial work refer to work redesign in the range of *tasks* in the type of work performed.

Organizational change at the *work level* consisted of four types that concern the direct *impact* of change on employees. Thus, they were asked to report on change in their direct work over the previous twelve months[7] as follows:

- Change in the type of work
- Change in how you do your job
- Changes in the way the workplace is managed or organized
- Consulted about any changes.

Finally, organizational change related to what we have termed employee sovereignty. Employees were asked if they had experienced change in the following features over the previous twelve months:[8]

- Say in decisions which affect you
- How much you can use your own ideas on how you do your work
- Chances to get a more senior job in this organization
- The effort you have to put into your job
- Stress you have in your job
- Satisfaction with your job
- Satisfaction with the balance between your family and work life.

Involvement is measured by type of consultation. First, employees were asked if they were consulted about workplace changes in the previous twelve months,[9] and then the manner of that consultation.[10] Based on the earlier outline of conceptual issues on involvement, Figure 2 sets out the measures.

Analysis and results

We note here that we chose to analyse the data set as a whole, for this exploratory study seeks to examine the relation between change, involvement and trust as a generic

Dimensions of employee sovereignty	Structure	Form	Degree of power sharing
• Supervisors discussed changes with me	Informal	Direct	Low
• Managers at a higher level discussed changes with me	Informal	Direct	Low
• Other workers told me	Informal	Indirect	Low
• The union discussed changes with me	Formal	Indirect	Medium
• I found out through a workplace notice or newsletter	Informal	Indirect	Low
• I went to meetings where changes were discussed	Formal	Direct	Low–medium

Figure 2 *Measures of involvement: consultation and information*

feature of the Australian 'high change' case. An alternative methodology would be to partition the data into numerous sub-samples based on various criteria (e.g. industry or ownership) in order to address limitations such as the statistical 'power' problem (Hair *et al.*, 1998: 10–11). However, this alternative would significantly weaken the generalizability of our argument, since the contextual element would prevail. While we recognize the need for this type of analysis, we feel that this calls for a different paper. Moreover, we are mindful of the issue of reliability of the concept of trust. However, the single item available from the AWIRS data set represents a well-known limitation of secondary analysis. In part, this deficiency is compensated for by the size and scope of the data set.

As noted earlier, the measure of trust used here spans the trustworthiness of workplace managers and organizational management as a whole. The effect of organizational change on trust in management shown in Figure 3 is noteworthy – workplaces with no change report a much higher level of trust in management. Thus, *prima facie*, it is change alone that provokes the decline in trust for management. In contrast, where no change was reported (6 per cent of respondents)[11] trust in management was much higher. The pervasiveness of change was not matched by involvement: only a little over half of employees were consulted about *any* change in

Control Chart: Manag't at this workplace can be trusted
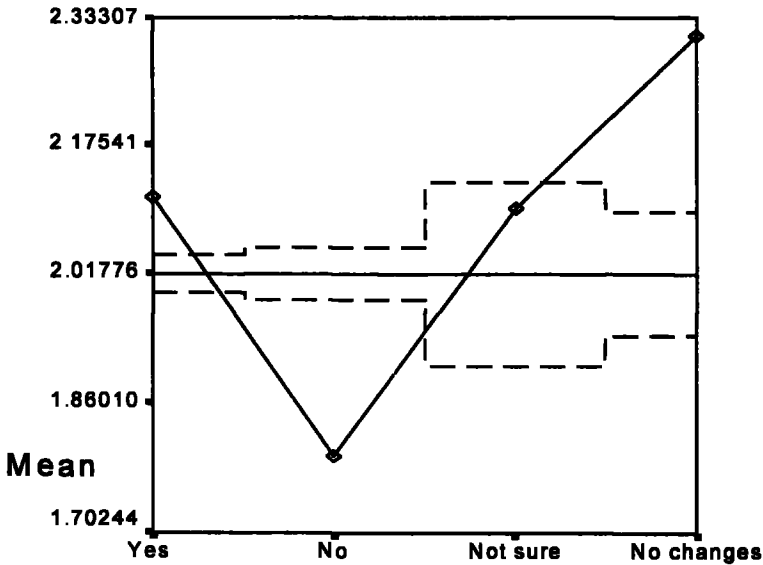
Sigma level: 3

◇ Management at this workplace can be trusted

Figure 3 *Relations between trust in management and change*

their workplace over the previous twelve months. Given the frequency of change in Australia mentioned above, this suggests that the constant parade of change initiatives is met with declining trust and even cynicism (Reichers *et al.*, 1997).

To examine the impact of change on trust in management we ran a regression analysis against the types of structural change and work change of employees. Table 1 reports the results. There was an expected significant fall in trust in management where workers were not consulted ($\beta = -.059$, $p<.001$). In reference to changes in work and workplace structure, both the way that non-managerial work was performed and the introduction of new office technology had significant effects on trust (1 per cent and 5 per cent levels respectively). But major changes in plant and equipment did not have any significant impact. However, the most significant factors were major changes in workplace structures ($\beta = -.075$, $p<.001$) and workplace management and organization ($\beta = .085$, $p<.001$, reverse coded).

The relative weight of the impact of 'structural' change compared to other types of change is worth emphasizing. This suggests that the perceived implications of substantial workplace reorganization have a greater impact on employee suspicions of managerial strategies and intent than other types. Again, this tendency is supported by previous research examining employee reactions to various forms of workplace change (e.g. Clark and Payne, 1997; Sitkin and Stickel, 1996). These findings centre on employee concerns over macro-level change. To verify the consistency of these results, we ran a further regression analysis against types of change at the micro-level in order to incorporate employee sovereignty. These are reported in Table 2.

Consistent with the findings on overall organizational change, the results suggest that employees are more likely to react positively to change where it most closely and beneficially affects their work, including status, responsibility, involvement, job satisfaction and work/family balance. These features show very significant ($p<.001$) positive signs. This is consistent with the situational features of radical structural change. For attribution theorists, employees are more likely to make sense of events in

Table 1 *Regression analysis types of major organizational/work change and trust in management*

Model	Unstandardized coefficients[a]		Standardized coefficients[a]		
	B	Standard error	Beta	t	Sig.
1 (constant)	2.012	.029		68.609	.000
Work change (last 12 months)					
The type of work	−1.49E-02	.014	−.009	−1.029	.303
How you do your job	1.208E-02	.015	.007	.820	.412
Workplace mgt/organization	.128	.013	.085	10.248	.000
Consulted about any changes	−6.09E-02	.008	−.059	−7.436	.000
Structure change (last 2 years)					
Information technology	3.824E-04	.000	.023	2.961	.003
Operations equipment	−1.27E-04	.000	−.007	−.908	.364
Structure of workplace	−1.29E-03	.000	−.075	−9.176	.000
Tasks of non-managers	−3.08E-04	.000	−.019	−2.278	.023

Note
[a] Dependent variable: management at this workplace can be trusted to tell things as they are.

Table 2 *Regression analysis changes in employee sovereignty and trust in management*

Model	Unstandardized coefficients[a]		Standardized coefficients[a]		
	B	Standard error	Beta	t	Sig.
I (Constant)					.000
Sovereignty change (last 12 months)					
About *your say in decisions* that affect you	7.88E-	.010	.072	8.218	.000
Use *of own ideas* on how to do your work	5.079E-	.010	.044	4.966	.000
In *chance* to get a *more senior* job in this org. (recoded)	4.943E-	.008	.047	6.020	.000
The *effort* put into your job (recoded)	−1.64E-	.010	−.013	−1.569	.000
The *stress* in your job (recoded)	−.160	.010	−.132	−	.000
In *job satisfaction* (recoded)	.236	.009	.228	26.55	.000
In satisfaction with the balance *of family and work life* (recoded)	5.432E-	.010	.044	5.560	.000

Note
[a] Dependent variable: management at this workplace can be trusted to tell things as they are.

terms of cause and effect relationships when they are motivated to understand why such events occur, predict the conditions of future occurrence and thereby render their environment more controllable. A controlled process of attributional search is generally triggered when individuals encounter novel, unexpected or potentially threatening events. Consequently, when employees encounter novel situations that directly and adversely affect their well-being, they are more likely to withdraw trust for the system and key actors in it. This line of explanation can be extended to the perceptions of sudden, strategic changes that directly affect employees' well-being (Sitkin and Stickel, 1996). From these results, it appears that perceptions of positive change in employees' work counterbalances the negative consequences precipitated from change that extends beyond acceptable limits. The strength of the job satisfaction factor may reflect the complexity of the concept and thus collinearity.

While the above analysis focuses on the types or nature of the change, and its potential implications for feelings of trust, further analysis was undertaken to capture ways in which the process of change itself affected such perceptions. Table 3 reports the results of regression analysis on trust against the extent and nature of employee consultation processes.

The findings show that where employees felt greater involvement in the formal hierarchy – via consultation by supervisors or higher managers – they expressed greater trust in management ($\beta = .52$, $p<.001$; $\beta = .128$, $p<.001$ respectively). However, where consultation was outside the formal hierarchy, or via indirect means, employees' trust in management fell. The negative relationship between trust in management and union involvement was surprising. There are several lines of explanation. This may be

Table 3 *Regression analysis employee consultation and trust in management*

Model	Unstandardized coefficients[a]		Standardized coefficients[a]		
	B	Standard error	Beta	t	Sig.
1 (Constant)	2.073	.017		122.749	.000
Consulted about changes (last 12 months) by:					
Supervisors	8.583E-03	.000	.052	5.250	.000
Higher-level managers	2.090E-03	.000	.128	13.105	.000
Other workers	-1.84E-03	.000	-.097	-9.209	.000
Union	-2.87E-03	.000	-.126	-12.344	.000
Notice/newsletter	-6.26E-04	.000	-.033	-3.064	.002
	-2.21E-04	.000	-.013	-1.349	.177

Note
[a] Dependent variable: management at this workplace can be trusted to tell things as they are.

set against the structure and form of involvement – informal and direct (to the employee) consultation appeared to be seen as open communication with the main instigators of change (management) and tended to engender higher trust in management. In contrast, where employees perceive that communication was indirect, through colleagues, meetings or the union, even if the latter may be part of a formal structure, their trust in management is more likely to decline. It points to underlying factors in the methods of consultation.

To test for this, a principal component factor analysis with varimax rotation was applied to consultation process measures. Two clear factor components emerged – Factor 1, tentatively labelled the workplace, and Factor 2, the workplace environment.[12] However, when applied to the types of change, these factors produced no significant relations. It may be inferred that the two factors conflated the dimensions of structure and form of involvement. This is supported by the analysis that follows. Given the importance of major reorganization of the workplace (structure change), it was separated out from other types of major change (information, operations and task) and further regression analysis was conducted.[13] For the regression of structure change against trust in management, the expected positive beta ($\beta = .122$, $p<.001$) for consultation with higher managers was found. A similar result was found for structure and technology/task change ($\beta = .194$, $p<.01$). In both regressions, negative beta signs for other workers and union discussion were found. All other forms of consultation were not significant. Thus, the importance of direct consultation with senior managers in all types of change for trust in management is confirmed.

Discussion and implications

Trust has been recognized as a fundamental feature of interpersonal and organizational relations in most social science disciplines. The frequency and scope of organizational change have precipitated a new focus on the nature, antecedents and consequences of trust for organizations and HRM. Yet insufficient research has resulted from these concerns. Trust in management by employees generally focuses on how managers are perceived to make change decisions that affect employees. The link between trust and

organizational features – such as change strategies – deserves systematic examination. This exploratory study has addressed the question of how change strategies and processes tend to affect employee trust in management.

Overall, the results indicate a clear relationship between approaches to change and the level of trust in management. Our findings strongly suggest that any change negatively affects trust. Within this parameter, major organizational change of the workplace structure tends to have a much stronger bearing on trust than do other forms of change. This is indicative of employee reactions to types of change that are most likely to affect their personal and work-related well-being, including job satisfaction and work/family balance. Most importantly, the results strongly indicate the impact of the change process on trust. The more direct (cf. indirect) the consultation is with the immediate supervisor and higher-level managers, the greater the reported level of trust in management. Moreover, where higher job satisfaction, better promotion opportunities and other positive job changes are reported, trust is also likely to rise despite increased effort and stress at the job level. This confirms research on trust measures (Nyhan and Marlowe, 1997: 621–2).

Overall, these findings support previous research in at least three ways: first, declining trust is associated with downsizing (e.g. Mishra and Spreitzer, 1998; Mishra and Mishra, 1994) and major structural change, especially where it is frequent (Littler *et al.*, 1997). Second, the experience of direct and open involvement in the process of change is likely to improve perceptions of 'honesty and integrity' (Clark and Payne, 1997) and counterbalance the negative effect of change on trust. This also tends to support the view that admired leaders and 'effective change managers' display honesty, trust and integrity. Crucially, honesty refers to 'consistency of word and deed' (Kouzes and Posner, 1995: 21–2; Jackson, 1997). Third, the results indicate some of the factors contributing to widespread employee cynicism found in organizations (e.g. Dean *et al.*, 1998). Employees' negative experience of organizational change is likely to increase the level of cynicism about change. Perceptions of low decision-making participation, being uninformed, lack of communication and poor follow-up are also situational factors that increase cynicism (Reichers *et al.*, 1997).

Implications for management practice

It is also evident that the creation of mutually trusting relationships by management is a matter of strategic choice (Wicks *et al.*, 1999: 99). The absence of consultation in Australian organizations indicates a reluctance by management to initiate trust-building practice (Whitener *et al.*, 1998) and, by implication, an assumption that employees cannot 'be trusted to make important decisions about their work activities' (Lawler, 1991: 193). If these features were reversed, through appropriate managerial behaviour and procedures, managers could build a higher level of trust in relationships with employees and with other stakeholders.

In turn, this would increase the chances of employee support or 'buy-in' for change initiatives. Similarly, it would minimize the emergence of cynicism often found among workers exposed to frequent management initiatives to change. Involving people in decisions that affect them, enhancing the credibility of management and keeping 'surprising' changes to a minimum are all key recommendations for managing 'cynicism' (Reichers *et al.*, 1997), which are reaffirmed here. The calls for greater leadership and involvement by senior managers in maintaining trust during change programmes (identified in much of the practitioner literature) gains empirical support

from this research. Indeed, the representativeness of the data set used here provides more support than is usual in organizational research.

Developing trust in the workplace is critical to organizational performance. While trust has been identified as both an interpersonal and a general concept (Clark and Payne, 1997), this research indicates that the direct involvement of senior management with all employees is likely to increase both facets of trust. Such a role for senior management faces logistical problems. Nevertheless, policies and procedures for direct management involvement at all levels need to be considered for organizations. Two such policies – performance information and rewards (Spreitzer and Mishra, 1999) – have recently been suggested in the literature to supplement long-term trust building to improve organizational performance. Both are central features of effective HRM practice into the twenty-first century.

Possibly the central implication for practice is that the importance of trust may be more distinguished by its absence. For, once trust is violated, it is not easily repaired, despite promotions and pay rises (Robinson, 1996). Unfortunately, as the Australian 'high change' case indicates, employees are becoming less trusting of their employers as a result of the endless stream of structural change – downsizing, restructuring and re-engineering programmes – all of which threaten employee sovereignty and job security. This may be addressed through sound human resource strategies, which are still paramount for organizational performance.

Implications for theory

The discussion of literature considered three areas of theoretical debate: the nature of trust, employee involvement and organizational change. Based on these areas, we conclude by focusing on two main theoretical points. First, *any* change diminishes trust in management. This points to a crucial *stability* element in trust, hitherto overlooked in theoretical discussions. While a greater emphasis may support a 'psychological state' interpretation (Rousseau *et al.*, 1998; Mayer *et al.*, 1995) of trust, as the stasis element is implicit in this formulation, yet recall that the data set used here allows multiple responses to types of change across a very large sample. This allows a mapping of the combination of responses to change and trust in management. Although change had a range of positive influences on trust, overall, the tendency towards *destabilization*, triggered particularly by organizational structure change, had the most negative impact on trust. Thus, we contend that trust is essentially a *relational* phenomenon, based on recognized (i.e. stable) and reciprocated (moral) obligations in action.

In terms of the individual view, there is little doubt that an essential ingredient for trusting relationships is the personal assessment of trustworthiness. The personal and direct form of consultation with decision makers had a tendency to maintain trust in management overall. In this sense, Luhmann's (1979) view that system trust ultimately depends on personal trust is supported. In our view, system or institutional trust remains crucial for high-trust relations, for, our research suggests, a fall in trust emerges from the perceived failure of the system to circumscribe the worst effects of change. There is little doubt that this includes a considerable element of moral reasoning or justice (see Mishra and Spreitzer, 1998). We could neither test for this factor directly nor elaborate on the conditions for distrust. However, the results do support the separate conceptualization of distrust (see Lewicki *et al.*, 1998) since the range of assessments of the personal effects of change combine both positive and negative elements. It suggests that trust in management may decline, but a further element may exist (not identified here), which triggers distrust.

The counterbalance to the corrosive effects of change is the way involvement is experienced by employees. This points to the second main theoretical point: direct consultation with higher-level managers is the most successful mechanism in sustaining trust in management. In other words, the *process* of change is important in itself and managers' strategic choices are important. Despite the type of major change (information, operational, structural or task) the form of involvement is important – direct consultation is seen as better than indirect. Involvement structure is more difficult to identify, it seems informal may be preferable to formal, but, given that we examined major change, at least some measure of formal consultation may be necessary. No test for power sharing was used here, but the focus on higher-level managers clearly involves hierarchical power and information sharing via consultation.

Initially, consultation with supervisors is rated positively by employees for trust, but was not significant in the tests on major change. However, consultation with higher-level managers was stronger initially and remained the only positive type of involvement in the major change regressions. Thus, employees appeared to associate authority with directness. Also, any association between authority and meetings on change or consultation with unions (refer factor analysis) disappeared in considering major change. Theoretically, it appears that lower-level managers are seen as unable to sustain protection for employees (as a component of moral reciprocity) as they lack authority. Similarly, positive work redesign may have an impact on the type of reaction to change (Mishra and Spreitzer, 1998). Yet, in the absence of meaningful power sharing, it may not sustain trust over the longer term.

It appears that, when employees experience involvement through direct contact with senior management, they are more likely to develop trust. Relative to the overall decline in trust in management resulting from change displayed in Figure 3, however, the success of senior management consultation appears limited. In part, this concerns the elements of competence, benevolence and integrity that need to play a larger part in trust theory at the system level. Thus, we suggest that workplace 'empowerment' programmes, as identified by the ideal type B in Figure 1, appear to have an impact, albeit limited, on trust. Given the asymmetrical distribution of 'power' such programmes entail, the meaning of power requires more theoretical understanding (Hardy and Leiba-O'Sullivan, 1998). This is especially the case for the role of informal involvement in large-scale change in organizations.

Notes

1 Acknowledgement is given to the Department of Workplace Relations and Small Business for the use of the 1995 Australian Workplace Industrial Relations Survey (AWIRS95): Employee Survey Questionnaire [computer file]. Data collected by Rearh Research, Canberra Social Science Data Archives, the Australian National University [distributor], 1997. The survey was conducted in 1995–6.

2 We undertook a search of change management key words in relevant databases and several hundred references emerged. Those mentioned here are representative of the content of this literature.

3 Distinction made by Fricke (1988: 636) between 'participation in problem-solving', in which alternatives are tightly contained by their defined domain and are essentially corrective, and 'participation in resource based decision-making', in which a wider range of alternatives are considered and decisions are essentially evaluative.

4 Comparison of means, ANOVA test $(F=10.012, p<.001; F=13.897, p<.001; F=17.447, p<.001, F=8.556, p<.00$, respectively) for the types of change, public/private sectors.

5 Number of the question indicated first – E42(b). Q. Do you agree or disagree with the following statements about this workplace? Three-point Lickert scale and 'Don't Know'.

6 BFl(a)–(d). Q. [based on card] Which, if any, of the listed, happened at this workplace in the last 2 years? (multiples accepted).

7 E229(a)–(c). Q. Have any of the following changed over the last 12 months? Yes. No. DK.

8 E20(a)–(g). Q. Have any of the following changed over the last 12 months? If less than 12 months base answer on the time you have been here. Responses – gone up; gone down, no change; DK.

9 E23. Q. Were you consulted about any of the changes that have happened at this workplace over the last twelve months? (or in the time been here if less than 12 months) Yes. No. Not sure. Were no changes.

10 E24(a)–(f). Q. How were you consulted about the changes that have happened at this workplace over the last 12 months? (multiple responses)

11 Excluding 2.3 per cent of missing cases.

12 Factor 1 included the dimensions of 'other workers told me', 'found out from notice/newsletter' and discussion with supervisors; Factor 2 included consultation via meetings, discussion with higher management and discussion with union. Factor weightings were all >0.50, except discussion with union (0.48). The latter was also weighted quite high in factor 1. This suggests that the position of unions is ambiguous for employees in periods of frequent change.

13 Factor analysis and regression tables not included, but are available from the authors.

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