

**Touchstone of Trust inside Organizations:
Antecedents of high-trust manager-employee relationships**

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Abstract

This paper investigates what makes managers trust their employees whereby the leap of faith is taken to be the irrational touchstone of high-trust interpersonal relationships to emerge. We employ an explorative-inductive research design using semi-structured expert-interviews. Embedded within a framework of organizational decision-making, we find five cues to matter for high-trust manager-employee dyads: (1) managers' expectations of an employee's trustworthiness, (2) his/her personal disposition to trust, (3) factors of the firm's structure and organization as well as (4) manager's decision-making errors and (5) his/her motivation to trust. Besides important implications for theory and practice, we present a possible follow-up study design using fsQCA.

Introduction and Research Question

Given the general importance and relevance of trust in organizations, it is puzzling that supervisor's trust in employees is hardly investigated (cf. Knoll & Gill, 2011, p. 316; Weber, Malhotra, & Murnighan, 2004, p. 81), whereas trust in the organization (see Kramer & Tyler, 1996), in a supervisor (Colquitt, Scott, & LePine, 2007) or symmetrical interpersonal trust (Six & Sorge, 2008) are very well studied concepts. Supervisors' trust is worth studying, because their trusting promotes an organizational trust culture (Searle et al., 2011) and is key to important modern work features such as empowerment or decentralization of decision rights (Deluga, 1994) besides many other benefits that will be mentioned in the full paper. Overall, if managers do not trust their staff, trust-inspiring control and management systems lack of any basis and trust inside the organization is likely to falter (Weibel, 2007; Weibel et al., 2015). However, while trusting seems valuable, it cannot be captured solely by rational choice

– i.e. cost-benefit – considerations but, as we argue below and as recognized even in behavioral and experimental economics by now, it includes a certain degree of irrationality (Möllering, 2006; Osterloh & Weibel, 2006), which makes our research question particularly challenging:

What explains a superior's leap of faith in subordinates?

Our study contributes to recent trends within the field of organizational trust research such as the need to study asymmetrical high-trust dyads in a top-down perspective of manager-employee relationships (e.g. Whitener, Brodt, Korsgaard, & Werner, 1998) but it importantly also contributes to the emerging process perspective in trust theory as it disentangles how high trusting is supported by organizational rules, culture, structure and resources and therefore is institutionalized and taken for granted. Hence our look 'inside the managers' heads' strengthens this institutional notion of cognitive processes by depicting the paths managers take for trusting relationships to emerge.

It takes more for high-trust relationships: concept specification

We perceive the high-trust manager-employee dyad to be a composite of three distinct, but interrelated facets (Osterloh & Weibel, 2006), namely: (1) the trustor's willingness to be vulnerable towards another party (trustee) in the context of a critical alternative, based on (2) positive expectations towards future actions of the trustee and (3) the act of devoting and surrendering oneself towards the trustee. We perceive trust to be relational in the sense that it only occurs, if one actor accepts the possibility of being disappointed by another actor (individual, collective or institutional). The trustor's conscious willingness to show him-/herself vulnerable depends on his or her evaluation of the trustee's trustworthiness (Levi, 1998) but still the leap of faith (Möllering, 2006) towards the trustee is the sine qua non complement for high-trust relationships. The process of suspension (Möllering, 2006, p. 110) is synonymous to the mental process of 'leaping', as it refers to one's sense-making process and conquest of relational uncertainty and risk, and it parallels the three-step notion Osterloh and Weibel (2006) propose for the emergence of high-trust relationships in terms of the interplay of the trustor's expectation, interpretation, and suspension. However, the link of expectation and interpretation may be weak and fragile. Hence, suspension has to be understood as a reflexive and dynamic facet of high-trust relationships which includes the idea of self-reinforcing leaps of faith serving as means to their own ends (Brownlie & Howson, 2005, p. 224). However, in trusting, risk and uncertainty are always only suspended rather than eliminated (see also McCloskey, 1994). In the full paper, we will further argue that there are three additional char-

acteristics worth mentioning in order to fully differentiate the leap of faith concept from related theoretical constructs: (1) quasi-religiosity, (2) decisive nature and (3) context dependency. Moreover, we will review relevant literature on the determinants of making the leap of faith and on top-down trust, i.e. where the more powerful actor trusts the less powerful.

Research Design

We collected qualitative data by means of semi-structured interviews (Gläser & Laudel, 2009). We interviewed 33 top- and medium level managers of a German medium-sized company, producing mountaineering equipment, sporting goods, outdoor clothing and camping equipment. Due to a change of leadership in 2009, the company recently has valued trust as one of the most prominent strategic competitive advantages, both internally and externally. The results of an employee survey supports our content analysis of corporate communications: this company has a strong trust culture, which makes it a particularly suitable case to study. Our interviews lasted from 28 to 56 minutes, were recorded, transcribed verbatim and coded by means of a double-blind coding process.

Analysis & Results

We analyzed our interview material by means of a qualitative content analysis using the substantive structuring method (Mayring, 2010). To make sense of our identified cues for a manager's leap of faith alongside our concept specification and to meet the requirements of our chosen method, the relevant cues are embedded within a theoretical framework of organizational decision making (Simon, 1947). More precisely, we fruitfully combine insights from the integrative model of organizational trust (Mayer, Davis, & Schoorman, 1995) as well as the trust building models of (McKnight, Choudhury, & Kacmar, 2002) and (Williams, 2001). We find five major cues for a manager's leap of faith towards their employees: (1) managers' expectations of an employee's trustworthiness, (2) his/her personal disposition to trust, (3) factors of the firm's structure and organization as well as (4) managers' decision-making errors and (5) his/her motivation to trust.

(1) Manager's expectations of an employee's trustworthiness

Our interviews suggest that managers dare taking a leap of faith, if they perceive a certain degree of employee trustworthiness. The latter can stem from various sources: first, it is the assessment of an employee's **competence** (e.g. performance and ability, see Das & Teng, 2001), which also implies a manager's evaluation whether an employee is able to reliably meet his/her goals and responsibilities (Dekker, 2004). Secondly managers engage in high-

trust relationships if they evaluate their employees as **integer**: feelings of integrity may either arise from consistent employee behavior (e.g. the employee lives up to what s/he promises, see Mayer et al., 1995) or from perceived value congruence (e.g. shared understanding of what is considered 'right' and 'wrong' in life, cf. Sitkin & Roth, 1993). Finally, perceived employee **benevolence** serves as a driver for a manager's leap of faith, for instance the appraisal that an employee will not do any harm or evil to his/her manager (Mayer et al., 1995).

(2) Personal disposition to trust

A second driver originates from a manager's personality: his or her personal disposition to trust (Costa & McCrae, 1992; Mayer et al., 1995), which is a stable personality trait and refers to a general willingness to trust others and influences trust decisions over and beyond positive expectations of the trustor (Bijlsma-Frankema, Sitkin, & Weibel, 2015; Weibel et al., 2011).

(3) Institutional and Structural Factors

Besides the above and well-known cues for trust relationships, we find institutional and structural factors to matter for a manager's leap of faith. They first help them overcome their uncomfortable feelings stemming from risk, uncertainty and dependency within the context of reversed hierarchy and secondly they represent an organizational systems rationality (McKnight et al., 2002). By this we mean that institutional and structural factors reduce the complexity of decisions, which in turn enables decisions to happen 'with a safer feeling'. We further differentiate the origins of the aforementioned feelings of security: either they originate from considerations of **situational normality** or from **structural assurance beliefs** (described in more detail in the full paper). To be more precise, high-trust relationships may emerge because managers perceive the trust situation to be 'normal' (perceived certainty about predefined roles or about the organizational system). These feelings lead a manager to evaluate a subordinate's behavior to be 'normal,' too, which paves the way for a high-trust dyad. On the other hand so-called 'institutional side-bets' such as guarantees, regulations or a legal recourse mitigate perceived risks, create feeling of comfort and assurance about the future behavior of a subordinate.

(4) Decision Making Errors

We find a manager's leap of faith also driven by the following decision making errors, which mirror the notion of bounded rationality (March & Simon, 1993): leap of faith as a self-fulfilling prophecy (Merton, 2010), stemming from a 'hot-hand fallacy' (e.g. 'the employee never disappointed me', see Ayton & Fischer, 2004) or from satisficing behavior (e.g. 'control

measures are too costly for me', see Winter, 2000). These cues are truly real in nature as they mirror a trust process within the context of a manager's day-to-day business. Thus trusting happens due to cognitive boundaries (which be perceive to be irrational), either due to positive recency effects or 'false' cost-benefit calculus.

(5) Motivational cues

Finally we distinguish extrinsic and intrinsic motivational cues for manager's to engage in high-trust relationships. Extrinsic motivation is present, if managers show a leap of faith for the sake of personal ease or for reduced workload (Williams, 2001). Intrinsic motivation may be either directed towards the trust-relationship per se (e.g. the leap of faith is motivated by the need of relationship satisfaction with the employee) or towards the content on the relationship (e.g. trusting is fun and fulfilling by itself).

Implications for theory and practice will be discussed in the full paper.

Follow-up study design: Set theoretical assessment of cross-case patterns via QCA

Our aim is to build on the insights gained from our interview study. Not only due to our theoretical conceptualization of the leap of faith as a conscious action but also due to the embedding of relevant cues within a broader framework of decision-making theory (Simon, 1947), we want to further analyze *if and how these cues interact in order to drive managers to take the leap of faith* in order to depict those factors which really matter. Here, our main goal is to identify mental models, so-called 'causal receipts' of managers, in order to answer the question of how managers tick, i.e. how these trust cues interact in the high-trust formation process. For instance we want to be able to explain if and how institutional and structural factors enable managers to form clearer trustworthiness expectations. Also, the aim of this follow-up study is to a) derive a more parsimonious and empirically grounded model of supervisor trust and b) to analyze how high trusting is "institutionalized" through rather persistent and trustee-independent organizational or trustee-specific individual variables.

The above considerations lead us to presume that the process of developing high-trust dyads is partially unconscious. With fsQCA we can analyze structural combinations of relevant trust cues and understand how trust formation processes take place in the head of managers.

In order to find out possible causal pathways for a manager's leap of faith, we conduct a four-value fuzzy set Qualitative Comparative Analysis (fsQCA; Ragin, 1999; Ragin, 2008) for a number of reasons: Firstly, fsQCA provides evidence for an explicit connection of causes within each case, instead of a correlational description of evidential tendencies, which is done

by conventional inferential statistics. Secondly, fsQCA is guided by a set theoretic logic, which enables us analyze within-case variance by identifying theory- and data-driven cases, which share a determined (fsQCA-calibrated) degree of membership within a certain causal condition relevant to the expected outcome, in our case relevant cues and a manager's leap of faith. Hence, within-case analysis is also reflected in the set-up of our four-value fuzzy data set, because it enables us interpret and summarize our interview results with in-depth case knowledge, thus provides a flexible translation between qualitative and quantitative insights, while staying true to the original interview data (Ragin, 2008).

As cross-case analysis matters, fsQCA facilitates across-case comparison by its numerical logic of reasoning: Our fsQCA-calibrated cases correspond to certain configurations of characteristics which are then enriched by Boolean Logic in order to depict the most relevant configurations (so-called 'causal recipes' for a manager's leap of faith).

In sum, fsQCA enables us to contribute by explaining complexity at each case level (each interview) and then generalize our findings across cases (Ragin, 2008; Woodside & Zhang, 2013). A more detailed justification for fsQCA's suitability will be provided in the full paper.

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