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Received April 2003  
Accepted September 2003

# The consequences of emerging HRM practices for employees' trust in their managers

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**Keywords** *Trust, Justice, Human resource management*

**Abstract** *This study examines the consequences of emerging human resource management (HRM) practices for employees' trust in their managers from a combination of the theory of exchange and a resource-base perspective. Using a national sample of 230 respondents, the research reported here portrays the paths which link the consequences of emerging HRM practices to employees' trust in their managers. In this framework, HRM consequences represent a proxy in which managers' actions, behaviours, and procedures affect employees' trust in their managers. The results indicate a significant and positive influence of empowerment, organisational communication and procedural justice as determinants of employees' trust in their managers. Using structural equation analysis, findings also indicate that procedural justice mediates the impact of employee development on their trust in their managers. Implications for strategic HR policies in organisations and suggestions for future research are discussed.*

## Introduction

Companies around the globe are involved in an intensive campaign to increase productivity and win the battle for international competitiveness. Consequently, greater attention is being paid to conventional management strategies such as streamlined operations, research and development, information technologies, product development, as well as to improving the management of human resources. Accordingly, human resource (HR) managers are becoming increasingly critical to the organisation (Schuler *et al.*, 2001). Thus, it is important to examine some new and emerging HR roles, strategies and practices that help the organisation better cope with a complex and volatile world. One significant way in which HR managers can have an impact is by instilling trust and confidence in the organisation.



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Numerous studies have already acknowledged that employees' trust is a critical variable influencing the performance, effectiveness, and efficiency of the organisation (Dirks and Ferrin, 2002; Kramer and Tyler, 1996; Lewicki *et al.*, 1998; Mayer and Davis, 1999; Mayer *et al.*, 1995; Whitney, 1994). Much of the research literature focuses on ways of fostering and enhancing trust among employees (Dolan and Garcia, 2002; Gambetta, 1988; McKnight *et al.*, 1998), suggesting that organisations view trust as a desirable attribute. Support for this perspective is shown by studies linking trust with a variety of work behaviours, including organisational citizenship (Konovsky and Pugh, 1994), employees' performance (Mayer and Davis, 1999), intention to turnover (Albrecht and Travaglione, 2003), problem-solving (Zand, 1972), level of openness within a top management team (Siobhan, 1993), support for authorities (Brockner *et al.*, 1997), satisfaction (Gould-Williams, 2003), and organisational commitment (Cook and Wall, 1980).

Some have argued that the traditional psychological contract in which full-time permanent workers gave their loyalty to an organisation in exchange for job security is dead (O'Reilly, 1994). In its place, a new contract is emerging in which employers still expect loyalty, hard work and "value added" to the organisation. In exchange, organisations offer extrinsic rewards such as pay that reflects employee contributions and experiences and training that will give them "employability security" as well as intrinsic rewards in the form of a generally pleasant working atmosphere. The later is often referred to in the literature as the core of the psychological contract (Rousseau and Aquino, 1993). Broken psychological contracts can cause organisations problems such as loss of trust, anger and litigation. Human resources departments are therefore expected to develop policies and strategies that reinforce the transition to a new psychological contract, especially during times of layoffs, heavier work loads and major changes in work processes (Ghoshal *et al.*, 1999; Rousseau and Wade-Benzoni, 1995).

While traditional HRM roles, practices and policies concentrate on improving functions such as selection, performance appraisal, health and safety, and the like, the emerging roles and initiatives focus on improving the flow of communication, special programmes for maintaining procedural justice processes, empowerment process, and helping employees grow and develop within organisations (Schuler *et al.*, 2001, Ulrich, 1998). It is argued that such a practice may in turn affect the climate of trust in the organisation and reinforce the validity of the psychological contract. Previous research focused on the single relationships between procedural justice, empowerment, openness and trust (Kirkman and Rosen, 1999; Cropanzano and Greenberg, 1997; Saunders and Thornhill, 2003), however, there has been relatively little empirical work (i.e. with the exception of the work by Gould-Williams (2003), and Whitener *et al.* (1998) on the combined strategies and actions that HR managers could undertake for building and developing employees' trust in their managers.

The aim of this study is to empirically test these proxy consequences of new HRM initiatives on building and maintaining employees' trust in their managers. Within this framework, HRM consequences represent a way in which managerial actions, behaviours, and procedures affect employees' attitudes and trust in their managers. Both bi-variate (single main effect) and multi-variate (combined effect) variables were examined, as were the paths linking these variables to the employees' trust in their managers.

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### **Theoretical framework and hypotheses**

Conceptual support for the impact of emerging HRM practices on manager's trust can be extrapolated from both the theory of exchange and from the resource-base theoretical perspective. Both theories explain why firms need intangible resources to achieve and sustain competitive advantage (Barney, 1986; Whitener *et al.*, 1998). Trust is considered an essential intangible resource in modern organisations, without which a passion for excellence may not prevail, and severe negative consequences for organisational competitiveness may follow (Greenberg and Cropanzano, 1999).

Thus, in developing a theoretical foundation for this paper, we have mainly drawn from an exchange or transaction model as well as the resource-based view of the firm. We have chosen these two theories for their explicit theoretical relevance concerning employment practices related to internalisation and externalisation; each theory offers part of the underlying logic for understanding how HRM and managers in general manage their workers to achieve competitive advantage.

#### *Exchange theory*

Exchange is perhaps the most basic form of social interaction (Blau, 1964). Social exchange is based on the norm of reciprocity namely we help those who help us (Gouldner, 1960). This norm establishes the managerial expectations that recognition, empowerment, investment in human assets, and other favours will be reciprocated. Of course, the norm of reciprocity might take the negative form as well, which includes the expectations that hostilities, fear, insincerity, and other distrusting acts will be dealt with in kind. Taken together, the dynamics of the exchange between the actors and the need to rely on the goodwill and obligation of the other actors may create uncertainty (especially at the beginning of the exchange). Thus, social exchange emphasises the development of relations over time and indicates that a successful social exchange circle involves both trust and uncertainty. For example, organisations that are attempting to empower lower level employees in order to enhance organisation performance might run risks and create uncertainty in connection with employees' reaction to such initiatives.

In an effort to identify the most efficient form of organising employment, by and large, firms either rely upon the market to govern a transaction (i.e. an economic foundation), or they govern this process internally (a psychological foundation). Thus, according to transaction cost economics, internalisation of employment is appropriate when it complements the economic perspective by forming a type of psychological exchange, ensuring that employees' skills are deployed correctly and efficiently (Williamson, 1981). Organisations desire to create an atmosphere where managers and employees are willing to interact with each other, and to promote situations where trust is the glue that binds them together. So, exchange and ties of mutual obligation are vital for the maintenance of the psychological contract that parallels the legal and economic employment relationship (Zucker, 1986).

#### *Resource-base view*

Rather than taking the transaction as the critical component in employment relations, the resource-based perspective encourages a shift in emphasis toward the inherent characteristics of employee skills and their relative contribution to value creation (Wright *et al.*, 1995). This theory suggests that core employee skills (central to the

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firm's competitiveness) should be developed and maintained internally, whereas those of limited or peripheral value are candidates for outsourcing (Lepak and Snell, 1999).

Thus, the resource-base view puts the emphasis on the internal resources of the organisation (Hoskisson *et al.*, 1999). For the organisation, a resource may consist of both tangible and intangible assets that bring high return on investment over extended periods of time (Wernerfelt, 1984). The HRM system is one such organisational asset, which enhances firm performance (Delaney and Huselid, 1996; Harel and Tzafrir, 1999).

HRM practices have various organisational consequences, among them tangible and intangible consequences (i.e. procedural justice, improved communication, and employee development). Developmental opportunity and empowerment of employees and managers are processes that create an atmosphere where talents and abilities are celebrated and encouraged. Clear, honest, and open communication as well as procedural justice reduces fear among organisational members, creating, promoting and enhancing a culture of trust in the organisation. Those consequences generate a unique and inimitable culture of trust to the organisation. This unique culture of trust cannot be easily transferred to other organisations since it is a product of the historical development in the organisation and costly to imitate by others. Thus, the culture of trust could create a sustained competitive advantage (Barney, 1991).

If we combine the arguments from exchange and the resource-based views, we can gain a more complete perspective of how managers might make employment more attractive and fulfilling by promoting an atmosphere of trust. This goes hand in hand with Porter's suggestion that valuable activities are the primary components of a firm's competitive advantage, and "differences among competitors value chains are a key source of competitive advantage" (Porter, 1985, p. 36) and Ulrich and Lake's (1991) assertion that the uniqueness of an employee's skills and capabilities is the critical requirement for gaining competitive advantage.

### *Trust*

Building trust within organisations, in particular within the context of dyad relationship between employees and their managers, is crucial for effective operation of the firm. Jung and Avolio (2000) suggested that transformational leaders may build trust by demonstrating individualised concern and respect for followers. Moreover, scholars have shown that interpersonal trust bears significantly on such variables as problem-solving (Zand, 1972), performance (Earley, 1986), citizenship behaviour (McAllister, 1995), co-operation (Axelrod, 1984), and communication (Roberts and O'Reilly, 1974). For example, Gould-Williams (2003) using data collected from UK local government employees found that systems trust is the most significant predictor for perceived organisational performance.

There have been a number of attempts to define trust in the organisational literature (Mayer *et al.*, 1995; Rousseau *et al.*, 1998). Robinson (1996, p. 576) provides a working definition of trust:

One's expectations, assumptions, or beliefs about the likelihood that another's future actions will be beneficial, favourable, or at least not detrimental to one's interests.

Several aspects of this definition call for elaboration. First, trust is a social phenomenon (Blau, 1964; Luhmann, 1988; Sztompka, 1999; Zand, 1972). Second, trust is based on the expectation that another individual will act benevolently towards one (Mayer *et al.*,

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1995) based on history experiences (Judith, 1996). Third, this definition explicitly recognises the relationship between trust and risk (Zand, 1972).

An overwhelming body of literature has emphasised the importance of positive interaction between parties, which increases the level of trust (Butler, 1983; Kramer and Tyler, 1996; Lewicki *et al.*, 1998; Mayer *et al.*, 1995; Saunders and Thornhill, 2003; Whitney, 1994; Zand, 1972). The trust cycle reflects a self-strengthening mechanism, as Deutsch (1962) mentions, by establishing a “promotive interdependence” and co-operation. Common beliefs as well as research findings suggest that a climate of positive trust enhances business performance and that the greater the amount of trust, the more efficient and effective the performance of employees and organisations will be (Ouchi, 1981; Shaw, 1997). Trust has been identified as an important component that makes mutual gains and bargaining successful (Friedman, 1993), a prerequisite for the implementation of a successful organisational productivity method (Savage, 1982), increasing group performance (Klimoski and Karol, 1976) and reducing employee turnover (Mishra and Morrissey, 1990).

While many recent books and scientific papers pay increased attention to the positive and significant influence of emerging HRM practices on organisational performance (Delaney and Huselid, 1996; Shaw *et al.*, 1998), still very little is known about how these emerging HRM roles are associated with trusting behaviour. Some theoretical and empirical research related to trust attempts to take HRM practices into account (Morrison, 1996; Whitener *et al.*, 1998) but they fail to develop a comprehensive model of the consequences of human resource practices on trust.

In numerous recent publications, Schuler and his colleagues propose that one of the growing challenges for human resource practices is to build a positive cycle of trust in the organisation (Schuler, 1992; Schuler *et al.*, 2001). Effective use of HRM practices, which leads to increased procedural justice, greater open communication, and empowerment, will increase employees’ trust in their managers (Barney and Hansen, 1994; Gould-Williams, 2003; Schuler, 1992; Zeffane and Connell, 2003). Armstrong-Stassen (2002) in a three-year longitudinal panel study found “that the practice of designating employees redundant has an adverse effect on job satisfaction, organisational trust and commitment during the downsizing period”. Mayer and Davis (1999) found that implementing a new performance-based recognition and rewards system leads to a significant increase in trust in top management. Guest and Conway (2000) explain how innovative HRM practices have contributed to perceptions of trust. Along similar lines, Dolan *et al.* (1998) report that an examination of the core HR values of some 75 leading US and European organisations as communicated via their respective Web pages, often included the concept of trust and open communication (for a typical Web-based HR, trust emerged as an emergent core value – see the HRM department at Cornell University: [www.ohr.cornell.edu/ohr/support/sup79\\_corevalprinc.html](http://www.ohr.cornell.edu/ohr/support/sup79_corevalprinc.html)).

To recapitulate, the social exchange theory complements the resource-based view by providing a dynamic perspective. Exchange theory looks at trust as an essential tool for achieving a stable social relationship (Blau, 1964). Parties to the organisational relationship expect some return on their contribution but the nature and timing of that return is unspecified (Konovsky and Pugh, 1994), and depends on the context in which they operate (Kollock, 1994). Social exchange theory suggests that there is an expectation of some unspecified future returns, which is based on the individual trusting that the other parties to the exchanges will discharge their obligations fairly in

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the long run (Holmes, 1981). This perspective helps us identify when, and under which conditions of successful social exchanges, an organisation is likely to achieve all four criteria for sustained competitive advantage.

#### *Hypotheses pertaining to trust as a core HRM value*

HRM policies and practices have widespread influence and impact throughout the organisation and on employees' attitudes and behaviours. While HR practices correspond to multiple objectives, in this paper we chose to focus on four emerging roles because they have an effect on all three aspects of trust mentioned earlier. For example, the grievance procedures system, "open door" policies, and other such practices reduce fear and encourage open and frank communication. The methods and practices used to determine the pay system affect how employees feel about procedural justice. The opportunities for participating in organisational decision-making and the delegation of responsibilities to the rank and file produce a culture of empowerment. Finally, providing employees with internal and external training opportunities creates a fertile ground for employee development. Adding to Creed and Miles' (1996) proposition that the design of human resource policies and procedures would affect perceptions of trust, we also suggest that the product of those practices has an impact on those perceptions.

#### *Communication*

Communication is a reflection of the organisational culture. Organisational communication was found to be positively correlated with organisational effectiveness (Baruch and Gebbie, 1998). According to Randolph (1995) and Whetten and Cameron (1998), sharing information raises the level of employees' trust in management. In a similar vein, Shaw (1997) and Weatherup (1997) suggested that high-trust culture requires the encouragement of openness and minimising the amount of political behaviour. Moreover, organisational communication generates the big picture for employees, helping them understand the role of the self within the organisational system (Bowen and Lawler, 1995). The "level of organisational communication" suggests a perception that the employee can easily communicate when they want to, regardless of the actual level of communication. Furthermore, employers that help their employees gain general and firm specific knowledge show their willingness to invest in their employees. Staying with the firm, despite being able to take their valuable, newly-enhanced knowledge elsewhere is the firm's reward for gaining employees' trust. This exchange process leads to an atmosphere of openness and confidence, which in turn generates trust. Hence:

- H1.* The higher the levels of manager's openness in communicating with the employees, the higher the level of employees' trust in their managers.

#### *Procedural justice*

Procedural justice refers to the process by which norms are implemented. This can be viewed as the degree to which the rules and procedures specified by policies are properly followed in the cases to which they are applicable (Milkovich and Newman, 1996). In an organisational context, procedural justice concerns the means (rather than the ends) of social justice (Furnham, 1997). As Milkovich and Newman, suggest:

- Pay procedures are more likely to be perceived as fair if: (1) they are consistently applied to all employees; (2) employee participation and/or representation is included; (3) appeals procedures are available; and (4) the data used are accurate (Milkovich and Newman, 1996, p. 62).

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Employees will be willing to accept organisational policies and decisions if they are based on fair procedures. It is not just being treated with dignity and respect but also being given adequate information regarding these procedures (Cropanzano and Greenberg, 1997). The way organisational action is taken and how it is carried out matters no less than the actual outcomes (Tyler and Bies, 1990). As such, HRM practices (e.g. the method of determining pay) are highly relevant to the evaluation and acceptance of procedural justice and would be expected to yield positive influence on employees' trust in their managers.

Procedural justice, as reflected in HRM related decision-making, has a strong effect on employees' attitudes and behaviours (Albrecht and Travaglione, 2003; Gilliland, 1994; Konovsky and Folger, 1994). For example, Dirks and Ferrin (2002) in a meta-analysis of trust in leadership from 106 studies found that procedural justice have positive and significant relationship to trust in the leadership. Based on exchange theory, procedural justice would be translated via cognitive processes, to a perception of even-handedness. Procedural justice enacts the principles of exchange theory by creating positive interactions among employees and managers, thus enhancing a positive cycle of organisational trust. Hence:

*H2.* The higher the level of procedural justice of the employees, the higher the level of employees' trust in their managers.

### *Empowerment*

Empowerment in an organisational context can be viewed as a set of conditions necessary for intrinsic task motivation (Conger and Kanungo, 1988). It can also be seen as a set of motivational techniques, contrasting traditional paradigms such as Taylorism which is predominantly based on strong managerial control, first stated by Plato some 2,400 years ago (see Clemense and Mayer, 1987).

The empowering leader's role is to show trust, provide vision, remove performance-blocking barriers, offer encouragement, motivate, and coach employees. More and more managers are being advised that effective leaders share power and responsibility with their employees. Empowerment is reflected in delegation of power to make decisions at lower organisational layers, though empowerment means more than merely delegation (Malone, 1997). Empowerment is concerned with trust, motivation, decision making, and basically, breaking the inner boundaries between management and employees as "them" and "us" (Liden and Tewksbury, 1995).

Mishra and Spreitzer view empowerment as reflecting a "personal sense of control in the workplace as manifested in four beliefs about the person-work environment relationship" (Mishra and Spreitzer, 1998, p. 577):

- (1) *Meaning* – refers to an individual experiencing his task as important, valuable, and worthwhile (Hackman, 1987).
- (2) *Competence* – Thomas and Velthouse (1990) defined it as the process of enabling people to be confident in their capacity to make choices over work processes.
- (3) *Self-determination* "reflects a sense of freedom about how individuals do their own work" (Mishra and Spreitzer, 1998, p. 577).
- (4) *Impact* – when an employee produces work that is significant and important for an organisation.

These four components are reflected in HRM practices such as delegation of decision-making to the rank and file, enriching the diversity of competencies, and creating opportunities for challenging jobs. Adam Smith (1982) argued in *The Theory of Moral Sentiments*, that the moral basis of individual existence is the need for recognition and consideration on the part of others. People need attention, sympathy and approbation (Sligman, 1997, p. 80). In part they will expect it from their organisation, as part of the set of mutual expectations developed to maintain commitment and its positive outcomes (Steers, 1977). The process of empowerment is an exchange process, where managers share power with their subordinates, and in return expect to gain increased performance. An added value of the empowerment process is the increase in employees' trust in their managers (Jones and George, 1998).

H3. The higher the level of employee empowerment, the higher the level of employees' trust in their managers.

#### *Employee development*

Trust evolves out of prior positive interactions between actors and by the feelings of confidence and security, which those relationships create (Rampel *et al.*, 1985). Thus employee development is expected to create a sense of certainty, enhance employability and faith in management. Among its positive outcomes, this investment increases employability for the individual employee (Waterman *et al.*, 1994). As early as the 1960s, Tannenbaum and Davies (1969) associated development and employee development with the creation of trust. We would view investment in training and development as clear evidence of a trust creation mechanism. This will result in the emergence of a global belief concerning the extent to which managers and their organisations value and care for employees' well-being (Eisenberger *et al.*, 1986).

Transactional exchange in this case is manifested by high investment in human capital. It would be difficult or unsettling to betray your organisation if it made such an investment. Moreover, this continuous process reinforces the generation of mutual trust. Therefore, we predict a positive relationship between managers' trust and employees' development:

H4. The higher the level of employee development, the higher the level of employees' trust in their managers.

Figure 1 summarises the hypothesised relationships that were tested in our study and described below. It proposes that emerging HRM consequences such as empowerment, procedural justice, communication, and employee development are expected to be directly associated with trust of employees in their manager. Thus, the model presented in Figure 1 suggested a simple, direct relationship from HRM consequences to trust.

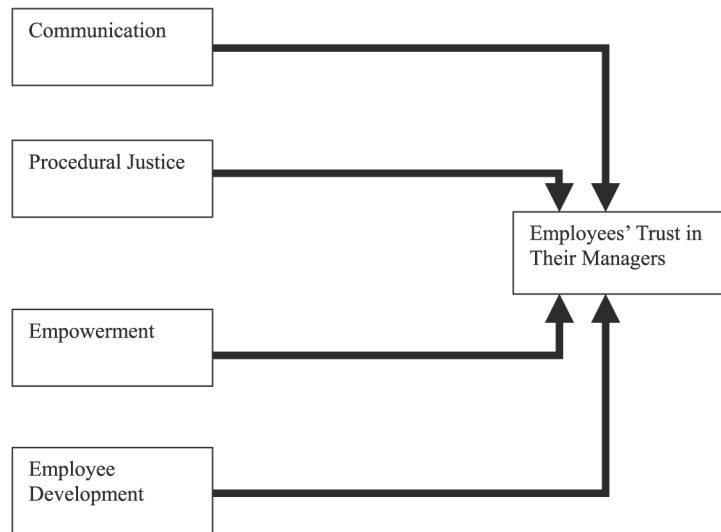
Finally, based on the above discussion a fifth hypothesis can be stated:

H5. All the independent variables will have an equal effect on the level of employees' trust in their manager.

## **Methods and procedures**

### *Sample and statistical procedures*

Data were collected on the basis of a random sample of 450 participants in the Israeli labour force between the ages of 18 and 70. A 60 per cent response rate was obtained



**Figure 1.**  
HRM consequences and  
employees' trust in their  
managers

but missing cases reduced the final sample to 230 employees stratified by gender, age, and geographical location. The average age of the respondents was 38.4 years ( $SD = 10.3$ ). Whereas women comprised 44 per cent of the Israeli labour force (Israeli Labour Statistic), in our study they account for 45 per cent of the total sample. A total of 28 per cent of the respondents indicated that they hold middle or high-level management positions. In short, there were no significant differences between the respondents' characteristics and the characteristics of the employees in the general Israeli civilian labour force.

Analyses were performed in three sequential steps. First, the correlation matrix (simple regression) was computed in order to test the bi-variate analysis and the hypotheses. Second, a stepwise multiple regression procedure was used in order to test the combined effect. Lastly, in order to reduce the possibilities of reaching erroneous conclusions based on possible artefacts (i.e. method-variance), path analysis (LISREL procedure) was employed. LISREL provides a chi-square value and three additional indices that assess the fit of path models, the goodness-of-fit index (GFI), the adjusted goodness-of-fit index (AGFI), and the confirmatory fit index (CFI) (Joreskog and Orborn, 1993). LISREL also analyses hypothesised relationship, calculating parameter estimates and standard errors that can be used to test statistical significance.

### *Measures*

Four independent variables and one dependent variable (employees' trust in their managers) were employed in this study. The independent variables were constructed of five Likert-type scale points ranging from (1) "strongly agree" to (5) "strongly disagree." They include:

- A short version of four items from Konovsky and Pugh (1994) was used to measure procedural justice. In order to conform to the size limitation of our questionnaire, we used part of Konovsky and Pugh (1994), measuring eight items. The alpha reliability of this version was 0.76, which is somewhat lower

than the original, but still acceptable. This difference in the reliability is probably caused by the smaller number of questions used by us (for extended discussion on this issue, see Cortina, 1993). An example item is “employee remuneration is based on performance appraisal.” Cronbach alpha reliability was 0.76.

- Empowerment was measured on a three-item scale inspired from Mishra and Spreitzer (1998), yet only the first three dimensions of the latter were used here. The alpha coefficient for this scale was 0.77.
- Organisational communication was measured with a four-item scale of which respondents indicated communication among all members how much they agree with the following statements: “there is frank communication among all members of the organisations”; “there is free flow of information between managers and employees”. The alpha coefficient was 0.84.
- Employee development comprised only two-items. Respondents were asked to indicate the degree that they received systematic and formal training in the past year.

The dependent variable, employees’ trust in their managers, is based on Robinson’s (1996) seven-item scale. Examples of the items include the extent to which one’s manager is not completely honest with one (reverse-coded). The alpha coefficient of reliability was 0.86.

In the trust literature, certain individual differences such as education and gender have been found to influence the perceptions of individual’s level of trust (Scott, 1980; Saal and Moore, 1993). For this purpose, information was collected on respondents’ gender and years of formal education (i.e. the control variables) were ascertained directly from the questionnaire.

**Results**

Table I presents the means, standard deviations, correlations, and scale reliabilities among the study variables. The mean for employees’ trust in their managers was 4.8 (SD = 1.1) on a scale of 1-7, indicating that employees’ trust in their managers was relatively common. As the table indicates, the prediction variables are supported by significant correlations with the outcome variable (i.e. the correlation between employees’ trust in their managers and the four HRM consequences are reported with a negative sign because of the reverse scores of the independent variable). To further assess the relationship among the variables prior to hypothesis testing, we checked to see whether any of the research variables correlates with any of the control variables (gender and education). No significant correlations were found between these variables.

Variable	Mean	SD	1	2	3	4	5	6
1. ETM	4.76	1.15	(0.86)					
2. Organisational communication	2.83	0.75	-0.49*	(0.84)				
3. Employee development	2.85	0.88	-0.27*	0.53*	(0.73)			
4. Procedural justice	2.91	0.79	-0.45*	0.59*	0.46*	(0.76)		
5. Empowerment	2.30	0.81	-0.29*	0.34*	0.27*	0.21*	(0.77)	

Notes: \**p* < 0.01; employees’ trust in their managers (ETM); internal consistency reliabilities in parenthesis

**Table I.**  
Means, standard deviations, reliability coefficients and intercorrelation matrix

To test *H1* through *H4*, a simple multiple regression analyses was performed, and the results are presented in Table II. Findings provide support for three of the study's five hypotheses. Organisational communication significantly predicted employees' trust in their managers ( $\beta = -0.306, p < 0.01$ ) as well as procedural justice ( $\beta = -0.216, p < 0.01$ ) and empowerment ( $\beta = -0.133, p < 0.05$ ), while employee development did not have a significant impact.

In order to test *H5* and understand the combined direct effect as well the relative incremental power of each variable on employees' trust in their managers, a stepwise multiple regression procedure was performed. Results are presented in Table III. " $R^2$ " shows the explained variance for each step. Organisational communication was entered first into the equation ( $\beta = -0.45, p < 0.01; R^2 = 0.20$ ), procedural justice was entered second with an added variance of 0.028 ( $R^2 = 0.23, \Delta R^2 = 0.028, p < 0.01$ ) and empowerment entered third ( $R^2 = 0.25, \Delta R^2 = 0.015, p < 0.05$ ). Consistent with the findings for the bi-variate analysis, employee development did not enter the model.

In the final step, the full model was re-analysed after removing the hypothesised relationship but was not found to be statistically significant in the regression analyses. The LISREL analysis of the modified model produced a non-significant chi-square of 0.64 ( $df = 2; p = 0.73$ ). In addition to this chi-square value, the various goodness-of-fit indices also suggested an excellent fit (GFI = 1.00; AGFI = 0.99; CFI = 1.00). The LISREL findings, though, provides support for the vast majority of our hypotheses. However, in the path-analysis model, an indirect positive effect of employee development, mediated by procedural justice, was found to affect employees' trust in their manager. Figure 2 reports parameter estimates from the analysis of this model, and Table IV summarises additional results for this analysis. The results provide strong support for our proposed path-analytical model.

**Table II.**  
Regression results of organisational communication, procedural justice, empowerment, and employee development on employees' trust in their managers

Variable	Model
1. Organisational communication	-0.306**
2. Procedural justice	-0.216**
3. Empowerment	-0.133*
4. Employee development	0.046
$R^2$	0.249
$F$	18.8

Notes: \* $p < 0.05$ ; \*\* $p < 0.01$

**Table III.**  
Stepwise regression results of organisational communication, procedural justice, empowerment, and employee development on employees' trust in their managers

Variable	Model 1	Model 2	Model 3
1. Organisational communication	-0.453	-0.329	-0.289
2. Procedural justice	No	-0.208**	-0.207**
3. Empowerment	No	No	-0.1289*
4. Employee development	No	No	No
$R^2$	0.205	0.233	0.248
$\Delta R^2$	0.205	0.028	0.015
$F$	58.9	8.33**	4.49*

Notes: \* $p < 0.05$ ; \*\* $p < 0.01$

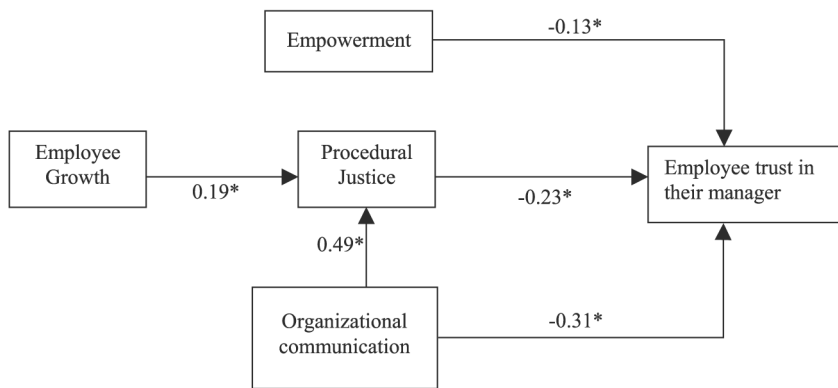


Figure 2. Path analysis results

Hypothesis	Hypothesised relationships Variables	Sign	ETM	s.e.
1	Organisational communication and ETM	-	- 0.31*	0.072
2	Procedural justice and ETM	-	- 0.23*	0.070
3	Empowerment and ETM	-	- 0.13*	0.059
4	Employee development and procedural justice	+	0.19*	0.062
5	Organisational communication and procedural justice	+	0.49*	0.062

Table IV. Standardised path estimates

Notes: \* $p < 0.05$ ; \*\* $p < 0.01$ ; employees' trust in their managers (ETM)

### Discussion

This study offers an additional approach to studying the trust phenomena within an employment context. Exchange theory paved the way for combining several variables into an integrated model. This model implies that employees' trust in their managers is a function of organisational communication, procedural justice, empowerment, and employees' development. The results of our study provide strong empirical support for the proposed model. Each variable appears to play important role yet different roles in the development of employees' trust in their managers.

Our model integrates findings reported in previous research into a model that suggests a cumulative impact on trust. Nevertheless, our results were mixed: while three of the independent variables acted in accordance with the hypothesised direction, the fourth seemed to have an indirect impact. Our findings add to Dirks and Ferrin (2002) suggestions that leadership style and employment practices may have an influence on increasing trust in leadership.

Confirming *H1*, the findings stress the importance for HR managers of fostering a climate of organisational communication, as this is directly associated with greater employees' trust in their managers. This finding supports arguments made by Shaw (1997) and Weatherup (1997) about the high-trust culture, which requires the encouragement of openness and minimisation of political behaviour. The sharing of performance-related information with employees keeps them informed about their impact on organisational outcomes (Randolph, 1995). Open communication generates the big picture for employees,

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helping them understand the role of the self within the organisational system (Bowen and Lawler, 1995). These findings may suggest that open communication in organisations reduces fear of the unknown effects of change; reduces anxieties stemming from ambiguity; and enhances a feeling of belonging to an organisational community.

Results also provide strong support for *H2*, suggesting that procedural justice has positive and significant influence on manager's trust. These findings are consistent with those reported by Albrecht and Travaglione (2003), Konovsky and Pugh (1994), Lind and Tyler (1988), and Saunders and Thornhill (2003), concerning the strong relationship between trust and procedural justice. For example, Siegall and Worth (2001) found a strong relationship between trust and perceived fairness. Our finding adds to the body of knowledge suggesting that procedural justice tends to affect trust in managers, organisational commitment, and intention to quit (Dailey and Kirk, 1992; McFarlin and Sweeney, 1992). When companies adhere to consistent and unbiased procedures and other such practices, which increase the perception of procedural justice and of procedural fairness, the organisation is bound to increase employees' trust in their managers and the company itself.

As for *H3*, our results show that employee empowerment impacts positively, although in a limited fashion, on manager's trust. It seems that the process of empowerment provides employees with higher levels of task autonomy and feelings of worthiness. These findings are also consistent with other studies concerning employee empowerment (Conger and Kanungo, 1988; Kirkman and Rosen, 1999). Kirkman and Rosen have suggested that there will be a positive correlation between managers' trust in the capability of team members and empowerment (see also Culbert and McDonough (1986) for a similar argument). Our findings probably correspond to Kale and McIntyres' (1991) description of low power distance cultures, where people are more willing to confer with others and to temper the use of power. This finding may not hold true in high power distance cultures (Doney *et al.*, 1998).

*H4* stated that employee development would be positively related to employees' trust in their managers. This was not confirmed in our study. However, in the path-analysis model, an indirect positive effect of employee development, mediated by procedural justice, was found to affect manager's trust. Although not in line with our hypotheses, these findings are of significance interest. We suspect that this relationship will primarily hold true where employees feel entitled to receive training and development. When they perceive they are not getting sufficient training, it affects their notion of fairness, which in turn affects their trust in their managers. However, as Greenberg (1990) has suggested, employees' perception and impression of procedural justice can be managed. Those impressions will lead to an atmosphere of high trust in employment relationships, as our findings suggest. The procedures for setting employee development programmes should be just and seen to be just if trust is to be enhanced.

*H5* was rejected as the result clearly shows the differential impact of the independent variables on trust in managers. Some variables such as organisational communication and procedural justice have far greater impact than the other variables studied.

The highlights of this study are twofold:

- (1) the determination of the hierarchical impact of each of the independent variables on trust in their manager; and
- (2) the finding pertaining to the influence of employees' development on trust via the mediation of procedural justice.

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As we mentioned earlier, previous research looked at these variables in isolation while in this study we looked at the combined effect of those variables. Although our findings substantiate the validity of these works, the combined impact of these variables on trust provides us with a better understanding of the phenomenon and the process of building manager's trust. The findings of this study appear to have important implications for trust and the HRM literature. The revised model, which combines various variables into a single framework, adds to contemporary knowledge by focusing on the overall impact of these variables on trust.

Going back to our point of departure and based on our findings, we conclude that the exchange relationship is consummated through the intangible processes of organisational communication, procedural justice, empowerment, and employee development. In the context of exchange theory, these practices (which are HRM related) involve a process of mutual exchange between organisations (represented by managers) and their employees. Exchange encounters may be of a positive or a negative nature, increasing or diminishing trust in organisations.

### **Conclusion and implications**

What do our findings have to say to HR managers and managers in general? We can look at these implications from two perspectives – strategic and tactical.

From a strategic perspective, it is important to note that creating and enhancing trust should and can be established via systems of organisational communication. In addition, organisations should strive to establish a fair and open justice system (procedural justice), and delegate through empowerment. HR can play an important role in devising policies and procedures that are visible. The next step is to create a culture of empowerment, and employee development, which should become an essential part of the strategic approach for the organisation.

At the tactical level, training and development by themselves will not be sufficient to produce an atmosphere of trust although they may be instrumental in increasing other competencies and thereby add to employees' performance and productivity. When designing training and development programmes, managers should consider establishing fair and equitable processes for selection and inclusion of employees in such programmes. Companies and top management should be interested in, and nourish a high trust environment, and thus, need to provide strong backing and demonstrate their commitment to open communication, empowerment, and a just environment.

### **Limitations**

The study has several limitations that deserve notice. The use of self-reporting is usually perceived as a limitation when data is collected, especially when both information on the dependent and the independent variables come from the same source. However, in our view this limitation is not of crucial importance for several reasons:

- the study was not conducted within any one particular organisation but rather employed a national random sample from which inferences could be drawn on the population of an entire nation;
- anonymity was properly maintained;
- the sample seemed to be representative; and
- the LISREL procedure corrects for possible method-variance.

On the one hand, we acknowledge that data were collected within a single national system, which may cast some doubts on its generalisability. On the other hand, the Israeli environment provides researchers and practitioners with a convenient laboratory to study and analyse advanced managerial practices insofar as it is a “Maduradam” (microcosm) for the developed countries in western Europe and north America (Harel and Tzafrir, 1999). A key limitation pertains to demonstration of causality. Whereas the data should have been collected at different points in time, our study design was of cross-sectional nature and we cannot conclude that findings will remain consistent over time.

We are aware that the causality proposed in our hypothesis may in fact work the other way round, given that all our measures use self-reported data. For example, *H1*: “the higher the level of managers openness in communicating with the employees, the higher the level of employees’ trust in their managers” might be turned on its head thus: “employees who perceived their manager as trustworthy also perceived him/her as engaging in more open communication”. Thus, future research should be aimed at studying these relationships over time to learn more about their causes. Finally, since previous research has also suggested that some individual differences may have a moderating effect on trust (i.e. namely level of education and gender: Scott, 1980; Saal and Moore, 1993), we propose that future research incorporate these variables into the model.

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