BEST HR PRACTICES
FOR BUILDING AND RETAINING TRUST OF EMPLOYEES

Ms. Paramjit Sujlana¹, Dr. Babita Dosajh², and Dr. Sonia Gupta³

Abstract

Organizations face an increasing need to foster trust. However, there are fewer opportunities for developing interpersonal trust and an evident need to establish complementary forms. The purpose of this paper is to examine the effects of various human resource management (HRM) practices on the impersonal dimensions of organizational trust. Employee trust in the whole organization is connected to perceptions of the fairness and functioning of HRM practices. Such practices can therefore be used in order to build the impersonal dimension of organizational trust. HRM practices are used in all organizations, and could offer a practical solution to the problem of building and retaining trust without developing a special system or specific methods. This study contributes to the growing body of literature on the role of trust in the context of organizational relationships. To the best of the researchers' knowledge this is one of a unique study focusing on the impersonal element of organizational trust and its relationship with HRM practices.

Key Words: Human resource management, Trust, Employee behavior.

Introduction

This has been a burning issue in the field of HR for quite some time. It was in 1998 Barney and Wright argues, most, corporate annual reports boldly state that the firm's people are its most important assets. However, when organizations require cost cutting they look first to reduce investments in people in the form of training, wages and headcounts, for example. This is of critical importance, because without the support of employees managers are likely to experience lower productivity and weakened organizational performance (Zeffane and Connell, 2003). Trust is especially important in knowledge-based organizations because it is known to support knowledge-creation processes and related interactions (Blomqvist, 2002; Tyler, 2003)

It is said that efficiency in organizations is possible only when interdependent actors work together effectively in a climate of positive trust (Zeffane and Connell, 2003). In addition, trust increases the efficiency and effectiveness of communication, organizational collaboration, and critical factor in Leadership, Job Satisfaction, Commitment and Performance (Blomqvist2002, Tyler, 2003; Dirk and Ferrin, 2001; Barney and Hansen, 1994, Dosajh and Malhotra, 2001)

How, then, can companies build and retain trust within the organization? One way is to use human resource management (HRM) practices to build a positive cycle of trust. Given the influence of trust in almost every area of human resources, including training and development, compensation practices, promotion, task assignment, job security and placement, and performance evaluation and feedback, trust-building becomes very important. Whitener et. al. (1998) propose that organizations can enhance trustworthiness in the eyes of employees by creating structures and processes that make trusting successful.

¹Associate Professor, GJIMT, Mohali
²Faculty Member, Amity Global Business School, Mohali
³Associate Professor, GJIMT, Mohali
Although there have been studies on the HRM-trust link, organizational trust is generally considered an interpersonal phenomenon (e.g. trust between employees and managers or top management). Our study contributes to the literature on the relationship between HRM practices and organizational trust in treating trust as an impersonal issue. Researchers studying organizational trust have thus far focused only on specific dimensions of impersonal trust, mainly trust in top management, in the employer organization, its competency and performance (McCauley and Kuhnert, 1992; Mayer and Davis 1999; Tyler, 2003; Lee, 2004; Robinson, 1996). Thus, although previous studies have shed light on some aspects of impersonal organizational trust, so far none have taken a comprehensive approach. Hence, the objective of this study is to examine the effects of various HRM practices on the impersonal dimensions of organizational trust. The underlying assumption is that such practices can be tailored to the building and retaining of trust within the organization.

**Theoretical Framework:**

**Organizational Trust**

Impersonal trust is based on roles, systems and reputation, whereas interpersonal trust is based on interpersonal interaction between individuals within a particular relationship. The operational environment of companies is complex, rapidly changing and dispersed, which makes impersonal trust a potential source of competitive advantage. Even if interpersonal trust (e.g. a close supervisory role) is critical, organizations could benefit from fostering complementary impersonal forms of trust. An employee who is able to trust the organization she/he works for can trust her/his future in it even if other employees and supervisors cannot provide sufficient support for the evolution of strong interpersonal trust.

The terms “trust in the organization”, “organizational trust” and “institutional trust” are used inconsistently in the literature. Organizational trust is seen in this study as an upper-level construct incorporating both interpersonal (i.e. trust in co-workers and in supervisors/managers) and impersonal trust. We also distinguish between institutional trust and impersonal trust, the former referring more to trust in institutions (e.g. the government or the company's brand name) and official social structures such as membership of some trusted organization and the latter to the impersonal dimension of the organizational trust. We therefore conceive of impersonal trust as an individual employee's attitude based on his or her perception and evaluation of the employer organization, which thus operates on the individual level. We therefore define the concept, based on the work of Vanhala et al. (2011) as “an individual employee's expectations with regard to the employer organization's capability and fairness”. The capability dimension consists of five components and the fairness dimension of three components (Fig-1).

### The capability dimension:

1. **Organizing activities.** The organization's ability to cope in exceptional situations and to exploit its resources.
2. **Sustainability.** Changes in the operational environment of the organization and the employment outlook.
3. **Top-management characteristics.** Capabilities and decision-making practices.
4. **Technological reliability.** Individual capabilities and available assistance with technical problems.
5. **Competitiveness.** How the organization compares with its competitors.

### The fairness dimension:

1. **HRM practices.** Education and career progression.
2. **Fair play.** Top management's behavior, and internal competition and opportunism.
3. **Communication.** Trustworthiness and sufficiency of information.
HRM Practices:

Different kinds of organizations (e.g. companies, the public sector) increasingly recognize the potential of their personnel as a source of competitive advantage. The creation of competitive advantage through employees requires close attention to the practices that best leverage these assets. Organizations use various HRM practices in order to enhance the skills of their employees, focusing their efforts on improving the quality of the current workforce through training and development, for example. Employees should be motivated to perform their jobs effectively, and may be affected by merit awards or incentive compensation systems. They should also have the opportunity to participate in the decision making, i.e. be involved in determining how the work is accomplished. Employee-participation systems and internal labor markets give employees the chance to advance within the organization. They should also have the opportunity to express their views, i.e. to communicate (Dosajh and Malhotra, 2001).

In this study, HRM practices refer to the strategic practices that could have an effect on the impersonal dimension of organizational trust: learning and development, communication, performance evaluation and rewards, career opportunities, participation and job design. HRM practices build trust rather than the other way around, i.e. that trust influences HRM practices. We therefore build the following hypotheses on the notion that employees evaluate their employer organization based on its HRM practices, and that these practices represent the relationships, interaction and communication between the organization and its individual employees. (Fig-2)
Conceptual Framework of the research (Fig-2)

- Impersonal Trust
- Learning and development
- Communication
- Performance Evaluation and Rewards
- Career Development
- Participation
- Job Designing
- Competitiveness
- Sustainability
- Communication
- Fair Play
- Enhancing Participation
- Improving Awareness, Knowledge and Skills
- HRM Practices
The Hypotheses for the study are:
1. Employees’ perceptions of how learning and development function are positively related to impersonal trust.
2. Employees’ perceptions of how communication functions are positively related to impersonal trust.
3. Employees’ perceptions of how performance evaluation and the reward system function are positively related to impersonal trust.
4. Employees’ perceptions of how career development functions are positively related to impersonal trust.
5. Employees’ perceptions of how participation functions are positively related to impersonal trust.
6. Employees’ perceptions of how job design functions are positively related to impersonal trust.

Research Design

Data collection: HRM practices were measured on a scale developed by Delery and Doty (1996). The 18 items covered six main areas of HRM: learning and development (three items), communication (three items), performance evaluation and rewards (four items), career opportunities (three items), participation (two items) and job design (three items). The respondents were asked to indicate the extent to which they strongly agreed or disagreed with the statements related to their perceptions of the HRM practices in their organization.

We used the model of impersonal organizational trust developed by Vanhala et al. (2011) in measuring organizational trust.

Sample Size: Around 450 working population was covered from different service sectors in Mohali.

Statistical Tools: Correlation Matrix was applied to find out the relationship between the dependent and independent variables. We selected this technique because this is for the first time that impersonal trust has been taken separately in Indian context and to see its relationship with the other variables.

Results

Table-1 Correlation Matrix among the variables

<table>
<thead>
<tr>
<th>Variables</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Learning and Development</td>
<td></td>
<td>.00</td>
<td>.513*</td>
<td>.585*</td>
<td>.644*</td>
<td>.515*</td>
<td>.544*</td>
</tr>
<tr>
<td>Communication</td>
<td>.00</td>
<td></td>
<td>.557*</td>
<td>.476*</td>
<td>.528*</td>
<td>.472*</td>
<td>.618*</td>
</tr>
<tr>
<td>Performance Evaluation and Reward</td>
<td>.00</td>
<td></td>
<td>.509*</td>
<td>.516*</td>
<td>.423*</td>
<td>.615*</td>
<td></td>
</tr>
<tr>
<td>Career Development</td>
<td></td>
<td>.00</td>
<td></td>
<td>.515*</td>
<td>.466*</td>
<td>.669*</td>
<td></td>
</tr>
<tr>
<td>Participation</td>
<td>.00</td>
<td></td>
<td></td>
<td>.418*</td>
<td>.544*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Job Design</td>
<td></td>
<td></td>
<td>.00</td>
<td></td>
<td>.531*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impersonal Trust</td>
<td></td>
<td></td>
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</table>

Significant at 0.01 level
The variables identified are moderately associated with each other and they are sharing significance at 1% level. Among the variables career development, learning and development, Communication and Performance evaluation and Rewards (.669, .657, .618 & .615) are sharing higher association and shall be taken in priority for considering impersonal trust. However, Job design and participation (.531, .544) has lesser association with impersonal trust so they can be taken up as secondary variables (see Table 1). Thus our hypothesis stands true that all the variables are positively correlated to impersonal trust.

Discussion and Conclusion
The result signifies that the level of impersonal trust is significantly related to the HRM practices in the organization. Thus it clearly relates HRM practices with impersonal trust. The better the HRM polices of the organization, the more will be the level of impersonal trust in the organization. It also refers to that the higher the opportunities for the employee to grow in the organization and the kind of growth opportunities the organization provides to the employee the higher will be the commitment, faith, sustainability, enhanced participation, better communication will exist in the organization. It also directly reflects of the positive HRM practices in the organizations. Such practices help in building a good image of the organization in the eyes of the employees and thus help in getting better people for the organizations. Thus, the organizations must take care of their HRM practices as they are directly related to the impersonal trust of the employees.

Limitations
Since, it was for the first time such study was conducted, the size of sample needs to be more and from different sectors. More research techniques need to be applied to quantify the importance of each and every variable.
References


