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#### Title:

**THE ORGANIZATIONAL HEALTH CONCEPT  
AND ITS OVERALL IMPACT ON  
THE ORGANIZATIONAL EFFECTIVENESS**

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## TABLE OF CONTENTS

ABSTRACT .....	1
INTRODUCTION .....	3
I. ORGANIZATIONAL EFFECTIVENESS .....	4
II. ELEMENTS OF ORGANIZATIONAL HEALTH	
2.1. Leadership .....	6
2.2. Vision .....	7
2.3. Employee Commitment .....	8
2.4. Trust .....	8
2.5. Respect .....	9
2.6. Rewards and Recognition .....	9
2.7. Competence and Skills Development .....	9
2.8. Teamwork .....	10
2.9. Ability to Adapt .....	10
2.10. Measuring Health .....	11
III. ORGANIZATIONAL COMMUNICATION	
3.1. Formal Communication Channels .....	12
3.1.1. Downward Communication .....	13
3.1.2. Upward Communication .....	13
3.1.3. Horizontal Communication .....	13
3.2. Informal Communication Channels .....	14
3.2.1. The Grapevine .....	14
3.2.2. Management by Wandering around (MBWA) .....	14
3.3. Barriers To Communication .....	14
3.3.1. Individual Barriers .....	15
3.3.2. Organizational Barriers .....	15
3.4. Facilitating Communication .....	15
IV. CONCEPT OF TRUST .....	17
4.1. The Importance of Trust .....	18
4.2. The Types of Trust .....	19

4.3. Building and Maintaining Trust.....	20
4.3.1. Culture Creation .....	20
4.3.2. Leadership .....	20
4.3.3. Building Relationships .....	21
4.4. Consequences of High Trust .....	22
4.5. Consequences of Low Trust .....	24
CONCLUSION .....	26
REFERENCES .....	28

## **ABSTRACT**

The organizational effectiveness is achieving optimal results at the lowest possible cost. There are many factors such as culture, communication, reward, staffing that drive organizational effectiveness and each impacts the others. In other term, the organizational effectiveness is the degree to which the organization achieves a stated goal.

This paper discusses the organizational health concept and its overall impact on the organizational effectiveness.

The main focus is to explore the organizational effectiveness with theories on the identified elements of organizational health, described organizational communication and some concepts.

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## INTRODUCTION

The objective of this study is to explain the impact of trust, shared values and organizational communication to the organizational effectiveness. This study is on the publications of R.L Daft, Peter Wickens, and Gilbert W Fairholm. These publications are focused on people management, organizational communication, human resources and the importance of trust in organizations. Beside these publications some interviews done with various analysts such as Colette G  linas (Professor in human resources at Qu  bec University), Nathalie Lamb (Professor, Faculty of Business Administration, University of Ottawa) and Ole Ingstrup (Senior Advisor at Queen's University) have been taken into account.

## I. ORGANIZATIONAL EFFECTIVENESS

The organizational effectiveness is achieving optimal results at the lowest possible cost. There are many factors such as culture, communication, reward, staffing that drive organizational effectiveness and each impacts the others. In other term, the organizational effectiveness is the degree to which the organization achieves a stated goal.

The effectiveness of organizations can be hurt by many factors. For example, management efforts to increase efficiency that refers to the amount of resources used to achieve an organizational goal through severe cost-cutting can hurt the organizational effectiveness.

The main responsibility of managers is to achieve high performance that is the attainment of organizational goals by using resources in an efficient and effective manner<sup>1</sup>. Managers use conceptual, human, and technical skills to perform the four management functions of planning, organizing, leading and controlling in all organizations. All managers must possess skills in each of conceptual, human and technical areas to perform effectively. The conceptual skills are more important for upper managers but the human skills are important at all levels. For first line managers, the technical skills are the most important ones. Managers' human skills are vital to employee motivation and retention as well as to overall organizational performance<sup>2</sup>. In fact organizational effectiveness is the result of the right people, efficient processes, a dynamic culture, useful tools and appropriate resources. As attaining ideal productivity and profit depends on identifying the root of problems managers must be able to identify the crucial elements that drive their organizations' effectiveness.

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<sup>1</sup> R.L.Katz, "Skills of an effective Administrator", *Harvard Business Review* 52, (Sept, October 1974; 90-102)

<sup>2</sup> Richard.L.Daft, "**Management**" (5th edition, Chapter 1, page 14-15)

In organizations, high performance standards is one of the most important objectives in achieving organizational effectiveness. Performance in an organization does not occur in isolation. The organizational performance can vary on the communication, teamwork, moral, job satisfaction, customer focus, feedback, coaching and acceptance of change-especially important during times of transition. For this reason many companies spent a lot of time and money on team building that is essential for the organizational effectiveness.

## 2.1 Leadership

The definition of leadership may vary slightly, but it is generally accepted that leadership is the process of influencing others to achieve a common goal. In organizations, leaders play a crucial role in setting the vision, providing direction, and motivating employees. They are also responsible for creating a positive work environment and for resolving conflicts.

An organization's success depends on its ability to adapt to change. Leaders must ensure that their organization is prepared for change and that they can effectively manage change. Corporate leaders must also be able to communicate effectively with their employees and to build a strong team. They must also be able to make difficult decisions and to take responsibility for the outcomes of their actions. Effective leaders work strategically and are able to anticipate and respond to challenges. They also have a strong sense of purpose and are able to inspire their employees to achieve their full potential. In summary, leadership is essential for the success of any organization. Leaders must be able to influence others, provide direction, and create a positive work environment. They must also be able to manage change and to build a strong team. Effective leaders work strategically and are able to anticipate and respond to challenges. They also have a strong sense of purpose and are able to inspire their employees to achieve their full potential.

For more information on leadership, please visit our website at [www.healthyorganizations.com](http://www.healthyorganizations.com). We provide a wealth of resources, including articles, videos, and podcasts, to help you learn more about leadership and how to create a healthy organization. Our experts are available to provide personalized advice and support. Contact us today to get started.



## II. ELEMENTS OF ORGANIZATIONAL HEALTH

There is much discussion about what constitutes a state of good health or well-being in an organization. Most people consider leadership, vision, employee commitment, trust, respect, rewards and recognition, competence and skills development, teamwork, ability to adapt and measuring health, essential to organizational health<sup>3</sup>.

### 2.1. Leadership

The definition of leadership may vary slightly in different social environments, organizations, countries and cultures, effective leadership is one of the main contributing factors to the health of any organization.

As organizations redefine their corporate purpose and reconfigure their corporate hierarchy, they must make sure their executives possess the leadership characteristics that allow them to manage change effectively. Corporate restructuring affects the people who work in the organization, and leadership is measured by the leaders' ability to secure their employees' commitment and motivation and to develop their employees' skills. Effective leaders think strategically and communicate organizational values in credible terms. They create a climate of mutual trust and respect, and encourage their employees' initiative. They show determination when facing a challenge and skill in guiding their organization. All of these qualities characterize them as effective leaders of healthy organizations<sup>4</sup>.

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<sup>3</sup> Farquhar, Carolyn R. and John A. Longair. *Creating High-Performance Organizations with People*. The Conference Board of Canada. Report 164-96 (January 1996)

<sup>4</sup> Straford, Sherman. *How Tomorrow's best leaders are learning their stuff*. **Fortune** (November 27, 1995: 90-102)

## 2.2. Vision

Senior executives who seek positive, long-term results must create a vision for their organization. They must plan the actions and goals that describe its future and communicate this vision to all members of the organization. Vision must be soundly grounded in the reality of the organization's

social environment, the needs of its clients and stakeholders, and its own organizational values. The most successful firms are those that are concerned with their own corporate culture.

Corporate culture acts as both a stimulus to action by mobilizing energies, and a guide by focusing them. As corporate culture arises spontaneously, it is not entirely controllable by any given group of actors. However, managers hold the key to many of the instruments that condition corporate culture, such as selection processes, control systems, communications, and so on.

For an organization to survive, it must have a strategic purpose and a clientele. Over the long term, the organization will be able to give satisfaction to its clients only if its employees are satisfied in the working environment. If it does not treat its employees as it treats its clients, there will eventually be an impact on the services it provides.

In healthy organizations, employees are strongly committed to their organization's mandate and to the delivery of their organization's products and services. They believe that their managers set priorities based on what is truly important to accomplish, and do work that they consider meaningful and in accord with their personal values. They see a role for themselves in the future envisioned by the organization and buy into it. They feel that they are making a significant contribution. According to one public servant, "Employees need to feel that what they are doing is useful, constructive, positive."

Organizations are unhealthy when employees do not understand or agree with the approach that their organization is taking. Organizational instability and administrative



frustrations such as false deadlines can reduce the degree to which employees accept the organization's mission.

The situation is even more troubling when managers who do not believe in a revised vision of the organization have to promote it to their staff. As one of the public servants we interviewed stated, "Managers can't help employees accept a change or new approach if the managers are faking acceptance themselves."

If the organization tries to do too many things or head in too many directions at once, its mandate becomes clouded. Managers and employees become confused about their roles and responsibilities and the organization's health suffers<sup>5</sup>.

### **2.3. Employee Commitment**

Effective corporate executives know that to succeed, they need their employees' commitment. It is important for managers and staff to share the same values. When employees understand the organization's mission, mandate and goals, and when they support its strategic orientation and leadership style, they are proud to identify with the company. They feel involved in operations and work as a team towards the success of the organization. This is no less true in the Public Service than it is in the private sector. The level of employee commitment and sense of belonging occurs naturally when there is mutual trust at all levels of the organization, when employees feel they are respected as individuals and when management acknowledges their skills. Commitment and loyalty become positive forces that enable employees to achieve the intended results while improving their personal performance.

### **2.4. Trust**

High levels of trust increase employee morale, promote innovation and risk-taking, and help the organization manage change effectively. Trust is built on a corporate culture of shared values, and a commitment to building interpersonal relationships based on honesty, professional competence, integrity and concern for others.

Managers must try to build a culture of trust in all directions in the organization: up, down and sideways. Managers who support their employees should demonstrate their trust in and loyalty to them. In turn, employees tend to trust those with whom they work most closely. They probably find it more difficult to extend this trust to managers and staff two layers away from them in the hierarchy or in a different part of the organization<sup>6</sup>.

## 2.5. Respect

Respect for the competence and professional ethics of colleagues helps to inspire trust. True respect implies that management and employees respect each other's visions, whether or not they coincide. Respect is not tied to hierarchical status in any way. Leaders, managers and employees must earn each other's respect. Respect is reflected in attitude and choice of words. It has a bearing on many aspects of day-to-day work.

## 2.6. Rewards and Recognition

Employees at all levels want to feel appreciated, whether formally or informally. A word of thanks or praise makes them feel valued and improves organizational health. Most employees disliked the idea that rewards tend to be given only to high flyers or the most visible people, rather than to the hard workers who are just doing a good job in a difficult environment. Organizations should search for innovative ways to motivate and reward staff.

## 2.7. Competence and Skills Development

Organizations acquire skilled workers through skill-specific recruitment programs and in-house training. Staff renewal must be an ongoing concern as skill requirements change continuously. Many studies have shown that organizations that have successfully managed large-scale adjustment programs invest substantially in recruitment, training and

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<sup>5</sup> Farquhar, Carolyn R. and John A. Longair. **Creating High-Performance Organizations with People**. The Conference Board of Canada. Report 164-96 (January 1996).

<sup>6</sup> Straford, Sherman. *How Tomorrow's best leaders are learning their stuff*. **Fortune** (November 27, 1995): 90-102.



skill development at all levels. A healthy organization takes steps to renew itself by obtaining new blood. To keep up with the competition and with technological advances, managers should provide opportunities for ongoing training and more diversified career paths for employees. On the other hand employees should follow scientific and technological developments to improve their performance.

Problems can arise for managers when they attempt to respond to multiple pressure points. Managers can feel that there was little opportunity to deal with employees' training and development, given the everyday pressures of downsizing and managing change. A lack of training and skills upgrading can have negative effects<sup>7</sup>.

## **2.8. Teamwork**

The tradition of the hero who saves the organization from disaster is in the past. Today, the development of a management style based on teamwork is imperative. Teamwork means that the organization recognizes the importance of its human resources, that it practices, strategic and participatory human resource management, and that it promotes team leadership and teamwork as important skills.

Decision-making needs to be shared at the lowest possible level of the organization. With teamwork and distributed decision-making, employees feel that they are making a meaningful contribution to the organization. When an organization succeeds in harmonizing all the efforts of its employees, it has the best insurance policy for achieving success.

## **2.9. Ability to Adapt**

Management has to agree to fundamentally rethink what it does, learn how to change, and take the initiative to implement changes before circumstances force it to do so. The organization needs to have all stakeholders participating in the change process, either by agreeing to change or by helping to implement change. This is the only way it can remain competitive in today's world. Managers must involve all employees in developing strategies

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<sup>7</sup> Straford, Sherman. *How Tomorrow's best leaders are learning their stuff*. **Fortune** (November 27, 1995: 90-102)

that make it possible to achieve corporate objectives. A healthy organization provides its employees with the tools they need to adapt to complex and difficult situations. It gives them enough autonomy to deal with unusual demands and unforeseen circumstances. Employees want to be able to give satisfaction to clients without having to seek permission to do something different<sup>8</sup>.

## 2.10. Measuring Health

The health of an organization is no easier to measure than the health of a family or a marriage. Some models for measuring organizational health have been developed.

However, such models and the use of surveys do not in themselves create healthy organizations; they only serve to help situate the components of health on some quantitative or evaluative scale. It then remains for the individual members of the organization, managers and employees alike, to use this information to bring about the changes needed to increase or sustain the health of their working environment. For a managers, one of the most important things is to give a lot of themselves, make themselves available, deal with employees on a personal level, pay attention to them. This is still in the control of the individual manager.

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<sup>8</sup> Farquhar, Carolyn R. and John A. Longair. **Creating High-Performance Organizations with People.** The Conference Board of Canada. Report 164-96 (January 1996).



### **III. ORGANIZATIONAL COMMUNICATION**

Wherever people work in groups, communication formal or informal is crucial to the success of their company. In many multinational enterprises, managers believe in sharing information with employees, helping them to understand the impacts of the actions that the teams and employees take, and working with them to develop successful strategies. Because ensuring transparency in information sharing is a key ingredient in creating trust.

Without good communication, no organization can survive. Communication should be transparent, timely and complete. It must be present at all levels of the organization so that information is shared from top to bottom and vice versa. When information is transmitted only on a need-to-know basis, employees do not feel that they are part of the loop or that they are seen to share an interest in the success of the organization. When information is incomplete or delayed, there is a danger that speculation, rumour and the grapevine will usurp the true message.

Employees need to feel free to discuss matters and make suggestions. Some organizations have fora for them to express their views. Regardless of their level in the organization, people need to take responsibility for their errors. The fact that employees and managers feel comfortable owning up to their mistakes are a sign that their organization is in good health. Employees need to feel free to discuss matters and make suggestions. Some organizations have fora for them to express their views.

#### **3.1. Formal Communication Channels**

In order to be effective communicators, managers must understand how communication channels, nonverbal behaviour and listening work to enhance or detract from communication. Communication is also used to persuade and influence people. Usually managers use communication to sell employees on the vision for the organization and influence them to behave in such a way as to accomplish the vision. Managers are

responsible for establishing and maintaining formal channels of communication in downward, upward and horizontally directions<sup>9</sup>.

### **3.1.1. Downward Communication**

The downward communication that is the most familiar of formal communication refers to the messages and information sent from top management to subordinates in a downward direction. Managers can communicate downward in many ways such as speeches, messages in company, newsletters, electronic mail, material on bulletin boards. Downward communication usually encompasses the implementation of goals and strategies, job instructions, procedures and practices, performance feedback.

### **3.1.2. Upward Communication**

The formal upward communication includes messages that flow from the lower to the higher levels in the organization's hierarchy. Most companies face difficulties to build in healthy channels for upward communication. The problems and exceptions, suggestion for improvement, performance reports, disputes, financial and accounting information are the types of information communicated upward<sup>10</sup>.

Coupling a healthy flow of upward and downward communication ensures that the communication circuit between managers and employee is complete.

### **3.1.3. Horizontal Communication**

The Horizontal Communication that is the lateral exchange of messages among co-workers. The objective of this communication is not only to inform but also to ask for support. The Horizontal communications includes intradepartmental problem solving and coordination and also improvements.

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<sup>9</sup> Richard L. Daft/**Management**

<sup>10</sup> Richard L. Daft/**Management**



### **3.2. Informal Communication Channels**

Informal communication channels exist outside the authorized channels without regard for the company's hierarchy of authority. The "grapevine" and the "management by wandering around" are the well known informal channels used in many organizations.

#### **3.2.1. The Grapevine**

The grapevine is an informal , person to person communication network of employees that is not officially sanctioned by the organization<sup>11</sup>. The grapevine links employee in all direction, ranging from the president through middle management, support staff, and line employee.

#### **3.2.2. Management by Wandering around (MBWA)**

The MBWA is a communication technique in which managers interact directly with workers to exchange information. The MBWA works for managers at all levels. They mingle and develop positive relationships with employees and learn directly from them about their department, division or organization<sup>12</sup>.

### **3.3. Barriers To Communication**

In organizations, many barriers to communication can exist such as individual and organizational.

<sup>11</sup> Keith Davis & John W. Newstrom, **Human Behavior at Work: Organizational Behavior**, 7th ed.

<sup>12</sup> Thomas J.Peters and Robert H. Waterman Jr., *In search of Excellence* (New York : **Harper & Row**, 1982).

### 3.3.1. Individual Barriers

The individual barriers include problems with emotions and perceptions held by employees<sup>13</sup>. If a person's mind is made up before the communication starts, communication will fail. Moreover, people with different backgrounds or knowledge may interpret a communication in different ways. On the other hand selecting the wrong channel for sending a communication can be a problem.

### 3.3.2. Organizational Barriers

Within organizations there are many problems such as the problem of status and power differences. Low-power people may be reluctant to pass bad news up the hierarchy, thus giving the wrong impression to upper levels.

High-power people may not pay attention or may feel that low-status people have little to contribute<sup>14</sup>. Another problem is the differences across departments in terms of needs and goals that interfere with communication. Because each department perceives problems in its own terms. The organization, department or team is more efficient when the amount of communication flowing among employees fits the task. On the other hand the absence of formal channels can also reduce communication effectiveness<sup>15</sup>.

### 3.4. Facilitating Communication

Facilitating communication is one important responsibility of a team leader. Managers can facilitate the communication by keeping team discussions focused on issues, not personalities, working with more data and information and providing opportunities for the disputants to get together and exchange information reduces conflict. Maintaining a balance

<sup>13</sup> Richard L. Daft / **Management** (5 th Edition page 587)

<sup>14</sup> Janet Fulk & Sirish Mani, "Distortion of Communication in Hierarchical Relationships" in **Communication Yearbook**, (vol 9, ed. M.L McLaughlin ,Beverly Hills, Calif : Sage 1986,483-510)

<sup>15</sup> R.L.Daft/**Management** ( 5 edition, Chapter 18, page 588)

of power is also very important, because everyone must have an equal voice and an equal vote. Poor communications can result in misperceptions and misunderstandings of other people and teams. Conflicts emerge when job definitions and responsibilities are unclear.<sup>16</sup>

Trust is one of those hard-to-define notions that is claimed to be important, but is difficult to explain or precisely define. Webster's defines it as "confidence or reliance on the character, ability, or truth of some person or thing." It also cites trust as "a dependence on something or someone."

There is an expectancy held by an individual that another individual or group will be altruistic and perform as promised.

"Trust is a 'generalized expectancy' that someone will act in a certain way."

Trust is defined as the expectation which is based on the belief that someone will do what is expected of them, or that something is true, or that someone will do what is expected of them.

Trust is an expectation of the behavior of another person. Trust is the belief that someone will do what is expected of them, or that something is true, or that someone will do what is expected of them.

Within the context of the business, trust is a critical factor in the success of a business. Trust is the belief that someone will do what is expected of them, or that something is true, or that someone will do what is expected of them.

Trust and confidence are related concepts, but they are not the same thing.

Trust is a feeling, while confidence is a belief.

<sup>16</sup> D. Whitford, "Arthur, Arthur," *Fortune*, (November 10, 1997, 169-178)



#### IV. CONCEPT OF TRUST

Trust is one of those fundamental notions that is claimed to be understood by nearly everyone, yet which is hard to explain or precisely define. Webster's New Collegiate Dictionary, defines trust as "the assured reliance on the character, ability, strength or truth of someone or something". It also cites trust as "a dependence on something future or contingent".

Trust is an expectancy held by an individual that the behaviour of another person or a group will be altruistic and personally beneficial <sup>17</sup>.

<sup>18</sup>Trust is a "generalized expectancy that we can rely on the word, the promise, the verbal or written statement of another person".

Trust can be defined on the context in which it is used ; trust reflects an expectation of positive outcomes or implies that something is being risked in expectation of gain or implies some degree of uncertainty as to outcome.

There is an unconscious trust in the persistence of the natural order. Generally speaking, each of us trusts that the sun will rise in the morning and set in the evening. In our relationship with nature, we have no choice but to trust that the natural order will persist<sup>19</sup>.

Within the context of the organization however, trust is not a blind trust, but is "generally earned slowly as a result of consistent behaviour based on personal respect and a genuine concern for the well-being of organizational members. As a result, leaders within an

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<sup>17</sup> Heimovics, R.D. "Trust and Influence in an ambiguous group setting" (15(4), 545-552)

<sup>18</sup> Julian Rotter, "Trust and Gullibility." / *Psychology Today* (October 1980, 35-41, 102)

<sup>19</sup> Barber, B. "The Logic and Limits of Trust" (New Brunswick, NJ: Rutgers University Press: 1983).



organization cannot expect trust from their subordinates solely because of their status or position.

Unlike blind trust, trust within the organization can be described as a non-dependent trust. Non-dependent trust between an employer and an employee is built on a mutual understanding of expectations and responsibilities. Non-dependent trust is not given blindly but is developed over time as a result of consistent behaviour between parties within an organization.

#### **4.1. The Importance of Trust**

Trust is the “miracle ingredient in organizational life, a lubricant that reduces friction, a bonding agent that glues together disparate parts, a catalyst that facilitates action. No substitute, neither threat nor promise will do the job as well<sup>20</sup>.

Organizational theorists have been writing about the importance of trust for organizational success for decades. In recent years, the significance of trust has been noted not only by theorists, but by various practicing managers and organizational consultants.

Organizations can no longer guarantee job security, regular pay increases and healthy pensions<sup>21</sup>. As a result, employee loyalty and commitment must increasingly be achieved through establishing organizational goals that everyone can believe in and by building trusting relationships based on honesty, integrity and a genuine concern for others<sup>22</sup>. Today the workforce is better educated, more knowledgeable, less dependent and therefore less trusting. The workforce is ethnically diverse and increasing numbers of women are holding positions that were traditionally held by men. Studies have shown that trust is lower in

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<sup>20</sup> Shea, Gordon. “Building Trust in the Workplace” (AMA Management Briefing, 1984).

<sup>21</sup> Bracey, Hyler and Smith, Warren. “The New Contract” *Executive Excellence*, (v. 9, issue 12 December 1992).

<sup>22</sup> Fairholm, Gilbert W. “Leadership and the Culture of Trust” (Westport: Praeger, 1994).

cross-cultural relationships and female subordinates are less likely to trust their supervisors if they are female rather than male<sup>23</sup>.

#### 4.2. The Types of Trust

Different types of trusting relationships exist within any organization. A successful organization is built on a foundation that includes lateral trust, vertical trust and external trust<sup>24</sup>.

Examples:

- Lateral - trust relations among peers or equals.
- Vertical - trust relations between a supervisor and subordinate.
- External - trust relations between an organization and its clients or suppliers.

Building an environment of complete trust involves all members of the organization. Managers and employees alike must be committed to building relationships based on trust.

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<sup>23</sup> Scott, D. "The Causal Relationships Between Trust and the Assessed Value of MBO"/*Journal of Management*,(6(2), 1980, 157-175)

<sup>24</sup> Fox, A. *Beyond Contract: "Work, Power and Trust Relations"* (London: Faber and Faber, 1974).



### **4.3. Building and Maintaining Trust**

#### **4.3.1. Culture Creation**

Building and maintaining trust in the organization starts with creating a culture based on shared values that people believe in. Mutual trust can develop in this environment, as commonly shared values, honesty and integrity serve as the foundation for trust between individuals.<sup>25</sup> Formal mission statements, mandates, organizational objectives and goals are symbols of an organization's culture. The essence of the culture is revealed however, when these words are put into action.

In other words, "the observed behaviours when organizational members interact, the language used, the rituals around deference and demeanour, as well as the physical layout of the organization must all reflect the culture that is built on the values that everyone believes in"<sup>26</sup>. If the actual culture conflicts with the values that the organization is supposedly committed to, trust will not develop but will instead be destroyed<sup>27</sup>.

#### **4.3.2. Leadership**

Leadership takes place in a context of mutual trust based on shared values and vision. If these are missing, leaders must induce employees to follow by imposing external controls, restrictive rules, detailed procedures and close supervision.

If a culture based on shared values has been established, employees will be more committed to the organization since they believe in the goals it is attempting to reach. Management in this instance need not be achieved through control but through effective leadership providing guidance, support and direction<sup>28</sup>.

<sup>25</sup> Fairholm, Gilbert W. "Leadership and the Culture of Trust" (Westport: Praeger, 1994).

<sup>26</sup> Shafritz, Jay M. and Ott, J. Steven. "Classics of Organization Theory", (3rd ed. Belmont, CAL: Wadsworth, 1992).

<sup>27</sup> Fairholm, Gilbert W. "Leadership and the Culture of Trust" (Westport: Praeger, 1994).

<sup>28</sup> Fairholm, Gilbert W. "Leadership and the Culture of Trust" (Westport: Praeger, 1994).

Maintaining employee commitment requires a management strategy that recognizes the importance of empowering employees<sup>29</sup>

Allowing employees increased participation in the decision-making process, sharing information openly, and providing employees with meaningful work all aid in improving employee commitment and morale<sup>30</sup>

As Bracey and Smith state in their article entitled "The New Contract"<sup>31</sup>:

...our parents and grandparents showed up for work, did what they were told and agreed not to complain about boredom, bureaucracy or the fact that their employers might be exploiting them. They were rewarded for this obedience with regular raises, job security and a healthy pension.

Today hierarchical organizations can no longer guarantee these benefits. Mergers, downsizings, global competition and other forces limit a firm's ability to be provider and protector.

#### **4.3.3. Building Relationships**

In conjunction with creating a culture based on shared values and empowering employees, management and employees alike must commit to building open relationships based on honesty, integrity and a genuine concern for others.

For non-dependent trust to develop within the organization, members must feel safe within their environment to honestly communicate with colleagues and management. Moreover, the development of non-dependent trust requires that both management and employee be

<sup>29</sup> Farquhar, Carolyn and Johnston, Catherine. Empowered People Satisfy Customers: "Strategies for Leaders" (The Conference Board of Canada, 1992)

<sup>30</sup> McCauley, Dan P. and Kuhnert, Karl W. "A Theoretical Review and Empirical Investigation of Employee Trust in Management" ( v. 16, issue 2 (Summer 1992), 265-2)

<sup>31</sup> Bracey, Hyler and Smith, Warren. "The New Contract" *Executive Excellence* ( v. 9, issue 12.)



fully aware of what they expect of each other, as well as their responsibilities in creating a trusting environment<sup>32</sup>.

If companies are to motivate employees and win their loyalty, they must change the way relationships are constructed. All too often we spend a lifetime building trusting relationships with our families and friends, but we spend 30 minutes in an orientation session with our new employees and expect to have a successful and productive employee.

Many factors have been identified as essential for the nurturing, development and maintenance of interpersonal trust<sup>33</sup>: For example ; integrity defined as honesty and truthfulness, competence defined as the technical and interpersonal knowledge and skills required to do one's job, consistency defined as reliability, predictability and good judgement in handling situations, loyalty defined as benevolent motives, the willingness to protect and save face for a person, openness defined as mental accessibility and the willingness to share ideas and information freely.

For interpersonal trust to develop within an organization these qualities must be present in the interactions with other people. Despite constant change taking place within the external environment, trust can develop within an organization when members and especially leaders are committed to handling "the chaos" with open, honest and consistent behaviour<sup>34</sup>.

#### **4.4. Consequences of High Trust**

Trust between individuals and groups is a highly important element in the long-run stability of the organization, and the well-being of its members<sup>35</sup>.

<sup>32</sup> Morin, William J. "Trust Me" (Drake Beam Morin Inc., 1990).

<sup>33</sup> Schindler, Paul and Thomas, Cher. "The Structure of Interpersonal Trust in the Workplace" / **Psychological Reports**( 1993, 73, 563-573)

<sup>34</sup> Butler, J.K. Jr. and Cantrell, R.S. "A Behavioural Decision Theory Approach to modelling dyadic trust in superiors and subordinates" in **Psychological Reports**( 55, 1984, 19-28)

<sup>35</sup> Cook, J. and Wall, T. "New work attitude measures of trust, organizational commitment and personal need nonfulfillment" / **Journal of Occupational Psychology**( 53, 1980, 39-52)

High levels of trust within the organization can reduce friction among employees, bond people together, increase productivity, stimulate growth, improve employee morale, reduce employee turnover, absenteeism, create an environment where innovation can flourish.

Trust can allow an organization to switch its focus to the long-term. Empowering employees for example, may have a short-term risk, but may lead to innovation, improved quality of service, increased worker responsibility and competence, improved morale, and reduced absenteeism and illness all of which are essential for an organization's long-term growth and survival<sup>36</sup>.

Moreover, trust is an essential component of effective change management. When distrust exists within an organization between the persons initiating change and the employees, change will be resisted as both its reasons and implications are not clearly understood.

In fact, trust is an essential ingredient in any effective downsizing program. Without trust, downsizing occurs within an environment of secrecy and self-protection. In this instance, managers retain tight control over information and employees are not substantially informed of events that will significantly impact on their lives.

On the other hand, when downsizing occurs within a trusting environment, the transition is much easier. When management shares information openly and honestly during downsizing, employees fully understand both the internal and external factors influencing the decision that has been reached. In this instance employees will find it easier to remain committed to the goals of the organization even in times of crisis. Sometimes the worst crisis can become an opportunity to make some creative and often long overdue changes.

When the supervisor-subordinate relationship is based on trust, a manager can effectively include the employees in deciding on such matters as how to minimize costs, and how to

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<sup>36</sup> Peters, Tom. "And the Winner Is..." / *Canadian Airlines Inflight Magazine*, (December 1994).



make better use of existing resources. Again, everyone remains committed to the goals of the organization rather than to the competing goals of different individuals and groups<sup>37</sup>.

#### 4.5. Consequences of Low Trust

When trust is low an organization looks like the atmosphere is usually quiet; with a low level of energy and commitment, there is no conflict, as anyone who 'bucks the system' with complaints is punished or fired, any change is viewed with suspicion and alarm, management is a top down affair; status is very important; decisions are checked out through the entire chain of command, people feel locked into their jobs. Low levels of trust have a negative impact on the effective functioning of any organization<sup>38</sup>.

Employees in organizations marked by low levels of trust usually operate under high levels of stress. They spend a great deal of effort covering their backsides, justifying past decisions, or looking for scapegoats when something doesn't work out. This, prevents employees from focusing on the work they should be doing, and productivity ultimately declines.

Low trust in organizations also pushes people to operate with incomplete information and to treat other people's suggestions with suspicion". As trust declines, barriers to communication are erected as complete information is not shared openly and honestly. In the end, the decision-making process is weakened and decisions of poorer quality are reached<sup>39</sup>.

In addition to these effects, the presence of trust or mistrust in employees has been shown to significantly influence their perceptions of accurate performance appraisals, performance, organizational commitment, morale, turnover, absenteeism and unquantified cost in untapped potential.<sup>40</sup>

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<sup>37</sup> Stephen Fink. **"High Commitment Workplaces"** (New York: Quorum Books, 1992)

<sup>38</sup> Shea, Gordon. **"Building Trust in the Workplace"** (AMA Management Briefing, 1984)

<sup>40</sup> Diffie-Couch, P. **"Building a Feeling of Trust in the Company"** ( Supervisory Trust, 29, 1984, 26-31)



Several variables such as; participation in the decision-making process, degree of autonomy, feedback, supportive supervisor behaviour, communication have been identified. Changes to any one of these variables will have a direct impact on the level of trust within the organization. An increase in autonomy for example, will result in a corresponding increase in trust<sup>41</sup>.

Beside these, maintaining trust in an organization requires support from various other sources. For example the reward system must encourage high levels of trust, by rewarding trusting behaviour and punishing distrustful behaviour. The structure of the organization must support a trusting environment. If the formal structure of the organization prohibits two-way communication or any other prerequisite of trust, the organization will be unable to significantly improve the level of trust that exists<sup>42</sup>. Career development programs and performance appraisal systems must be intact and meaningful, as their existence communicates the fact that upper management is concerned with the personal growth and development of its employees, which in turn improves trust<sup>43</sup>.

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<sup>41</sup> McCauley, Dan P. and Kuhnert, Karl W. "A Theoretical Review and Empirical Investigation of Employee Trust in Management" (v. 16, issue 2, Summer 1992, 265-285)

<sup>42</sup> Fairholm, Gilbert W. "Leadership and the Culture of Trust" (Westport: Praeger, 1994).

<sup>43</sup> McCauley, Dan P. and Kuhnert, Karl W. "A Theoretical Review and Empirical Investigation of Employee Trust in Management", (v. 16, issue 2, Summer 1992, 265-285)

## CONCLUSION

Organizations are effective when they achieve their goals and for this they need to have a clear vision and mission, a responsive strategy, an adaptive organizational culture, and a supportive infrastructure. The main difference between successful and unsuccessful organizations is their staff communicating and working effectively. The success of a company depends on the effectiveness of its employees supporting common goals. Organizational communication has a very important role in the effectiveness of companies. Communication is not just sending information.

Management communication is a two way street that includes listening and other forms of feedback. When managers lead, they should communicate to share a vision of what the organization can be and motivate employee to achieve it. Obviously, communication skills are a fundamental part of every managerial activity. On the other hand, many barriers to communication such as individual and organizational is described but these can be overcome by active listening, selecting appropriate channels, developing a climate of trust, using formal channels, and designing the right structure to fit communication needs. It is obvious that communication skills have been very important to managers but the ability to persuade and influence others is also vital. In fact, organization failure can occur when managers are not serious about control information.

Most organizational theorists and practising managers affirm that trust is necessary to achieve excellence within any organization. Because low levels of trust cause high levels of stress, reduce productivity, stifle innovation and hamper the decision-making process. Distrust also reduces employee morale, increases absenteeism and turnover, and incurs an unquantified cost on the organization in terms of untapped potential. High levels of trust on the other hand, increase employee morale, reduce absenteeism, promote innovation and perhaps most importantly, aid in managing change effectively.

The importance of trust cannot be overstated for organizations, that are adjusting to changes in their environment. Trust is vital in easing the pain of downsizing exercises.



Building trust starts with creating culture based on shared values. Maintaining trust requires a commitment to building interpersonal relationships based on honesty. As this evidence suggests, developing a climate of trust should be encouraged within all companies. For organizations that suffer from little interpersonal trust, the process of renewing trust requires a strong commitment from managers, as well as substantial amounts of time and resources. Building trust is not a simple or fast process, but the benefits that accrue to an organization based on trust, make the process worthwhile.

In brief, low levels of trust **cause** higher levels of stress, reduce productivity as more time is spent on non-productive activities of self-protection and justification, stifle innovation, hamper the decision-making process.

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