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Stream 22: Nordic management and organization – now and in the future

Trust, performance and well-being in Nordic working life and management research

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Abstract

In the last decades there has been a growing focus in working life and management research on sustainable organizational development that simultaneously improve organizational outcomes such as productivity and quality and employee outcomes such as well-being and job-satisfaction. Research has pointed to trust as an important component of participatory management practices having simultaneous positive outcomes for organizational productivity and employee well-being. The aim of this paper is to establish an overview of the results of Nordic working life and management research inquiring in the consequences of trust based management practices for organizational and employee outcomes. The paper draws on a literature study of research publications (articles, dissertations, books) analysing empirical material from Nordic countries. The findings suggest that trust is an important prerequisite for establishing cooperation and employee participation in the companies, combating sickness and high absence rates, developing innovative capabilities and successfully implementing organisational changes. The paper concludes with managerial advices for using trust as a strategic tool in Nordic companies.

Introduction

In an era of an accelerating global economy with increasing international trade, global division of work in international supply chains and production networks, the Western world – including the Nordic countries – face serious challenges to their competitiveness. Nordic companies and politicians have been looking for general solutions that constrict or reduce welfare and wage levels. However, such initiatives are generally resisted by citizens, workers and unions and are consequently difficult to implement. Nordic companies have also searched for solutions by rationalizing production. However, a review of rationalization initiatives shows most often a negative effect on workers' physical and mental health (Westgaard & Winkel, 2011). The companies may achieve positive results in direct production expenses. However, such gains may be lost due to decreased employee' engagement and in compensation for lost work days at the company level and increased health expenses at the societal level.

In the last decades, there has been some focus in working life and management research on sustainable organizational development that integrate concerns for organizational outcomes such as productivity and quality and employee outcomes such as well-being and job satisfaction (Bäckström, Larsson, & Wiklund, 2009). This interest is partly due to the focus on well-being as a precondition of productive employees; partly due to problems related to the marginalization of health and safety initiatives, often referred to as the sidecar position of the company embedded occupational health and safety organization (Frick & Walters, 1998; Hasle & Jensen, 2006). Sustainable organizational development is an approach that places working life issues at the organizational development agenda. Recent international research has shown that interventions with an integrated focus on occupational health and job performance (Tsutsumi, Nagami, Yoshikawa, Kogi, & Kawakami, 2009), quality of patient care (Weigl, Hornung, Angerer, Siegrist, & Glaser, 2013), and productivity improvements using lean (Seppälä & Klemola, 2004) can have a positive

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effect on productivity and health measures.

Historically, Nordic approaches to work organization have been investigated in many studies during the latter part of the twentieth century (Karasek & Theorell, 1990; Sandberg, 1995; Thorsrud, 1977). Characteristics include a non-hierarchical culture, informal communication, decentralized decision capability, local responsibility, concern for competence improvement, working environment, involvement at all levels of decision making, meaning at work, high levels of autonomy, and high levels of cooperation (Hasle & Sørensen, 2013). In contrast to many other European countries, the Nordic countries have been able to maintain relatively high wages and a relatively well-functioning welfare state despite the global developments and the international economic crises. It may therefore be rewarding to take a closer look at Nordic management practices. Management has a crucial role in leading organizations through transitions that increase economic and human sustainability. This paper therefore aims to identify management practices that further sustainable developments that improve employees' working life.

According to working life studies, one of the main strengths of the Nordic approach to work design has been the high levels of involvement, participation and autonomy (Gallie, 2009; Mathiesen & Hvenegaard, 2001). There are four fundamental but non-exclusive roads for workers to achieve influence through involvement: legislation (Walters, 2006), power e.g. through worker solidarity and conflict (Lysgaard, 1961), financial ownership (D'art, 1992) and cooperation with management (Thorsrud, 1977). Many research publications have described the benefits of worker participation and influence (Dachler & Wilpert, 1978; Heller, Pusic, Strauss, & Wilpert, 1998), and research has shown that participation benefits the working environment and consequently workers health (Knudsen, Busck, & Lind, 2011; Van der Doef & Maes, 1999). However, less research publications have focused on preconditions and workplace contexts for worker involvement, participation and successful implementation of change.

Recently, two such preconditions, management-labour trust and workplace social capital, have received attention, because studies have related high levels of management-labour trust with positive results for both productivity and health related outcomes (Hasle & Møller, 2007; Sørensen, Hasle, & Pejtersen, 2011). The high levels of involvement and participation and the close conceptual relation between trust, influence, and management-labour cooperation makes the Nordic context a good setting for empirical studies of the relation between trust, influence and cooperation, and the related outcomes for productivity and working life conditions. The aim of this paper is to establish an overview of studies of the relations between trust and organizational performance and well-being and related recommendations for good management practices.

Theory

There is a large and comprehensive literature on trust in organizations, and we start by identifying the key concept that we use in the analysis of the Nordic research publications. In this paper, we consider trust a collective phenomenon arising from shared group interpretations as well as an individual characteristic emerging in interpersonal relations. Trust is generally defined as 'a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behaviour of another' (Rousseau, Sitkin, Burt, & Camerer, 1998:395). Such a definition implies that trust is an individual psychological state based on individual interpretations of interpersonal relational signals which is also the dominating approach in the trust literature (Six, 2007). However, trust development also depends on individuals' and groups' shared interpretation of organisational signals such as strategy plans, policy statements and management decisions. Such signals are not necessarily mediated through interpersonal contacts, and trust may develop as shared group-interpretations of such signals.

The general definition of trust implies a power difference because the trustee has the possibility of exploiting the trustor's vulnerabilities (Harrison McKnight & Chervany, 2001). The differ-

ence in interest and in power leads to a trust equilibrium based on reciprocity in the exchange between management and employees (Fox, 1974). If reciprocity is weakened, mutual trust will be challenged (Six, 2005). Consequently, when change initiatives create uncertainty and make employees vulnerable, change becomes a challenge to the trust equilibrium (Morgan & Zeffane, 2003).

This paper considers 'employee trust in management' as a collective phenomenon between groups (Kramer, Brewer, & Hanna, 1996), especially since most employees do not relate personally to top management, and trust in management rarely develops from interpersonal relations except when mediated through middle management. Ullman-Margalit (2004) proposes that leading figures in an organisation typically represent the trustworthiness of that organisation. In other words, groups do not necessarily trust managers as persons but may trust them as institutions or symbolic actors (Bachmann, 2003; Fox, 1974). The institutional character of employee trust in management keeps the organisation working by compelling employees to follow norms and with less reliance on strong enforcement of bureaucratic rules based on tight management control. Trust, therefore, is particularly valuable for the efficient operation of the organization, particularly when employee initiative is required and wanted. However, the greater the uncertainty and vulnerability of the organizational setting, the more trust is needed and the harder it is to retain or develop trust.

It is well established in the international literature that trust has a positive impact on performance (Colquitt, Scott, & LePine, 2007; Dirks & Ferrin, 2001; Mayer & Gavin, 2005; Salamon & Robinson, 2008). It seems to be important that employees trust management (Albrecht & Travaglione, 2003; Mayer & Gavin, 2005) as well as management trust the employees (Salamon & Robinson, 2008). Similarly, there are indications of a positive relationship between employee well-being and health and trust although the amount of studies are more limited, and most common outcome measures are job satisfaction and turnover intentions (Bordia, Restubog, Jimmieson, & Irmer, 2011; Yang & Mossholder, 2010). Trust also plays a role as a mediator between overload and stress (Harvey, Kelloway, & Duncan-Leiper, 2003); it protects against burnout (Bobbio, Bellan, & Manganelli, 2012; Lambert, Hogan, Barton-Bellessa, & Jiang, 2012) and increases well-being (Kelloway, Turner, Barling, & Loughlin, 2012).

In conclusion, trust is both an individual and a collective phenomenon and at the organisational level, trust has an institutional character where employees' interpretation of signals from management is of great importance. International research has established that trust has a positive impact on performance outcomes and there are indications that trust has a positive impact on employee outcomes as well. As levels of trust, influence and management-employee cooperation are generally high in the Nordic countries (Eurofound, 2012; Rasmussen & Lind, 2003), it is an obvious place to study the relations between trust and organisational and employee outcomes. However, we have not identified any comprehensive reviews of the literature focusing on these relations in the Nordic context. This paper provides such a review and the aim is to identify specific management practices developed in the Nordic countries which advance both company performance and employee well-being.

Methods

The analysis in the paper is based on the findings in the Nordic research project "Good Nordic Management Practices - state of the art and the way forward" commissioned by Nordic Council of Ministers (the Nordic governments' forum for co-operation). The aim of the project is to make a critical review of Nordic research publications focusing simultaneously on management, productivity, working environment and worker outcomes, thus researching whether there in the Nordic context is evidence for a hypothesized connection between good management, increased productivity and better working conditions. The project includes a broad literature search in

Denmark, Finland, Norway and Sweden, and analyses of the findings across the countries. The standardized search activities were carried out by researchers from the four countries from July 2013 to April 2014. The search includes peer reviewed research publications in both national and international databases.

Initially, a broad search string was developed which included a broad range of synonyms for management, productivity, performance, working conditions and worker outcomes. Subsequently, it was refined by adding references to the individual country (ex. Danes, Danish, Denmark). These search strings were, with minor alterations, used in the international research databases Web of Science and Scopus for peer-reviewed journal articles from the period 2000-2014.

After the preliminary search activity, a cluster of gross-results were identified. It included all publications that could possibly be relevant. The gross results were found by examining titles, abstracts and short descriptions in the databases and subsequently excluding all non-relevant publications. If there were any doubts about relevancy, the sources were included. Finally, citations in relevant publications were scanned and additional publications identified which were similarly examined for relevance.

Subsequently, the gross results clusters were reduced to a net result cluster, where only relevant articles were included. The criteria for inclusion were that the publications should include research perspectives and research results related to relations between management, productivity, working environment and worker outcomes. The net result publications were identified by reading abstracts and key passages (ex. introduction, findings and conclusion). A total of 194 publications were identified.

We identified and included 12 publications about trust and trust related issues such as cooperation and dialog between management and employees, justice and dense networks. Six papers were produced in a Danish context, three in a Swedish context, two in a Norwegian context and two in a Finnish context. The most frequent use of the term *trust* was found in the Danish publications and this corresponds to previous findings that in the working life research context *trust* and *social capital* has been most frequently discussed in Denmark (Olesen, Thoft, Hasle, & Kristensen, 2008; Sørensen, Hasle, Hesselholt, & Herbøl, 2012)

In the following analysis, we begin with a presentation of results regarding trust and productivity, continue with working life issues and finish with a discussion about trust based management practices in the intersection between productivity and working life issues.

Analysis

Productivity issues and trust

As mentioned above, trust can be understood as a collective process between the employees and management, as well as an individual relationship between co-workers or between a manager and a subordinate. In this context, the studies of trust relations to productivity issues distributed on three groups: 1) the developing of more effective and (inherently) productive organizations, 2) trust as a factor in developing innovative capabilities, and 3) how trust or distrust affects organizational change processes.

The first group includes three studies that describe change processes where organizations work to improve productivity, cooperation, and employee participation and where trust or related concepts are one of the important mechanisms in the process.

In a study of Danish slaughterhouses, Hasle & Møller (2007) identified three out of four cases, which have developed an organizational culture based on trust and cooperation, opposed to the conflict ridden environment that was the norm in the industry. The study showed that a high level of trust between management and workers constituted a characteristic difference between the three slaughterhouses and the fourth with a low level of trust. The change processes in the

slaughterhouses that had led to high trust levels were only partly conscious; random events played a large part in each case. The authors use a concept of ‘organisational redesign as improvisations’ to understand the change processes, e.g. that various mundane events made it necessary for the involved actors to act differently. The three cases followed a similar sequence of an initial improvement of the relations between employee representatives and central management. Later, relations and trust improved in the rest of the organization, thus creating social capital. The three slaughterhouses showed a remarkable lower rate of industrial conflicts such as wildcat strikes, and lower absenteeism-rates and labour turnover, which made the organisations more effective and productive.

A Finnish study of five distinct business organizations representing technology industries and knowledge-intensive business services comes to a similar conclusion. (Pyöriä, 2007). The study shows that the single most important factor in the building of such teams is trustful relationships within teams and between the teams and the management: “*creating a strong atmosphere of trust and longevity in employee relations is ultimately the most robust route to maintaining a sustainable competitive edge*” (2007:16). According to the study, effective knowledge based companies need independent and creative teams of employees, who can make quick decisions. Trust is the key, but the study shows that trust based relationships needs longevity and low turnover rates to come into fruition, and a long term strategy is thus necessary.

A slightly similar organizational process is described in a Norwegian contribution (Brøgger, 2010). The study describes an organizational R&D process in a Norwegian retail chain, which tried to develop more direct employee participation in their local branches to strengthen performance. The retail chain is organized in franchises which can be termed ‘bleak houses’ that neither have a substantial level of direct employee involvement in day-to-day routines or uses the appropriate channels of more formal workers involvement such as shop stewards or trade union representatives. The author argues that such organisations with low involvement perform subpar on both working conditions and productivity. The conclusion is that miscommunication and distrust between management and workers on a local level varied remarkably across the chain, and that these miscommunication and distrust were the main limitations for a successful development of a democratic dialogue.

Two studies are included in the second group. Bysted (2013) has studied the relationship between innovative work behaviour (IWB), job satisfaction and innovative trust in a Danish financial company. He argues that innovative work behaviour is crucial for companies’ performance because “...*organizational innovativeness is a key to competitive advantages and strategic renewal*”. However, innovation can also result in declining job satisfaction because of rapid organizational change, but analysis of panel data suggests that IWB can be implemented successfully while maintaining job satisfaction, if the ‘inner environment’ is right. The notion of inner environment encompasses job autonomy and what Bysted calls ‘innovative trust’ which he describes as: “*innovation trust will allow employees to introduce new ideas knowing that co-workers will respond positively. The logic of focusing on innovation trust is that it will facilitate an open-minded atmosphere in which employees are confident when bringing suggestions and input into discussion*”(2013:269). However, the trust concept is not further discussed in the paper.

The abovementioned point is supported by findings in a Danish research project (Nielsen et al., 2012). The paper includes a cross-sectional overview of dynamic and innovative capabilities in Danish companies. The results show that cooperation and trust in Danish companies can support innovation and enhance productivity. In short, the paper points to two different parallel groups of drivers for innovative capabilities. One stems from national and international competition, and the other one stems from the inherent cooperative possibilities ‘build’ into the Danish system of industrial relations with established traditions for consensus and cooperation. The empirical results show two interesting perspectives: (a) A great majority of the participating compa-

nies use employee participation and cooperative strategies and relate these to the development of innovative and dynamic capabilities, and (b) The successful use of these strategies hinges on the development of good and trusting relationship internally in the company. The authors write: "Another, and perhaps the most interesting, result is that co-determination only has significant effect in interaction with inter-subjective competence development. Logically, this makes sense as the inter-subjective approach to competence development as precondition needs cooperation, trust, and commitment, which the decentralized aspects of the Nordic model may deliver" (2012:113).

The third group regarding organizational change includes three publications. A Danish contribution shows (Sørensen et al., 2011) that if levels of trust are low or if the organizational actors actively distrust each other, change initiatives from management will be met by scepticism and resistance. Likewise, critical comments from employees to change initiatives will most likely be perceived as illegitimate and destructive by management, leading to a negative trust spiral. Such mutual negative perceptions and reaction may cause conflicts such as strikes and work to rule which may lead to lower productivity. In the paper, two cases are presented as examples of how organisational change processes can affect and deepen distrust between employees and management. In the first part of the paper, the authors describe a negative trust spiral in the two companies, but more interesting, they describe a model for trust repair strategies in the second part of the paper. First of all, the data presented in the paper suggest that an organisation can reach a level of distrust, where repair is extremely difficult, and where any suggestion or initiative from the antagonistic party will be met with suspicion and distrust. However another case suggests that employee involvement and participation will deepen the employee's understanding of management actions and choices, while at the same time help management understand the demands and fears from the employees. Thus, the paper contributes to develop a model of successful change management based on trust. The point is further supported by another Danish contribution (Nielsen, Randall, Yarker, & Brenner, 2008). Here the authors reach a similar conclusion. They show that transformational leadership (i.e. inspiring and involving leaders) has a strong impact on employee well-being, and thus affects organizational change processes negatively.

A Finnish study (Elovainio et al., 2005) emphasises the supports the conclusion made by (Sørensen et al., 2011). The authors show that the trust-related concept organisational justice is a strong predictor of sickness absence and thereby of productivity, especially in uncertain environments with low employee control. In a statistical analysis using data from the Finnish public sector, the authors show that organizational justice is especially important to employees in times of great uncertainty, and that low experience of a fair treatment from management has a negative effect on productivity, while high experience of organisational justice leads to higher productivity.

In a Swedish contribution, Bäckström et.al (2009) has studied management practices in three best practice cases in Sweden i.e. high-performers with high degree of well-being. They identify good relations between managers and employees characterized by trust, cooperation and participation in all three best practice cases and partially attribute the organizational success to these relations.

All the above mentioned publications relate trust and trustful relationships to a better organizational performance in one way or the other. Three contributions show that: (a) Trust between employees and management is an essential part of developing a more participatory culture in a workplace which again can lead to (b) strengthening of performance on one or more variables. Two contributions link organisational trust to better innovative performances. Furthermore, two contributions show that trust is an essential part of a successful change management strategy. Finally, one contribution shows that trust (justice) can prevent high rates of sickness absence and turnover and thereby increased productivity. However, none of the papers have any direct measurement of productivity or enhanced economic performance.

Working life issues and trust

The employee outcome perspective in the identified publications is quite scanty. In half of publications the relations between trust and employee outcomes is either vaguely described or primarily described indirectly as characteristics related to the psychosocial working environment. However, four publications included employee outcomes such as sickness absence, job satisfaction and burnout.

In the Danish article about slaughterhouses (Hasle & Møller, 2007), the cases had low rates of strikes, absenteeism, and labour turnover rates. As described above, three of the companies had relative high levels of trust between management and employees. In these companies, the employees had same low levels of control in work (direct control related to working activities) as in most other slaughterhouses, but they had higher levels of influence on rotation schedules, planning of working hours, vacation planning, job-design and new technology. The researchers also identified relatively high levels of social support and individual recognition. In other words, the psychosocial working environment was better and this can partly be attributed to the higher level of trust from management permitting the workers to have higher levels of influence over work (indirect control related to planning and job design). The study was exploratory and historical, so the conclusions about effects on worker outcomes have to be taken with some caution.

In a Swedish study of three companies with a proven success in business (best workplace awards) and with positive health conditions for workers (Bäckström et al., 2009), the sickness absence was lower than the national average. The interviews with workers showed that leaders trusted the workers by not checking their results and by delegating authority to carry out planning and specific tasks. In addition, the workplaces offered training, job rotation and team-learning - all important elements in a positive working environment. Workers experienced a close dialogue with leaders who gave constructive feedback. A study of a bank that was awarded the best workplace in Sweden prize (Wreder, Gustavsson, & Klefsjö, 2008) reaches a similar conclusion and points out that lower level managers' trust in and dialog with workers is important for well-being. It also emphasizes that trust between management at different levels is important to increase performance. A similar conclusion is also drawn in a study of two smaller organizations that had been selected "Sweden's best workplaces" (Harnesk, Schön, & Bäckström, 2004).

The Finnish study about effects of justice in organisational change (Elovainio et al., 2005) shows justice is a strong predictor of sickness absence, especially in uncertain environments with low employee control. Low experience of a fair treatment from management has a negative effect on employee's health, thus increasing sickness absence while high experience of organisational justice leads to less sickness absence in times of changes. The Danish paper about trust relations in management of change (Sørensen et al., 2011) showed that low levels of trust were related to low levels of well-being in the case companies.

The Danish article about innovative employee behaviour (Bysted, 2013) shows that innovation trust, autonomy, job satisfaction and innovative employee behaviour is related. While innovation may lead to declining job satisfaction, environments with high levels of innovation trust are positively correlated with employees' levels of job satisfaction and employees' levels of autonomy - i.e. a positive working environment. A similar conclusion is supported by the other Danish article about capabilities for innovation (Nielsen et al., 2012).

In the Finnish article about knowledge worker performance (Pyöriä, 2007) and the Norwegian article about employee participation in retail (Brøgger, 2010) there are no empirical results regarding worker outcomes, but the author argues in various ways that trust is important for employee working conditions and well-being.

In conclusion, the analysed publications basically forward three different arguments about the relations between trust and employee outcomes: (1) best case companies with low levels of sickness absence and turnover and high levels of job satisfaction all exhibit one or more of the fol-

lowing organisational features related to trust: cooperation, participation, involvement, justice, and responsibility; (2) organisations with high levels of worker performance or innovative behaviour require experienced workers (longevity) initiatives, and high levels of trust facilitate such behaviour; finally, (3) organizational change affects workers negatively unless they experience fair treatment, are involved and are able to influence decisions.

Trust based management practices

The articles identified in the review all discuss management practices in one way or another. As the most comprehensive Bäckström et.al (2009) presents fourteen concrete managerial practices. They build on Demmings' advise for quality management, the idea being that if managers follow good quality management practices (customer focus, leadership, employee involvement, etc. which requires managements' trust in employees) there is a fair chance that they will become sustainable organizations (i.e. productive and healthy). Three are especially relevant for trust:

- *Cease dependence on mass inspection.* Inspections do not add to the overall value, and by ceasing mass inspection practices, managers build trusting relationships with the employees. Quality should instead be implemented in the production process itself.
- *'Drive out fear':* Managers build good relationships to all employees, ask about their feelings and their everyday life, and their opinions on the production and the processes. Encourages employees to point out errors and mistakes, without fear of repercussions.
- *'Remove barriers that rob people of pride of workmanship'* – Managers trust in the crafts and expertise of their employees. Such practices build trust between management and employees.

An important part of a trust-building management strategy is to create a reciprocal understanding of each party's assignments, decisions and challenges between management and employees (Bäckström et al., 2009; Hasle & Møller, 2007). The Danish contribution about trust and change (Sørensen et al., 2011) argues that this goal can be achieved by deepening cooperation and participatory practices in the company.

Two Finnish studies propose that dialogue can improve trustful management-employee relations. One study (Elovainio et al., 2005) of knowledge work argues that management should be bottom-up building a dialogue (discussing central issues as freedom vs. control). The other study (Pyöriä, 2007) suggests *dialogical leadership* as a similar idea.

Finally, a study of the effects of a training intervention aimed at improving managers' capabilities of transformational leadership (i.e. their ability to inspire employees and be individually considerate) found that organisational and individual improvements happened where "managers focused on ensuring a good climate and cooperation" (Nielsen et al., 2008:1735), which require a trust based environment.

Conclusion

The results show that while there is an interest in trust in both working life and management research, however, most publications cover either performance or well-being in the empirical analysis. The publications generally agree that trust based management practices improve various dimensions in organizational performance and in the psychosocial working environment, especially regarding dialogue, influence, participation and cooperation. Taken together, the research emphasizes that simultaneous improvements of organizational and employee outcomes are facilitated by trust based management practices. However, the concrete empirical evidence from the Nordic context is relatively scarce. Given the high general level of trust in the Nordic context, it is surprising that so few research articles systematically research the relation between trust, organisational outcomes, and worker outcomes. There is, therefore, a need for longitudinal intervention studies focusing on using trust based management to improve sustainable organizational development.

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