

**Doctoral School of Regional Sciences and Business
Administration**

Bernadett Domokos

Trust and what is behind it:

An examination of human mindset in relation to non-
measurable performance

Doctoral dissertation

Supervisor: DSc. Zoltán Baracska

Győr, 2021

Introduction

Ever since Francis Fukuyama published in 1995 his famous book entitled “Trust: The social virtues and the creation of property”, the examination of the topic of trust in different situations has increased significantly, which is well reflected in the number of published studies. The Google Scholar from 1995 to nowadays includes 24,100 studies to the keyword organizational trust. It demonstrates the popularity of the topic both in practice and research. The growing interest in the topic is also reflected in the fact that two-thirds of these articles have been published in the last 5 years. Although research on trust as a topic date back to earlier times, its popularity has been promoted nowadays as well.

Trust as a concept is the central theme of all the mentioned literature, but individual studies have examined it from a different perspective, in a different context such as: trust in the cross-cultural studies, trust in marketing, trust in financial context, trust in leader-follower context or trust in knowledge management.

According to the more-sided feature of trust, there are several aspects which multiplied in the literature. Cross-cultural studies typically examine the appearance and importance of trust in countries, groups or nations with different cultural backgrounds and behaviors as same as Fukuyama wrote detailed in his book about the role and effects of trust. These studies describe the climate of trust in several circumstances, but all of them are clearly considered trust as the key factor of economic and social relations. Fukuyama describes in detail the behavior of individual countries in relationship with trust which can influence the economic structure, economic decisions and results, as well as in the building of economic relationships and sometimes in the elimination of business partnerships. With the help of the mentioned book, we could get a clear picture of the behavior of individual nations in each economic and social decision-making situation. “Fukuyama devotes much of the book to discussing case studies showing how the degree of mutual trust has affected the creation of wealth in different parts of the world” (Quddus et al., 2000).

One other group of trust-based studies examines primarily the financial, economic, and marketing effects of trust. Like cross-cultural studies, these studies find that trust is present as the key mediator in business decisions. They are primarily find evidence to the relationship between employee trust and turnover through empirical and questionnaire-based data collection. “In a market economy, trust comes from formal institutions (such as courts and its legal system) and from informal institutions such as business ethics” (Berger and Zviling, 2013).

Trust also appears in the literature on knowledge management in those articles which investigate the direct or indirect effect of trust in knowledge sharing. These studies examine and describe the individual and organizational factors in the relationship with trust and knowledge sharing activities, and the researcher assumes a direct connection between a trustful atmosphere and innovations willingness, or between trustful atmosphere and creativity. These social studies have investigated the company performance where

knowledge management is included in the corporate strategy.

Another part of the trust-based literature investigates the term of trust in the leadership context what means notably the relationship between leader and follower: which kind of leadership style can create or build a trustful environment? Which type of workflow requires a trustful atmosphere for the better corporate performance? The trust-focused literature examines most frequently the behavior of leader and follower (employee) that comes from the role or position. “CEOs who display relational leadership plays a major role in building positive relationships between members” (Carmeli et al., 2011).

Trust is also a core relational construct, commonly conceptualized as a psychological state in which individuals make themselves vulnerable in a relationship based upon expectations, assumptions, or beliefs that another’s future behaviors will be positive, beneficial, or favorable. Bromiley and Cummings (1995) defined trust as “an individual’s belief or a

common belief among a group of individuals that another individual or group makes good-faith efforts to behave in accordance with any commitments both explicit or implicit, is honest in whatever negotiations proceeded such commitments, and does not take excessive advantage of another even when the opportunity is available” (Bromiley and Cummings, 1995). Management behavior and style can also contribute greatly to the development of employees’ trust and trustful atmosphere (DeConinck, 2011; Brashear et al., 2005; Elci et al., 2012; Waeraas et al., 2020; Tse et al., 2013).

An ethical work climate involves the perceptions of rightness or wrongness present in the organization's work environment (Babin et al., 2000), and establishes the norms for acceptable and unacceptable behavior within the company. It is linked to the ethical behavior of employees (Trevino et al., 1998; Verbeke et al., 1996), employees' commitment to the organization (Trevino et al., 1998; Weeks et al., 2004), role stress

(Babin et al., 2000; Mulki et al., 2006) and intention to leave (Mulki et al., 2006; Schwepker, 2001).

Studies present a clear impact of leadership or mentor style on satisfaction and flexible organizational culture (Azanza et. al., 2013), or satisfaction, commitment and lower employee turnover (Jyoti et. al., 2017). “Employee satisfaction is greatly enhanced by the democratic style of leadership. It is because democratic leaders promote friendship, respect and warmth relationship among the employees” (Sageer et. al., 2012) and “simple organizational variables like a successful psychosocial work environment, employees’ satisfaction, absenteeism, and presentism, job insecurity, and intentions to quit the organization, to name a few, could be appropriated to the leadership’s efforts or lack thereof” (Olaniyan et. al., 2016).

Research question

The concept of trust and measurability of trust are the focus of our thesis. The aim of our research was to build

a model that can indirectly find evidence for the existence and impact of trust as a non-measurable performance on the whole company or the organizational performance and beyond it.

The idea of the topic came from the practice where the most important requirement at work is “good” performance. Companies usually try to ensure a high level of performance with rules, work instructions, regulations and control steps. In this kind of environment, trust gets a reduced role only.

In this thesis, we based our investigation on the disharmony of regulation and trust, in which regulation is considered as a measurable performance. Performance measurement is the most common human resource measurement tool used in practice by most companies. “Performance appraisal is a crucial decision-making tool often used by an employer to assess and develop employee performance in organizations” (Ibrahim et al., 2016). However, when measuring performance, only the performance in the numerical sense is examined, all other factors that may

affect the measurable performance do not appear in this measurement.

On the problem level of our thesis, we discuss why somebody leaves the company and what the mindset behind resignation is. Firstly, we aimed to give a comprehensive picture of the concepts which are in connection with measurable performance in a latent way as non-measurable performance. Secondly, we targeted to build up a mindset pattern what has not been discovered in such kind of circumstances yet.

In our study, we focused on the concept of trust as immeasurable performance and examined how we can demonstrate the benefits of trust in the operation of a business organization. To find evidence of visibility and measurability of trust, we matched trust as a concept that cannot be measured by numerical methods alongside a measurable concept. This concept was employee performance.

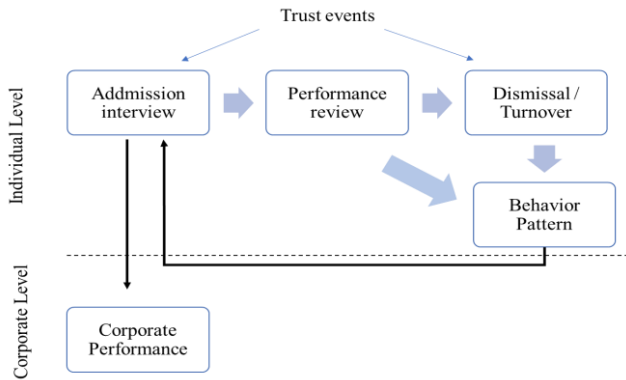


Figure 1.1: Modell of the research question
Source: own elaboration

In terms of the activities of a manufacturing company, we have defined the processes in which trust appears in some form during human interactions. These were the application interview and the resignation, as here, in addition to the measurable elements, the immeasurable factors also appear markedly. In both identified cases, patterning the behavior of manual workers was the focus of the research. During the recruitment interview, we used an environment where the recruitment process of manual workers consists of two parts: there is a performance-based practical task and a personal

interview where the personal qualities of the prospective employee are examined. There is also a part of the resignation that may indicate poor worker performance. Thus, our research takes place on an individual level and in addition to measurable performance, immeasurable trust also appears as a concept to be examined.

We took the resignation as the starting point of our investigation and examined what the mindset pattern behind resignations were. In our research, we collected and restructured the concepts of non-measurable performance according to our view and built up a model about these “tacit” performance concepts. We separated the concepts that work with measurable performance and examined a sample that could be an evidence of the research question. We examined only and exclusively those immeasurable concepts that served as the main mindset for resignation. We assumed that if we find the pattern of behavior that triggers employees’ intention to leave the company the most, and companies systematically monitor it already

during the recruitment interview, companies can save time and money. Employee turnover has not only financial implications but can also raise a number of moral issues, it can have an impact on team cohesion, where leadership needs to play an even bigger role (Kangas et al., 2018; Jianga et al., 2019). Thus, in addition to individual performance and immeasurable factors, the level of corporate performance can also be raised. This is the way how we got back to the starting point of the research model for the recruitment interviews, and through this, we find the indirect measurability of trust as an immeasurable concept to be justified.

The thesis was structured in the form of four conference and journal articles with a transdisciplinary approach. These articles give the chapters of the dissertation On one hand they identify and present the “place” of the investigated concepts of the thesis in the literature, on the other hand, they also give the opportunity for a sample analysis, which demonstrates the existence of these concepts in the reality.

The focus of our research in this study is on the employees and their behavior, decision-making priorities and mindset. After the examination and restructuring of the affected phenomenon, we follow our research journey and demonstrate the importance of non-measurable performance with examples. We set up a decision model examining the behavior and value system of a small group of manual workers, and investigated the expectation of the employees on the basis of a representative sample.

As the specialty of our research, we supported our analysis by a unique artificial intelligence-based expert system. With this knowledge-based expert system, we could achieve a more transparent, clearer and acceptable research result.

Research field and method

As the focus of our thesis, we collected articles from the micro level of the trust examination. We have examined the typical operation chain in a classical

production company. First of all, we have explored situations in which trust in the human-human relationship can appear and be examined. Good examples of this were the leader-follower context and interactions among team members. In the classical operation process of a company, we have selected those parts where a trustful atmosphere has some impact on the organization.

Therefore, in our thesis, we employed the classification principle to explore the areas where trustful atmospheres are present the most: where trust can be observed. Based on this logic, we divided the basic operation process of a production company into 5 parts. According to this classification, trust can be found first of all in procurement activities. Employees who are the actors of these activities are responsible for purchasing raw materials and other materials within a classic production company, so their activities have a direct impact on the company's financial results or balance sheet. The second activity of our study is the operational planning processes, which means the set of

business processes in a company where the employees develop the most important way and methods of the company's operation. This group of employees is responsible for the synchronization of corporate goals and business trends. Based on our classification, the third group of corporate basic operation processes and activities is the operation itself, the activity that defines the main profile of the company. The fourth group of our chosen classification is sales activities. These processes cover all business operations related to the sale of finished products, where the trust between the leader and the employee or among team members can also be an interesting examination point. "In addition to justice and control, trust is also important in a salesperson – sales manager relationships. Greater trust between parties leads to higher levels of perceived justice" (Brashear et al., 2005). As a closing operation of the company, we nominated corporate finance, which includes all the financial activities of the company.

According to the model of our research field, our assumption chain led from the observation of trust in the operational environment between leader and employee through the individual performance to corporate performance. According to our assumption, the existence of a trustful atmosphere has a positive impact on the employees' individual performance which also has a significant positive impact on the company's performance. According to our opinion, there is a strong connection among the elements of the chain of this assumption line.

Hence, the basic operations of a company is in the focus of our thesis. This is the area of business where we can combine the concept of trust with concept of quantitative, measurable performance.

For the thesis, we select those employees who works in a small group of approximately 20 people from a large production company, in which there is an interdependence among the group members. We assume that the organizational trust of the employee can be observed in the individual performance of

workers, which has a direct or indirect impact on corporate performance.

The focus of our research in this study is on these employees and their behavior, decision-making priorities and mindset. We set up a decision model examining the behavior and value system of the manual workers, and investigated the expectation of these employees on the basis of a representative sample. The study was conducted among 73 employees who decided to leave the company voluntarily. All of the examined workers worked in the same group in terms of educational level, and although their qualifications could be different, they all worked in the same job. Resignations that were initiated by the company were completely excluded from the investigation. This way, we could provide the circumstances which are connected to the concepts of non-measurable performance. We were interested in the concepts beyond those measurable performance, what cannot be measured with numerical methods such as commitment or satisfaction.

As the specialty of our research, we supported our analysis by a unique artificial intelligence-based expert system. With this knowledge-based expert system, we could achieve a more transparent, clearer and acceptable research result. This tool of our methodological examination applied two types of reasoning during the study. We used the Rule-based Reasoning to the validation of our research concepts and questions, and then we used the Case-based Reasoning capabilities of the system to analyze our sample.

Conclusion

We formulated three main conclusions of our study. Firstly, we were able to find evidence, that non-measurable concepts have an impact on individual performance or on personal decisions, that we could reach by excluding company-initiated resignations. We came to this conclusion on the basis of the requirements of our examined cases where employees resigned on their own initiatives. They left the company, because

their “non-measurable expectations” did not match with the given organizational environment. With help of this step, we could concentrate on the “pure” individual thinking and mindset which was the aim of the whole research journey.

The other two findings came from the examination of the sample. Firstly, we were able to realize, that the requirements of satisfaction and the requirements of dissatisfaction are absolutely different. Different combinations of requirements cause satisfaction or dissatisfaction for the worker.

Secondly, we also corroborated from the sample that human thinking is binary. The employees could decide relatively easily which expectations result in satisfaction or dissatisfaction for them. On the basis of our sample, we can conclude that the employee can formulate very simply what kind of expectations encourage them to stay or quit.

The algorithm of the used knowledge-based expert system and sense-making give the limitation of the dissertation. The first factor which limited the research

and the conclusion of the thesis was the operating mechanism of the algorithm. The other factor was “sense-making”, the meaning we gave to each question during the interviews with employees. This also means, that if we changed the meanings behind the different questions, the result might change too.

We believe that the results of our research contribute both to the literature of the areas concerned and to knowledge that can be implemented in practice.

As further examination, we would like to investigate the binary mindset of the workers more deeply. We would like to find evidence to the existence of this phenomenon, and as another potential extension of the study, we would like to “experiment” in terms of sense-making. We want to investigate, how the employee mindset changes, if we give different meanings to the individual examination points and questions.

References

Azanza, G., Moriano, J.A., Molero, F. (2013): Authentic leadership and organizational culture as drivers of employees' job satisfaction, *Journal of Work and Organizational Psychology*, Vol. 29, pp. 45-50

Babin, B.J., Boles, J.S., Robin, D.P. (2000): "Representing the Perceived Ethical Work Climate Among Marketing Employees", *Journal of the Academy of Marketing Science*, Vol. 28, No. 3, pp. 345-358

Berger, R., Zviling, M. (2013): The Relationship between Stakeholder Marketing and Reciprocity in Eastern Europe: A Conceptual Analysis, *International Journal of Management, Knowledge and Learning*, Vol. 2, No. 2, pp. 149–164

Brashear, T.G., Manolis, C., Brooks, C.M. (2005): "The effects of control, trust, and justice on salesperson turnover", *Journal of Business Research*, Vol. 58, pp. 241 – 249

Bromiley, P., Cummings, L.L. (1995): “Transactions costs in organizations with trust”, *Negotiation in Organizations*, Vol. 5, pp. 219-247

Carmeli, A., Tishler, A., Edmondson, A.C. (2011): CEO relational leadership and strategic decision quality in top management teams: The role of team trust and learning from failure, *Strategic Organization*, Vol. 10, No. 1, pp. 34-54

DeConinck, J.B. (2011): “The effects of ethical climate on organizational identification, supervisory trust, and turnover among salespeople”, *Journal of Business Research*, Vol. 64, No. 6, pp. 617-624

Elci, M., Sener, I., Aksoy, S., Alpkan, L. (2012): „The Impact of Ethical Leadership and Leadership Effectiveness on Employees' turnover intention: The Mediating Role of Work Related Stress”, in *Procedia proceedings of the 8th International Strategic Management Conference in Barcelona, Spain, Social and Behavioral Sciences*, Vol. 58, pp. 289 – 297

Ibrahim, Z., Ismail, A., Mohamed, N.A.K., Raduan, N.S.M. (2016): Association of Managers' Political Interests towards Employees' Feelings of Distributive Justice and Job Satisfaction in Performance Appraisal System, *Procedia - Social and Behavioral Sciences*, Vol. 224, pp. 523 – 530

Jianga, W., Wang, L., Chud, Z., Zhenga, C. (2019): Does leader turnover intention hinder team innovation performance? The roles of leader self-sacrificial behavior and empathic concern, *Journal of Business Research*, Vol. 104, pp. 261-270

Jyoti, J., Sharma, P. (2015): “Empirical investigation of a moderating and mediating variable in between mentoring and job performance: A structural model”, *Journal of Work and Organizational Psychology*, Vol. 33, No. 1, pp. 55-67

Kangas, M., Kaptein, M., Huhtala, M., Lämsä, A.-M., Pihlajasaari, P., Feldt, T. (2018): Why Do Managers Leave Their Organization? : Investigating the Role of

Ethical Organizational Culture in Managerial Turnover, *Journal of Business Ethics*, Vol. 153, No. 3, pp. 707-723

Mulki, J.P, Jaramillo, F., Solomon, P. (2006): “The Role of Ethical Climate on Salesperson's Role Stress, Job Attitudes, Turnover Intention, and Job Performance”, *The Journal of Personal Selling and Sales Management*, Vol. 26, No. 3, pp. 271-282

Olaniyan, O.S., Hystad, S.W. (2016): “Employees’ psychological capital, job satisfaction, insecurity, and intentions to quit: The direct and indirect effects of authentic leadership”, *Journal of Work and Organizational Psychology*, Vol. 32, No. 3, pp. 163-171

Quddus, M., Goldsby, M., Farooque, M. (2000): Trust: The social virtues and the creation of prosperity – A review article, *Eastern Economic Journal*, Vol. 26, No. 1, pp. 87-98

Sageer, A., Rafat, S., Agarwal, P. (2012): Identification of Variables Affecting Employee Satisfaction and Their Impact on the Organization, *IOSR Journal of Business and Management*, Vol. 5, No. 1, pp. 32-29, ISSN: 2278-487X

Schwepker Jr., C.H. (2001): “Ethical climate's relationship to job satisfaction, organizational commitment, and turnover intention in the salesforce”, *Journal of Business Research*, Vol. 54, No. 1, pp. 39-52

Treviño, L.K., Butterfield, K.D., McCabe, D.L. (1998): “The Ethical Context in Organizations: Influences on Employee Attitudes and Behaviors”, *Business Ethics Quarterly, Psychological and Pedagogical Issues in Business Ethics*, Vol. 8, No. 3, pp. 447-476

Tse, H.H.M., Huang, X., Lam, W. (2013): “Why does transformational leadership matter for employee turnover? A multi-foci social exchange perspective”, *The Leadership Quarterly*, Vol. 24, No. 5, pp. 763-776

Verbeke, W., Ouwerkerk, C., Peelen, E. (1996): „Exploring the Contextual and Individual Factors on Ethical Decision Making of Salespeople”, *Journal of Business Ethics*, Vol. 15, No. 11, pp. 1175- 1187

Waeraas, A., Dahle, D.Y. (2020): „When reputation management is people management: Implications for employee voice”, *European Management Journal*, Vol. 38, No. 2, pp. 277-287

Weeks, W.A., Loe, T.W., Chonko, L.B., Wakefield, K. (2004): “The effect of perceived ethical climate on the search for sales force excellence”, *Journal of Personal Selling & Sales Management*, Vol. 24, No. 3, pp. 199–214

Author's publication in the topic

Domokos, B. and Bencsik, A. (2019) The engine of business performance: The role of trust in the managerial context

39th International Scientific Conference on Economic and Social Development, ISSN 1849-7535

Domokos, B. and Baracska, Z. (2020) Consequences of judgment: Relationships between individual performance and employee turnover

52nd International Scientific Conference on Economic and Social Development, ISSN 1849-7535

Domokos, B. and Baracska, Z. (2020) In the footsteps of Artificial Intelligence: Examining logical relationships between employee turnover and behavior patterns

11th IEEE International Conference on Cognitive Infocommunications (CogInfoCom), ISSN: 2380-7350

Domokos, B. and Baracscai, Z. (2021) On the other side of Technology: Examining different behavior patterns with Artificial Intelligence

Acta Polytechnica Hungarica <http://acta.uni-obuda.hu/>, (under review)

Domokos, B. and Baracscai, Z. (2021) Action and reaction: Mapping of behavioral patterns

Montenegrin Journal of Economics (under review)