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# Trust relations in management of change

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**Abstract** Trust is essential for the success of change, but transformational change challenges trust. This paper analyses how trust dynamics develop over time in two Danish manufacturing firms affected by major change programmes. The results show that change creates uncertainty among employees, thereby provoking intense scrutiny of management intentions and a tendency to make interpretations that exaggerate management intentions—with the end result of reduced trust. Management then react similarly with negative interpretations of employee reactions, creating a vicious cycle of reduced trust. The paper proposes a model for how change and trust interact and suggests a managerial strategy for trust repair: Strong management actions that symbolise integrity, competence and benevolence may counteract reduced trust, but if low trust turns into distrust, the result may be a deadlock that both parties find difficult to break.


## Introduction

Change has become the rule rather than the exception in contemporary organisations and, when tasks, structures and processes change, uncertainty develops (Piderit, 2000; Vince, 2001). Uncertainty about the future of an organisation will almost certainly threaten trust relations between management and employees (Fox, 1974; Morgan & Zeffane, 2003). Several studies have shown that transformational change weakens trust and that distrust may subsequently develop (Saunders & Thornhill, 2004; Searle & Ball, 2004; Skinner, Saunders, & Duckett, 2004). A decrease in trust — and particularly the development of distrust — may impinge upon the change process and make it hard for management to implement intended changes (Brockner, Siegel, Daly, Tyler, & Martin, 1997). If maintained, trust can be a buffer, preventing change cynicism and preserving employee satisfaction in cases of change, such as downsizing, which may otherwise have a detrimental effect on the employees (Hopkins & Weathington, 2006). Trust, therefore, has the potential for containing employee uncertainty and facilitating change processes.

Although the literature on organisational trust is extensive (Dirks & Ferrin, 2001; Möllering, 2006; Schoorman, Mayer, & Davis, 2007), the relationship between trust and transformational change has received relatively little attention, with a paucity of longitudinal research on the process of change and the evolution of trust over time. The transformational change literature generally takes an organisational perspective on change, whereas the trust literature typically takes an individual, psychological perspective on interpersonal trust development. In their assessments of the progress of trust research, Schoorman et al. (2007) stress the importance of studying and describing the evolution of trust over time and call for studies of organisational level trust. Möllering (2001) calls for interpretative research to supplement the theoretically and quantitatively based trust research. Consequently, a gap exists between what we know about trust dynamics and what we

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know about transformational change processes with a particular need for understanding how transformational change affects trust between groups of organisational actors (e.g. employee trust in management) and how, in turn, changes in trust influence the change process.

This paper fills that gap in two important inter-related ways. First, a combination of a longitudinal design with a mixed-methods approach allows us to study the evolution of trust during change showing how seemingly insignificant actions contain highly symbolic meaning that greatly affect the trust dynamics within the change process. Second and more important, by pointing to the importance of positive symbolic actions, this paper provides both a model of how change and trust interact and a novel understanding of a possible managerial strategy for repairing weakened trust relations.

The paper is based on two case studies of change processes in which trust played a crucial role. First, we elaborate on both the notion of trust in management and the literature relating to transformational change and trust. Second, we describe the case study methods. Third, we analyse the interdependent relations between trust in management and change processes in the two cases. The analysis falls into two sections, each dealing with a different stage of change and trust dynamics: challenging trust and trust repair. Fourth, we conclude by discussing the findings, reflecting briefly on the limitations of this study, and considering possibilities for future research.

## Trust in management and transformational change

This paper considers trust as a collective phenomenon that is based on shared group interpretations as well as an individual characteristic that is emergent 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). Such a definition implies that trust is an individual psychological state, and, not surprisingly, the trust literature analyses the development of trust primarily in terms of individual interpretations of interpersonal relational signals (Six, 2007). However, we emphasise that trust development also depends on the interpretation of signals such as strategy plans and policy statements, signals not necessarily mediated through interpersonal contacts, and that 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 (Mcknight & Chervany, 2001). Focusing on inequality and difference in interest, Fox (1974) considers the question of trust and power and stresses that trust between management and employees finds equilibrium based on reciprocity in the exchange between the two parties. If the reciprocity is weakened, the 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). Transformational change is a particular challenge to trust, because per definition it involves a rethinking of how the organisation is structured and managed (Greenwood & Hinings, 1996; Van de ven & Poole, 1995). Since transformational changes are typically introduced by the most powerful actor, top management, they challenge the employees' trust in the management.

This paper analyses '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; Zucker, 1986). Employees interpret and discuss management behaviour and initiatives — expressed in events, policies, documents and systems — as symbols of trustworthiness (Gillespie & Dietz, 2009; Skinner et al., 2004). In the organisational setting such interpretations of signals are shared in groups as collective constructs (Morgeson & Hofmann, 1999).

The institutional character of employee trust in management keeps the organisation working without compelling employee compliance through the enforcement of bureaucratic rules based on tight management control. Trust, therefore, is particularly important during the transformational change of an organisation, because change directly challenges not only established routines but also the trust equilibrium that makes the organisation work more smoothly. The greater the uncertainty and vulnerability, the more trust is needed and the harder it is to retain or develop trust. Moreover, lack of trust can be a barrier to change because transformational change hinges upon employee involvement, which is difficult to achieve when trust is challenged (Morgan & Zeffane, 2003). Consequently, employee trust in management is important for successful change initiatives (Bass, 1999; Galford & Drapeau, 2003).

To analyse employee trust in management, we use the framework proposed by Mayer, Davis, and Schoorman (1995), where trustworthiness of managers is analysed in terms of integrity, competence and benevolence. Although the original framework describes interpersonal trust, Schoorman et al. (2007) argue that the notions of integrity, competence and benevolence can contribute to multilevel analyses of trust at group, organisational, and inter-organisational level. In our analysis, we assess employees' interpretations of management actions and company policies as expressions of the integrity, competence and benevolence of management as a group. When we refer to the level of employees' collective trust, the level is gauged by aggregations of individual assessments of employee trust. Although there will always be a range of individual trust assessments varying over time and depending on issues, we have found it useful to operate with an aggregate level of employee trust in management.

## Trust dynamics during transformational change

Since transformational change, such as mergers, downsizing and organisational restructuring, creates an element of uncertainty, employees find it difficult to determine whether they can expect management to act with integrity, competence and benevolence in a radically new situation. Because the present relations of trust have developed through past experience, employees may therefore fear that change will violate the equilibrium with management by threatening their jobs and removing well-established benefits (Fox, 1974). Furthermore, trust may continue to be undermined and be difficult to repair if employees do not identify with the changed organisation (Maguire & Phillips, 2008).

Employees are consequently especially alert for indications of opportunistic, incompetent or malevolent behaviour, which results in an intensification in interpretative activities driven by group norms and values (Vlaar, Bosch, & Volberda, 2007). This interpretative process can evolve into distrust, which — as opposed to trust — builds on negative expectations. Distrust may even develop during change in cases where trust-related problems are traceable to small factual misunderstandings and easily correctable errors (Sitkin & Stickel, 1996). As Dirks (2006) points out, managers face a higher level of scrutiny because employees depend heavily on the outcome of managerial actions. Management sometimes conceptualise such scrutiny as resistance to change, an interpretation that may be misleading because the employee criticism may simply be grounded in the complexity of messy, day-to-day working practices, e.g. procedural problems such as lack of involvement, poor communication, legitimate conflicts of interest, or violations of procedural justice (Thomas & Hardy, 2011). Kim, Ferrin, Cooper, and Dirks (2004) suggest that a breach in integrity is likely to have a strong negative impact on trust, and that management will be subject to scrutiny especially in such situations. Actions interpreted as opportunistic or malevolent both reduce trust and run the risk of provoking distrust. Zand (1972) and Six (2007) have suggested that such a process at the interpersonal level can result in upward or downward 'spiralling' processes of trust. However, in organisational change processes, managers not only relate to employees at the interpersonal level, but management as a group influences employees as a group. For management to achieve change process goals, an important question is therefore how organisation level trust processes evolve.

Trust repair becomes necessary if trust is weakened or transformed into distrust during the course of change. For interpersonal trust relations (Kim, Dirks, & Cooper, 2009), the focus is on the possibilities of fixing what those whose trust has been weakened may interpret as a transgression. The issue is whether the trustee can prove that he or she is not guilty in the transgression or, if guilty, can apologise or take compensatory action. However, transformational change cannot be considered a personal transgression even though elements of apology and compensatory action may, in some cases, be relevant at specific points in the change process. Gillespie and Dietz (2009) discuss trust repair after an organisation-level failure, pointing out that a wide array of internal components (management practice, culture, strategy and structures) are needed for the trust repair process. Yet change cannot be understood as an organisational failure either. Problems behind organisation-level failures could be expected to affect the organisation at large, whereas organisational change, while it may affect the entire organisation, is initiated and controlled by management. The employees therefore focus their attention on management and hold it responsible for a possible breach of trust.

In summary, there is a research gap between our knowledge of trust dynamics and transformational change processes. In particular, we need to understand how trust develops between groups of organisational actors and how declining trust can be repaired. Here, we focus on the interaction between transformational change and employees' trust in management. We provide an analysis based on mixed methods of a longitudinal case study of trust dynamics in two firms who had recently been through major organisational changes.

We now turn to the empirical case studies for answers to the two research questions of how management and employee actions during transformational change may become imbued with highly symbolic meaning that greatly affects organisational trust dynamics, and why managements' trust repair succeeds in one case and not in the other. In the analysis, we pay particular attention to the interpretation of the acts and events taking place during change processes, because both employee and management interpretations of these acts and events play a determining role in the success or failure of the transformational change process.

## The case study methods

The two case studies constitute part of a 2004—2007 research project aimed at improving the quality of work (Hasle et al., 2008). Although the research focus was broader than here, the cases provide an opportunity for studying and analysing the evolution of trust in a longitudinal design. We recruited two manufacturing firms — a Machine Works and a Print Shop — through contacts in labour market organisations. Both firms had recently initiated major turn-around processes initiating transformational changes involving change of ownership, change of top management, strategic reorientation, and major organisational restructuring. Employee representatives and management in the firms saw a need to initiate processes to improve employee well-being.

Both firms committed themselves to undertake a project aiming at improving job quality (the 'quality of work' project) to remedy and alleviate some of the negative consequences for employees of the on-going turn-around processes. To prepare an action plan and control progress in the job quality project, each firm formed a joint management—employee steering committee consisting of top management, middle managers, shop stewards and safety representatives. The researchers' role was to perform qualitative and quantitative evaluations of the psychosocial working conditions (e.g. demands, resources, trust, well-being) and to provide feedback to the steering committee before, during and after the intervention. Consequently, the research had elements of both 'natural experiment' (studying the consequences of transformational changes) and 'action research' (introducing comparatively small organisational change initiatives). The evaluations were used for both developing action plans and evaluating effects.

The project employed a mixed-methods design, including pre/post outcome measures and additional process-oriented considerations. Researchers followed the two

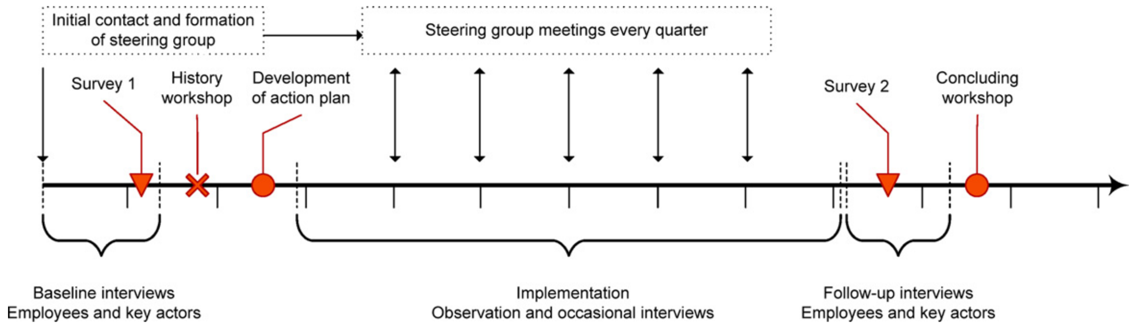


**Figure 1** Overview of case study design.

firms, collecting qualitative and quantitative data, for three years, see Fig. 1. The research methods included:

- chronicle workshop (4 h, 7—10 people, employees and middle managers)
- qualitative interviews (45—120 min, management and employees, 63 interviews)
- observation of key activities (40+ h, e.g. steering group meetings, 20+ meetings)
- collection of written materials (action plans, meeting minutes, etc.)
- a questionnaire survey including questions about trust in management (study population $N = 266/151$, response rate 88/91%).

Initially, the researchers performed a baseline study of the situation. The study included a chronicle workshop where employees and managers explored the history of the firm as well as extensive semi-structured interviews with management at all levels, the shop stewards and selected employees (Hvid, Lund, & Pejtersen, 2008). The researchers interviewed key actors individually and employees in groups of two to four. To maximise the range of opinions and experiences according to power, interest representation, job function and experience, we selected interviewees strategically. Individual interviews on average lasted one hour and group interviews on average lasted one and a half hours. All interviews were recorded.

To elicit information on and illustrate management—employee relations and trust, the interviews focused on events and stories. The interview guide covered a number of topics including the history of the firm, its business strategy, change activities, relations between the management and the employees, social relations, employee participation and quality of work. The researchers adapted the interview guide to both the company context and the organisational roles of the interviewees (Charmaz, 2000; Malterud, 2001).

During the two-year follow-up, the researchers participated in steering group meetings and selected change-related activities. In addition, as a follow-up on key events, occasional interviews and informal talks with key actors took place several times, and the researchers made observation notes after all encounters. After the two years, the researchers repeated the questionnaire survey and conducted follow-up interviews with employees and key actors. In the entire period, 40 interviews were conducted at the 'Machine Works' and 23 at the 'Print Shop'. The researchers also collected documents such as action plans, meeting minutes, balance sheets and consultancy reports. They used a hermeneutic approach in the data collection process and the analysis, by moving between individual, group and organisational levels, testing pre-understandings and sub-interpretations (Alvesson & Sköldberg, 2009).

The case presentation uses storytelling and comparison to elicit and convey the essence of the analysis (Stake, 2000, pp. 435—454). The qualitative analysis tracks key events in the project and, to understand trust in management, we examine how actors interpret and attribute meaning to actions and events in the employee—management relation during change processes. In particular we focus on the actors' interpretations of other actors' relational signalling, i.e. the trustors' interpretations of trustee intents (Six, 2007). Emphasis is on the participants' interpretation of the events, especially expressions of negative or positive opinions related to trust or distrust and the shared norms and values that such statements implicitly contain. Interpretation of the case data was supported by deductive coding using 71 key terms such as trust in management (173 references), change outcomes (52 references) and uncertainty (61 references). Data coding in the qualitative software program NVivo facilitated template analysis (Crabtree & Miller, 1992).

The qualitative case analysis is organised in two sections according to the major developments in trust. First, the 'Challenge to trust' section analyses how the transformational changes in each company challenged and reduced employees' trust in management. The thematic analysis uses the baseline and process interviews to establish a description of the situation before the beginning of the 'quality of work' project, i.e. the transformational change process. Second, the 'Trust repair' section studies how key actors attempted to repair the weakened trust relations during the 'quality of work' project, i.e. the trust repair process. This interpretive analysis is based on process and follow-up interviews, process observations, and company documents.

We use the quantitative analysis to supplement the qualitative analysis, because the survey represents the opinion of nearly all the employees. Had the research project been designed to focus only on trust development, we would have included elaborate trust scales measuring for example integrity, competence and benevolence. However, given the broad participatory scope of the project (where the character of the workplace initiatives was not known in advance), we deployed a broad questionnaire measuring 28 workplace, job, health and well-being dimensions: the Copenhagen Psychosocial Questionnaire (Kristensen, Hannerz, Høgh, & Borg, 2005). We included four trust-related questions combined into a scale for trust in management (Cronbach Alpha:

0.80), using a five-point Likert scale for the answers (Pejtersen, Kristensen, Borg, & Bjørner, 2010). We used the trust scale as an indicator of the level of trust in management in the two firms and as a gauge for the transformations in levels of trust during the study period. The following questions were used for measuring trust in management:

- Can you trust the information that comes from management?
- Does management withhold important information from the employees? (reversely scored)
- Are employees able to express their views and feelings?
- Does management trust employees to do their work well?

The questions, inspired by trust research (Cook & Wall, 1980), have subsequently been tested in a national survey (Pejtersen et al., 2010). In principle, the last item measures the employees' experience of management trust in them. Given the reciprocal character of trust and high Cronbach Alpha, we included the item in the scale as a measure of employee trust in management.

We evaluated the development of trust over time using linear regression with a mixed model (PROC MIXED in SAS). The change in time was included in the model as a fixed effect, and the effect of the respondents was included as a random effect. This procedure maximises the use of information from the surviving respondents and from respondents who answer only at the initial or the follow up survey. We compare the results from the two firms with the national average of the working population obtained through a national survey with the Copenhagen Psychosocial Questionnaire (Pejtersen et al., 2010).

The research was conducted in a Danish setting characterised by relatively strong labour—management cooperation. A similar context with strong participation rights and encompassing collective bargaining is found in countries such as Germany, Norway, and Sweden and is often referred to as 'social Europe' (Gallie, 2009; Turner, 1991). This means that organisational trust relations affected by formal institutions such as the company works council and formally elected safety representatives and shop stewards who have extended protection against dismissal.

## Case description

### The Machine Works

The Machine Works, founded in 1981 by four entrepreneurs, manufactures custom-designed large machines. For 20 years, the company experienced steady growth, moving from a position of about 20 employees to a peak of 220. In the early 2000s a crisis developed as a saturated European market flattened sales and investment was needed in machinery, buildings and technical systems. Moreover, the ageing entrepreneurs found managing the larger enterprise increasingly difficult. In 2003, the balance sheet was, for the first time, in the red, and the management decided to lay off employees (Fig. 2).

### The Print Shop

The Print Shop has a 100-year history. It is a subsidiary of a large international magazine publisher and descendants of the founder still own the Print Shop. The company's history of employee involvement is strong. In 1999, the board of the magazine publisher merged two separate print shops and created the Print Shop, which was subsequently separated as an independent subsidiary of the publisher. After the merged company was established in the current production facilities with advanced printing technology, staffing levels were reduced from about 400 employees to 200 in a complicated process involving the employee representatives. A subsequent further reduction reduced the workforce to 128 employees (many with 10—30 years of seniority). This was the size of the company at the beginning of the 'quality of work' project. In the second layoff, employee representatives were not involved, and management justified its actions in terms of international competition, new digital technology and overcapacity in the industry.

### Trust levels

The results from the questionnaire survey of trust appear in Table 1. The initial level of employee trust in management in

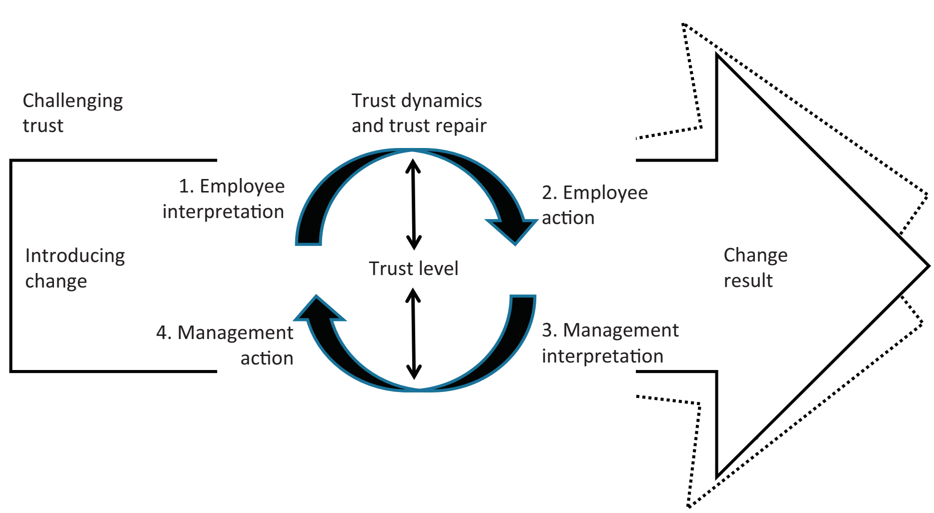


**Figure 2** Transformational change programmes and trust level dynamics.

**Table 1** The level of employee trust in management in the two firms.

| Trust in management | Baseline 2004 (scale value 0—100) | Follow-up 2006 (scale value 0—100) | Difference after 2 years[a] | Pr > \|t\| |
|---|---|---|---|---|
| The Machine Works | 61.6 ($N$ = 149) | 62.3 ($N$ = 166) | 0.7 | 0.5943 |
| The Print Shop | 44.6 ($N$ = 112) | 40.3 ($N$ = 101) | −4.3 | 0.0317[a] |

[a] The estimates are based on linear regression using a mixed model. There were 94 respondents in the Machine Works survey and 82 respondents in the Print Shop participating in both baseline and follow-up.

the Machine Works was close to the national average ($M$ = 67.0, SD = 17.7, $N$ = 3517) and substantially higher than in the Print Shop. The level in the Machine Works remained steady at the follow-up, whereas the low level of trust in the Print Shop was significantly lower at the follow-up.

## Challenging trust

Both firms were facing a difficult economic situation up to and during the 'quality of work' project and, to ensure the survival of the firms, the owners and the top management had initiated substantial changes, such as changes in top management, strategic orientation, and cost reductions. Employees and managers told stories about the relatively high level of trust before the respective crises that was threatening the survival of the firms at the outset of this project.

## The Machine Works

The stories told by both employees and front-line managers about the four entrepreneurs indicate a high level of trust before the change programme. These stories might be coloured by a longing for the old days, but the employees had experienced 20 years of continued growth along with a personal knowledge of the owners, who also worked as daily managers—especially the production manager, who was well-known by everybody. The employees said that he had a patriarchal leadership style with an in-depth knowledge of almost every aspect of production, a personal knowledge of all the employees, and an ability to demonstrate strong decision-making while acknowledging employee contributions. They also mentioned the way he demonstrated care, for example by driving to town to pick up pizzas during overtime weekend work. This relationship allowed employees to experience the general components of trust: integrity, competence and benevolence. Moreover, these stories also became symbols of the shared norms and values that had developed over time. Having the owners working in the firm on a daily basis became a symbol of trust, as employees interpreted the owners' presence as benevolence and integrity: 'the owners work for the common good of the firm'. This belief was directly expressed by an employee at the chronicle workshop.

> 'Before, when the owners were in the firm every day, there was a greater feeling of community and it was easier to make decisions. Everybody knew each other then. Everything is formalised nowadays. Before, management shared the profits with the employees when the firm did well by giving contributions to sports activities, parties and the like. That doesn't happen anymore'.

The economic crisis disturbed these relatively stable trust relations. To overcome this crisis, the entrepreneurs initiated a number of changes. They started to withdraw from daily management and initiated a succession process that included hiring a new professional executive director, a new production manager and a professional business executive to chair the board of directors. They altered the company structure by creating a holding company for the buildings and equipment, and they adopted a new strategy for global expansion.

The future therefore looked uncertain for the employees, and personal contact between employees and top managers had decreased under the new professional management. The employees paid closer attention to how the new management behaved, on the lookout for signs (of integrity, competence and benevolence) that might reveal the extent to which management could or could not be trusted. Moreover, employee trust in management was weakened by the behaviour of two key actors: a new executive director, with whom most of the employees did not have regular personal contact, and a new production manager, whose actions were soon perceived with distrust. Both the management and the employees stated in interviews that trouble emerged along internal lines and that the new production manager was viewed as the cause of the growing uncertainty. He took a top-down approach to rationalising the production processes using formal procedures, and he encountered strong employee resistance. As conflicts developed, the firm ultimately experienced its first strike. Eventually, because the owners had to react, they fired the new production manager, who had become a symbol of distrust in the competence of the workers.

During the interviews, employees made a number of observations indicating that their perception of events was skewed towards a negative interpretation. They referred to examples such as management reluctance to invest in new machinery or upgrade the premises, the establishment of the holding company, and the strategy for internationalisation. Furthermore, the executive director tended, even if inadvertently, to reinforce the overall sense of uncertainty: he expressed himself ambiguously, talking about human resources and values on the one hand, yet about minor cost savings and lack of performance on the other. The result was the weakening of trust. Whether the owners wanted to work for the common good of the firm or whether their primary ambition was an opportunistic profit-focused goal (towards an eventual sale) was unclear to the employees. So, for the employees, the ambiguous signals from the executive director came to symbolise lowered trust.

Even management attempts to express benevolence, e.g. by walking through the shop floor to greet people personally, were interpreted negatively. As one of the workers said:

> 'One trusts what one gets information about and we just don't get much information. Trust falls behind when information is missing. What are you supposed to trust? The management is visible, OK, they walk through the departments and greet people. It is polite but not sufficient'.

## The Print Shop

Employees and managers depicted a time of relatively high trust before the change in ownership structure and the replacement of the director. Although these stories may express nostalgia, interviews indicate that the 'good old days' also included a period with conflicts between the management and a strong workers' collective. The employees describe the management style of the previous owners as socially committed, symbolised by a generous 'social agreement' surpassing comparable collective agreements in the industry, including a dismissal and retirement scheme for employees with high seniority. The employees interpreted the original owners' attitude, the 'social agreement', and the high degree of co-determination during the merger as symbols of respect and trust in their capabilities. As a worker explains, this management approach created loyalty among the employees:

> 'Before we moved, we were the best workplace in Denmark. Production was completed every week, and there were no problems. If we could not make it, people were queuing up to come in [to help reaching the goals]. Now people need to have their arms twisted'.

Within the first year at the new production facilities, the Print Shop had merger-related productivity problems: integrating employees from the two previous locations proved difficult and, more importantly, the new printing machines did not work properly. At the same time, changes were also taking place at corporate level, with the fourth generation of the founding family now at the helm. According to both employees and managers, this new generation of corporate leadership focused more directly on profitability—and chose to separate the Print Shop from the publishing company. They appointed a new director (from a competing Print Shop) with a good track record in terms of rationalisation and productivity, and asked him to re-establish a stable production and to make the Print Shop economically competitive with other print shops.

The employees interpreted the new ownership structure, in which the Print Shop was separated from the publishing company into an independent profit centre, as a fundamental expression of disrespect for their efforts to make the new production facility work. Many employees felt blamed for problems created by the machine manufacturer. Furthermore, their feelings of vulnerability increased by the implicit threat that an independent centre could be sold off. The employees thus interpreted subsequent production rationalisations and reductions in benefits negatively as a 'betrayal' by the owners, i.e. a breach of integrity and benevolence.

Shortly after the new director took office, he started a rigorous top-down process of rationalising production processes and reducing benefits. The Print Shop experienced a further staff reduction—from about 200 to 128 employees. This time the layoffs were not negotiated with the employee representatives, who argued that more people were needed to operate the machines properly. The new director's response was to talk about other print shops that managed with even fewer employees. He also annulled all previously negotiated agreements, including the highly valued 'social agreement', and renegotiated work agreements at a lower level (fewer breaks, longer working hours, night shifts, etc.). The workers filed a complaint with an industrial tribunal but lost the case. Moreover, the employee representatives felt harassed when the new management then reduced the number of safety representatives and shop stewards. Several protest wildcat strikes took place during this period.

One incident that occurred at the start of the 'quality of work' project and acquired huge symbolic significance exemplifies the 'disrespect' that the employees experienced. At year end, an excellent economic result in the publishing company led to its employees receiving large Christmas bonuses. However, despite a long tradition of profit-sharing, the Print Shop was now a formally independent subsidiary with a poorer financial showing, and its employees received only two frozen Christmas ducks apiece. The Print Shop employees felt extremely offended, because they were convinced that they had also contributed to the publishing company profits by working hard to bring the magazines onto the streets on time. Ironically, a press release issued by the holding company just after Christmas stated that the work of the Print Shop employees was an important contribution to the economic results of the publishing company. The employees in the Print Shop interpreted the message as yet another example of the new owners' lack of integrity.

Such employee reactions also affected their trust in the new director: they began questioning his competence, referring to union hearsay about his previous position as CEO of another print shop, where he was allegedly responsible for ruining the company in a way that was not apparent until after his departure/job change.

Meanwhile, management made similar negative interpretations that revealed their distrust of the employees. For example, the managers did not trust the survey results, suspecting that the strong workers' collective deliberately exaggerated the negativity of their answers. The director also expressed distrust of workers' conscientiousness:

> 'It is obvious laziness, because it is always easier for them to sit down and drink coffee waiting for a mechanic than to put on a boiler suit and use a spanner themselves'.

To the researchers, the director explained that he was on a 'mission' to save the workplace. He said that when he initiated change, he experienced only distrust and resistance. In his opinion, the working conditions were still among the best in the industry even after a lot of the benefits had been cut, and the employees should be grateful that the workplace had not been shut down or sold off. He did not trust the employees' sincerity when they expressed dissatisfaction with the working conditions, and he introduced benchmarking with other print shops to prove them wrong. Thus distrust was mutual and clearly as deep-rooted in the director as among the employees.

## Comparative analysis

The two firms had somewhat different starting points. The Machine Works was a new firm with good industrial relations, while the Print Shop had a long history with traditional employer—employee relations, and some challenging years before the 'quality of work' project. The difference is reflected in the divergent levels of trust measured in the initial questionnaire. However, according the interview, both firms had a relatively stable level of trust between management and employees during the changes experienced over the years. Yet when the 'quality of work' project started in 2004, both firms had been in a crisis for some time caused by large external and internal challenges jeopardising their future viability. Therefore, the owners had initiated transformational change processes that included changes in ownership, a new business strategy, and the replacement of top management. Because the changes created uncertainty about the future, employees had reacted with wildcat strikes and veneration for the 'good old days'—a clear demonstration of the employees' dissatisfaction with the owners' response to the crisis. While this veneration of the past most likely affected employee perceptions of previous trust levels, the credibility of the employees' claims is supported by agreements and policies negotiated in the past.

The transformational change programmes challenged and weakened trust in both firms. The uncertainty experienced by employees led them to scrutinise every management action — small and large — with a tendency towards creating and reinforcing negative interpretations. Furthermore, many employees did not identify with the changed ownership and strategic orientation of their organisations. The new directors therefore became symbols of the lack of trustworthiness within the organisations. The symbolic value attached to the position of director underwent a radical transformation in both cases, as new negative interpretations were projected onto the new directors and, by implication, onto the workplace itself. The employees could clearly see that the owners had the power to close, sell or seriously downsize the business enterprise, and thereby directly threaten their livelihoods/employment opportunities.

In day-to-day operations, management also had the power to change working conditions, many of which employees identified as legitimate benefits and thus an integral part of the reciprocal employee—employer relations that provide the basis for trust (Fox, 1974). At the start of the transformational change process, employees were uncertain about and suspicious of management motives and felt their trust in management challenged. As interpretations intensified, the employees appeared constantly alert to all large or small behavioural signals from the directors, continually assessing their possible intentions. These initial negative interpretations tended to adhere to future management actions, even those that signalled benevolence, such as walking around greeting the employees and giving Christmas presents. The Christmas ducks exemplify an apparently small act that became imbued with strong symbolic meaning: the Print Shop employees interpreted the gift as a breach of integrity, thereby delegitimising it and turning it into a story that displayed good reasons for not trusting management. This example illustrates employees' tendencies to make strong interpretations beyond, or even at odds with, management's pronounced intentions — and resulting in loss of trust.

## Trust repair

Both the Machine Works and the Print Shop chose to participate in the 'quality of work' project in the hope of overcoming the emerging conflicts between management and employees. As both the management and the shop stewards in the two firms supported participation in the project, we interpret this support as an attempt to repair the threatened trust relations in the respective firms.

### The Machine Works

Management, in particular, was surprised by the results of the questionnaire survey, which indicated several problems regarding the quality of leadership and the well-being of the employees. While the department managers and workshop supervisors were supposed to inform their staff of the results, they felt uneasy in this role as most of them had never chaired a staff meeting. Given their hesitation, the information to the employees was ultimately presented by the director during a brief meeting for all employees. Although the joint steering committee initiated several activities, these activities never really took off. One example was an employee proposal for regular staff meetings in all departments. Management basically agreed that such meetings were needed, but then the director decided that the meetings would be too expensive and suggested that half the meeting time should be without pay. The shop stewards found his proposal outrageous (and certainly not benevolent) and rejected it.

After three months, managers and shop stewards had become aware that the employees, after seeing no improvements, were interpreting the 'quality of work' project as a symbol of top management's lack of appropriate attention to their well-being and lack of willingness to invest in their needs. The director therefore officially closed down the 'quality of work' project and replaced it with a new one, called 'Licence to Action'. This new project received much more management attention. A dynamic project manager was appointed, a new project group was formed, external consultants were hired, and a series of seminars and meetings were organised. The 'Licence to Action' project was established in the enterprise resource planning system, and all time spent on it was registered as a project cost, thereby illustrating the high priority that management gave it.

The main goal of 'Licence to Action' was the implementation of five firm values as determined by the board of directors: trustworthiness, respect, commitment, collaboration and development. Posters were displayed to make the values more visible, and seminars for all employees, at all organisational levels, were held. At the seminars, the employees expressed their opinions on existing problems and suggested ideas for furthering the implementation of the values. Afterwards, the project group presented the project on bulletin boards, circulated flyers illustrating the five firm values, and arranged weekly campaigns focusing on each of the five values.

Gradually the 'Licence to Action' project resulted in changes that the employees attributed to the project. Some of these were organised departmentally, such as conflict resolution, while others were for the company as a whole. The employees particularly valued the implementation of regular staff meetings inside working hours in all departments. One additional change had significant impact on employee interpretations of management intentions. The board of directors decided to invest in a number of new advanced metal working machines. At the same time, the market for the large machines developed favourably, and the staff increased to more than 210 employees.

During the final interviews in 2007, the employees and front-line supervisors generally expressed positive opinions of the 'Licence to Action' project and the general development of the firm. The negative interpretations of management intentions and expressions of low trust in management — which had dominated at the beginning of the 'quality of work' project — had partly changed. As the shop steward said:

> 'Trust has improved all the way around. If anything went wrong, people tended to blame others. Now everybody looks at the problems in a more sensible way'.

An important explanation for this outcome is that that management did more than merely provide information about benevolent intentions: they implemented a number of initiatives that employees interpreted positively and that achieved high positive symbolic value. In particular, the positive decision to spend money on the project counterbalanced the negative experience from the previous 'quality of work' project. Moreover, management organised staff meetings during working hours without docking or cutting pay, a concession that the employees had long requested. Now employees interpreted even the more general decisions, such as the purchase of more advanced machinery, as benign and competent behaviour that reinforced their trust in management.

## The Print Shop

The results from the questionnaire survey indicated problems in almost all dimensions of quality of work. At the start of the project, when the steering committee debated the survey results, the discussions between the employee representatives and the managers were marked by mutual accusations about who was to blame for the negative results.

Although the steering committee met eight times during the two years that the 'quality of work' project lasted, management and employee representatives were never able to agree on an action plan. At the first meeting, the employees presented a six-page list of suggestions for improvements. While the managers offered no written suggestions, the director suggested a leadership training programme. The discussions at these meetings were primarily antagonistic throughout the process with the integrity, competence and benevolence of the opposition' constantly in question. Managers and shop stewards constantly distrusted each other's motives, all the time searching for signs of the other party's opportunism or possible benefits for itself. For example, the director commented:

> 'The way the shop stewards maintain their legitimacy is by keeping the rank and file from having direct contact with the management'.

Many of the steering group discussions revolved around how to build trust and improve communication. However, these discussions often ended in accusations and blaming on both sides. In the middle of the project period, the director suggested hiring a consultancy company to engage the employees in a process of stress management and improving communications. The employees rejected the proposal on the grounds that it focused too much on individuals. A shop steward later reflected on the rejection:

> 'Communication is a real problem. Maybe we should have spent some time studying the proposal. It could have succeeded then. But we rejected it very quickly because we had experienced that he [the director] never offers anything good'.

This statement also illustrates how the distrust encompassed such negative expectations that the trustor acted on the basis of these expectations even when the objective content of the trustee's action did not support the negative interpretation. Only when prompted by the researcher the shop steward reflected that he and his colleagues may have misinterpreted the possible benevolent intentions in the director's proposal.

Towards the end of the 'quality of work' project, as the director and the most influential shop steward started to realise that something had to be done, they began to meet more informally to create a better working relationship. They even perceived the director's and the most distrustful shop steward's sharing a car to a meeting as a breakthrough. However, the firing of additional nine printers without consulting the shop stewards was negatively received by the employees. Thus at the end of the 'quality of work' project both parties were still trapped in a deadlock, mutually reinforcing negative and distrustful interpretations, and hampering all attempts to create cooperative organisational development activities.

## Comparative analysis

The qualitative analysis shows that by the end of the project trust levels in the two firms had taken very different directions: trust levels in Machine Shop had stabilised after the initial threat while trust in Print Shop had deteriorated further despite small positive signs. The questionnaire results support this conclusion because there were no significant changes in levels of trust in the Machine Shop whereas we observe a significant reduction in trust levels from an already low level in the Print Shop. The qualitative analysis indicates that in the Machine Shop, the trend from relatively high trust towards low trust came to a halt when the management recognised the employees' worries and negative interpretations. The director took strong actions to fix this problem, abandoning the 'quality of work' project and starting a new one—an action with high symbolic value. The most crucial managerial action was accepting normal payment for attending meetings, but new investments in machinery also played a significant role in restoring trust. Because the director took action to counteract some of the negative employee interpretations, thereby actively disproving the reasons for distrust, employees interpreted his new actions as benevolent and saw them as symbols of a return to the old trustful culture. We suggest that by doing what he did, the director reinstated the institutionalised character of employee trust in management.

In contrast, the employees in the Print Shop continued to express distrust towards the management and the change programme in both words and actions. Managements' distrust of the shop stewards deepened and the director did not consider their representation legitimate. Both sides reacted to repeated experiences of distrust with more distrust. Even though both parties recognised common economic problems and partly agreed on solutions — and, from their own perspective, took small steps to remedy the problems — distrust was so strong that the other party interpreted any 'opposition' initiative as opportunistic, incompetent and malevolent behaviour. The negative symbols outweighed positive signs, and relations were so strongly marked by distrust that a deadlock of collaboration ensued.

## Discussion

We set out to examine how transformational change can cause breaches in trust, how management can act to avoid such breaches, and especially how management can act to repair them. The two cases showed, as expected, that transformational changes, such as changes in ownership and top management, strategic reorientation, and major organisational restructuring, create uncertainty and vulnerability, which in turn challenge and weaken employee trust in management. We observed that during change employees increased their scrutiny of management actions, resulting in negative interpretations of management actions, and that the employees in both firms increasingly viewed management as dishonest, incompetent and malevolent. Consequently, they reacted with their own negative actions, such as strikes and resistance. We also observed that management followed the same pattern of negatively interpreting employee actions and of acting accordingly, e.g. by imposing further restrictions on employees and thus reinforcing a negative interpretation—action trust dynamic. On the interpersonal level such a dynamic has been described as a 'downward spiralling process' (Six, 2007; Zand, 1972). We illustrate this trust dynamic in Fig. 2.

This figure illustrates how transformational change programmes (or major change events) introduce uncertainty that triggers employee scrutiny of management actions. Employee interpretations of these actions are influenced by the original level of employee trust in management: if the trust level is low, the risk of negative interpretations is high and defensive re-actions may follow. Even when the trust level is relatively high, the enhanced scrutiny of management actions may result in negative interpretations leading to a decline in the trust level. Other research has shown that employee reactions depend not only on the severity of the consequences of changes but also on the level of information about and the prospect of influencing the content of changes (Nielsen, Randall, & Albertsen, 2007). Likewise, management also makes interpretations of employee actions. Existing trust levels also affect management interpretations of employee reactions, i.e. whether employees' actions are interpreted as non-benign resistance or as competent input, a distinction that may affect change outcomes (Thomas & Hardy, 2011). Management reacts accordingly, which in turn affects mutual trust levels. Negative interpretations and reactions may trigger new negative reactions starting a downward spiral, as we have demonstrated in the analysis.

The outcome of the transformational change process depends on the series of actions and reactions that the initial change programme triggered which is fundamentally influenced by (and influences) the level of trust. If the trust level is low or the trust spiral negative, certain management goals in change initiatives may become impossible to reach due to employee resistance (distrust of motives and discontent with the proposed changes) or may have to change fundamentally depending on the unfolding of trust dynamics. In the model, the dotted arrows indicate the potential effect of trust dynamics on intended outcomes. When worse comes to worse, trust repair may be management's only option to bring the change process back on track.

In the Machine Works we observed a successful example of trust repair where trust did not turn into distrust although a downward trust spiral had started. Management succeeded in stopping the negative development by introducing actions that employees could interpret positively. In contrast, in the Print Shop even positive management intentions to repair trust — judged both from stated intentions and from the researcher evaluation of management proposals — ended up reinforcing the vicious cycle of distrust and creating a deadlock. The Machine Works case illustrates not only that management can avoid a deadlock by rigorous actions but also that expressing benevolent intentions (as the director of the Machine Works did in the early stages and as the director in the Print Shop did) will not suffice. Rather, introducing actions that actively give the lie to interpretations of malevolent and opportunistic intentions is essential.

In the Machine Works, the employees considered management to be stingy on employee matters, thereby creating uncertainty as to whether the management and the owners were actually working for the wellbeing of the firm's future. Management actively disproved that interpretation by spending money on the new 'Licence to Action' project, by allowing staff meetings to take place during working hours and by investing in new machinery. These concrete actions made it difficult for the employees to sustain their negative interpretations of management intentions. The actions became symbols of a renewed trustworthy management practice. Clearly, the stronger the vicious cycle, the more difficult breaking that cycle becomes. In the Print Shop, much stronger symbolic actions would probably be necessary. Examples could be to reemploy some of the dismissed workers and to approve key employee suggestions that he had rejected earlier. But the question is whether the director himself (and the workers' collective) had become such strong symbols of distrust that it would be impossible to break the deadlock of distrust, so that replacing the director or the majority of employees would be the only option for repairing trust.

Our analysis suggests that management and employee interpretations acquire a different quality when low trust turns into distrust. When distrust builds on what we call *active negative expectations* of the other party, almost any action will result in negative interpretations independent of the trustee's intentions, thereby effectively hampering both parties from breaking out of the vicious cycle of distrust. The results in both cases are therefore in line with Lewicki, McAllister, and Bies (1998), who emphasise that distrust tends to continuously produce negative interpretations, which are based on the assumption that the trustee has harmful intentions (no matter how positive those intentions truly are).

At issue is how far one can generalise from these results. We base our findings on qualitative interviews focused on the change process narratives of employees and managers. Two questions immediately arise: can one generalise from the statements of only a few? And do the rest of the actors in the two cases share the opinions of the limited number of interviewees? We believe that, given our material, generalisation is possible at both the case level and the global level. At the case level, the analysis is validated through triangulation. We compare stories told by employees to management accounts of the same trust issues and we also track management reactions to our retelling of the employees' accounts. In addition, the follow-up questionnaire supports the conclusion that trust stabilised in the Machine Works while it deteriorated in the Print Shop.

Some limitations apply to the interpretation of the questionnaire results. First, we had few trust items in the questionnaire. Second, we only had two time points. Had the study initially been designed to focus on longitudinal development of trust, we would have designed a questionnaire with a more comprehensive list of trust items and we would have used at least three time points. However, as this was not the case, we have used the quantitative measures as a triangulation of the qualitative analysis to increase the credibility of our conclusions.

For the global generalisation, we consider the two cases to be what Flyvbjerg (2001) calls 'critical cases' of trust dynamics during change processes. Flyvbjerg finds it reasonable to conclude that if something could happen 'here', it could also happen elsewhere. As we indicated in the introduction, transformational change will most likely challenge trust, and subsequent scrutiny of management will lead to negative trust interpretations that again push management to make negative trust interpretations of employee actions. The case analysis shows that the resulting trust dynamic may initiate a vicious cycle of low trust or even outright distrust.

Given the character of the two firms, each with a history of relatively positive and stable trust relations in a national context characterised by relatively strong labour—management cooperation with institutional support for collaboration at industry and company level, we conclude that such vicious cycles may start in companies with similar histories in other national and institutional contexts with weaker traditions for labour—management cooperation. We also suggest that strong symbolic actions may be a useful management strategy for breaking the negative trust cycle and that such a strategy could be useful in cases where trust is threatened by transformational change. Such a management strategy does not depend on the particular Danish context, although institutional support for collaboration may facilitate the trust repair process after strong symbolic actions have been taken. Finally, we observe that once trust has developed into distrust, these two cases offer no suggestions as how to break the vicious cycle, which is all the more interesting given the Danish context with formalised institutions intended to deal with such trust issues. So, breaking that vicious circle becomes an urgent issue, because distrust constitutes such a clear obstacle to the implementation of change processes.

## Conclusion

The literature review showed that there is a research gap between our knowledge of trust dynamics and transformational change processes and a need for longitudinal research eliciting how trust develops over time (Möllering, 2001). In particular, there is a need to understand how trust develops between groups of organisational actors and how declining trust may be repaired (Gillespie & Dietz, 2009; Schoorman et al., 2007). The analysis of the two cases fills this gap by emphasising the importance of trust during and after transformational change.

The analysis shows that management change actions are subject to strong scrutiny by employees. Interpretations may — depending on the initial trust level — easily become negative and thereby challenge trust. Seemingly small actions can get imbued with highly symbolic meanings which tend to maintain the negative interpretations. Reciprocal reactions from employees and management create downward spiralling trust dynamics which tend to be self-fuelling and difficult to break. The organisation level analysis of trust relations between groups provided in this paper shows similar patterns of positive and negative cycles as those documented at the inter-personal level (Six, 2007). In the paper, we tie the organisational trust dynamics to transformational change and provide a model of how trust and change interact through cycles of interpretation and symbolic action—interactions that may affect the intended outcomes of change processes.

As employee trust in management declines, trust repair becomes increasingly difficult. When trust is low, even management's vocal assurance of its benevolent intentions risks confirming employees' negative expectations and stronger actions may be needed to repair trust. We show that strong management actions with strong symbolic meaning emphasising management's benevolent intentions and thereby disproving employees' negative symbolic interpretations can reverse a negative trust cycle. However, there will always be a risk of continuing negative interpretations. One way of reducing the risk would be involving the employees in the change management processes. Through involvement, employees will not only be more likely to assume co-ownership of changes, but management will also have a better opportunity for understanding what employees believe is fair and just. Likewise, employees will have a better chance of understanding the motives behind management's change actions.

This paper illustrates that qualitative longitudinal studies of trust in organisations offer insight into trust processes and it shows how trust dynamics become especially intense during change. In contrast, cross-sectional studies, whether quantitative or qualitative, cannot capture the interpretative processes and symbolic actions that enhance or weaken trust. Because the sequence of actions and reactions, continuously interpreted by the actors, contains information about how trust and distrust evolve, understanding this sequence is critical for developing normative measures for maintaining and repairing trust. The results presented here therefore call for more qualitative studies of trust in the change process, in particular for understanding the process of distrust and the possible means of breaking the negative cycle it creates. As this study is a first attempt at understanding the trust process during change, more research is needed to establish whether the proposals offered here are meaningful in other cases and whether they can be useful points of departure for more in-depth studies of trust and change.

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