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Designing High-Trust Organizations

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Abstract
The specific problem considered in this paper is what are the key issues to consider for managers involved in designing high-trust organizations, a design problem still not properly explored. This paper intends to take the first step in filling this lacuna. In the paper, I first present the existing management and research literature on building high-trust organizations. Then I explore Alan Fox's (1974) analysis of low-trust vs. high-trust dynamics which, I argue, may serve as a theoretically stronger basis for understanding the issues management have to consider when designing high-trust organizations.

Introduction

A growing body of literature point to the increasing importance of trust for organizations arguing for management to design and build high-trust organizations. High-trust organizations, we are told, lead to higher performance by enhancing employee initiative, commitment and self-control (2006, p. 38; Reina and Reina 2006; Armour 2007; Mishra and Mishra 2008). Nevertheless, a still insufficiently explored issue is how to design and build high-trust organizations (for an exception see Six and Sorge 2008).

The specific problem considered in this paper is what are the key issues to consider while designing and implementing a change process from low-trust or middle-trust to a high-trust organization.

The perspective adopted in this paper is that 'managers need to go beyond selecting an organizational design and develop their ability to create new organizational forms, treating the word design not as a noun, but as a verb' (Yoo, Boland et al. 2006, p. 215). Following this perspective creating a high-trust organization could be seen as an ongoing activity where managers pursue a 'dream image' of a high-trust organization, combining

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ideas, values, resources, tools and people into a particular organizational form (Yoo, Boland et al. 2006 p. 228-229) reflecting and learning how to solve the design issues faced.

In this paper, I show that the description of the change process from low-trust to high-trust organization in the management literature presents a much too simplified vision of the change process. Following this literature, the change process involves two main issues: how to increase interpersonal trust in the organization; and how to develop a high-trust culture in the organization. Though the description of the change process in the research literature presents a slightly more complex description the overall picture of the main issues for management to confront during this change process still remains unclear.

I argue that a better understanding of this change process can be gained by drawing explicitly on Alan Fox's (1974) ideal typical models of low-trust and high-trust dynamics. Based on Alan Fox's analysis we can divide the design problem into five specific design issues: aligning employees and managers around company goals and values; changing the control system towards emphasizing employee self-control; developing coordination by mutual adjustment; implementing a learning culture; and implementing a problem solving approach to conflict resolution.

The remainder of this paper is structured as follows. I first explore the notion of high-trust organizations. Second, I present the most important attempts to describe management policies to implement high-trust organizations found in recent management literature and in management research. Thirdly, I presents Alan Fox's analysis of low-trust vs. high-trust dynamics. Based on Fox's analysis, I discuss the specific design issues involved in the change process towards a high-trust organization.

The Notion of High-trust Organizations

I this section the notion of high-trust organizations is presented as we find it in the management literature. The notion of a high-trust organization is often applied as an implicit goal in recent books on trust-based management (Bibb and Kourdi 2004; Sprenger 2004; Ludwick 2005; Reina and Reina 2006; Ricci 2006; Armour 2007; Mishra and Mishra 2008) but the notion of a high-trust organization is rarely explained explicitly.

One of the author who discuss the notion of low-trust vs. high-trust organizations is Stephen M. R. Covey (2006) who describe the characteristics of a low-trust and a high-trust organization (Covey 2006, p. 237) as summarized in table 1 below.

Table 1. Low-trust and High-trust Organizations (Covey)

Low-trust organizations	High-trust organizations
• People manipulate or distort facts • People withhold and hoard information • Getting the credit is very important • People spin the truth to their advantage • New ideas are openly resisted and stifled • Mistakes are covered up or covered over • Most people are involved in a blame game, bad-mouthing others • There is an abundance of watercooler talk • There are numerous "meetings after the meetings" • There are many "undiscussables" • People tend to overpromise and underdeliver • There are a lot of violated expectations, for which people try to make excuses • People pretend bad things aren't happening or are in denial • The energy level is low • People often feel unproductive tension – sometimes even fear	• Information is shared openly • Mistakes are tolerated and encouraged as a way of learning • The culture is innovative and creative • People are loyal to those who are absent • People talk straight and confront real issues • There is real communication and real collaboration • People share credit abundantly • There are few "meetings after the meetings" • Transparency is a practiced value • People are candid and authentic • There is a high degree of accountability • There is palpable vitality and energy—people can feel the positive momentum

Source: Covey (2006, p. 237)

The distinction seems here primarily to refer to radically different organizational cultures. In low-trust organizations the level of cooperation and information sharing is restricted, while in high-trust organizations information is shared and the culture is oriented towards cooperation between employees.

A slightly more elaborated treatment of the notion of high-trust organization is given by John G. Bruhn (2001). Bruhn describes a high-trust culture as bringing together idealism and pragmatism becoming the basis for both empowerment and quality. In high-trust cultures disagreements are resolved by a process of problem-solving made possible by a joint assumption of shared goals and values.

Table 2. Some Characteristics of High-trust Organizations (Bruhn)

Leader Behaviours	Employee Behaviours
• consensus often reached • problem-solving atmosphere • creativity • minimum of controls • charismatic, inspiring • sensitive to employee concerns (fairness) • highly visible • provide trustworthy information (credible) • reward performance appropriately • flexibility in rules to accommodate changing needs • responsive to external community • visionary; values reinforced • mergers/acquisitions done openly with planning involving employees	• Open, participative, accept responsibility • Highly productive • Loyal to the organization • Not defensive • Cooperation, work teams • High job satisfaction • Problem-solving attitude in disputes and differences • Involvement in decision-making • Sense of pride in work

Source: Bruhn (2001, p. 39)

John Bruhn points that it may be difficult to characterize low- and high-trust organizations in terms of traits and behaviors because these are not static or absolute, varying in degree and quality. However, he presents a portrayal of low- and high-trust cultures, the description of high-trust culture is presented above in table 2. For the discussion below it is interesting that Bruhn argues that there is an inverse relationship between the number of controls and trust in either the competence or the motivation of people in the organization (Bruhn 2001, p. 38).

As these two examples illustrate we find a very general description of the notion of high-trust organizations. Based on these very simplified descriptions of the low- versus high-trust distinction it may be difficult for managers, and for researchers as well, to understand what are the issues involved in designing and building a high-trust organization. In order to understand the notion of high-trust organization better in the following section we look at how the change processes from low(er)-trust to high(er)-trust organization is described in management literature and in the research literature focusing on high-trust organizations.

Descriptions of the Change Process from Low-trust to High-trust Organizations

In this section I explore how the problem of designing and building high-trust organizations is presented in the management literature on trust-based management. I first discuss how we may understand management as designing in this context. Secondly, I summarize how the problem of designing high-trust organizations is presented in the management literature.

The perspective adopted in this paper is that 'managers need to go beyond selecting an organizational design and develop their ability to create new organizational forms, treating the word design not as a noun, but as a verb' (Yoo, Boland et al. 2006, p. 215). Following this perspective building a high-trust organization could be seen as an ongoing activity where managers pursue a 'dream image' of a high-trust organization, combining ideas, values, resources, tools and people into a particular organizational form (Yoo, Boland et al. 2006 p. 228-229) reflecting and learning how to solve the design issues faced. A particular high-trust organization is then created by combining these elements in a particular way that may have certain characteristics in common with other high-trust organization, but may also have some specific features due to the particular setting of the organization and the specific values and 'dreams' of the designing managers and other employees.

While the description of high-trust organizations given above may serve as the 'dream image' managers pursue, the question for managers who wish to design a high-trust organization is how to combine ideas, values, resources, tools and people into a particular organizational form.

The need for seeing organization design as a continuous process is also stressed by Jay R. Galbraith:

'Organization design is a process; it is a continuous process, not a single event. To keep the process continuous and current, a sequence for changing design policies is required. But the right mind-set in managers is also required. Leaders must learn to think of organize as a verb, an active verb,. Organizing is a continuous management task, like budgeting, scheduling, or communicating.' (Galbraith 2002, p. 154)

Only a few studies address the problem of designing and creating a high-trust organization explicitly but the goal of a high-trust organization may be the implicit goal of the literature on trust-based management. In the following I summarise how recent

literature on trust-based management[1] address the issue of designing and creating high-trust organizations. Summarizing this literature we can point to two types of actions suggested to build high-trust organizations.

Developing interpersonal trust. All surveyed books stress that the most important for creating trust-based organizations is that the leader start building interpersonal trust in the organization by displaying trustworthy behavior.

Following Hyler Bracey (2002) the leader may start building interpersonal trust using the following five TRUST-principles: be **T**ransparent, be **R**esponsive, **U**se caring, be **S**incere, be **T**rustworthy.

Robert Galford & Anne Seibold Drapeau (2002) present an model of the critical elements of trust-building, the SEEKER model: **S**how that you understand the needs of the person and/or group, **E**stablish the guiding principles of how you'll operate, **E**xplain the resources you'll use in this work, **K**eep to the principles you've elaborated, **E**ngage in constant, honest, two-way communication, **R**einforce through consistent behaviors.

According to Sally Bibb & Jeremy Kourdi (2004) the building blocks of interpersonal trust are leaders with personal integrity, authentic communication, competence, supporting processes, boundaries, contact, positive intent, and forgiveness.

Reinhard Sprenger (2004) point that we should distinguish between how we maintain trust and how we create trust. Trust can be maintained by leaders following 'low-key forms of behavior', such as reliability, consistency, predictability, keeping promised, fairness, loyalty, honesty, discretion, and credibility. Starting trust demands that the leader take the first step by creating situations of vulnerability by dispensing with overt security measures, abolish rules, dismantle the control system, loosen access restrictions, and abandon additional reporting (Sprenger 2004, p. 98).

Paul Ludwick (2005) argue that the leader should create 'trust loops' by inviting and expecting employees to participate in the management of the company by clarifying the goals and solving problems in the organization by creating a vision, taking responsibility for

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[1] I have conducted an analysis of the literature on trust-based management in English published since 2000. Nine books were selected for closer analysis: Arky Ciancutti & Thomas L. Steding: Built on Trust (2001); Hyler Bracey: Building Trust (2002); Robert Galford & Anne Seibold Drapeau: The Trusted Leader (2002); Sally Bibb & Jeremy Kourdi: A Question of Trust (2004); Reinhard K. Sprenger: Trust. The Best Way to Manage (2004); Paul Ludwick: Trust Loops in Leadership (2005); Stephen M. R. Covey: The Speed of Trust (2006); Mike Armour: Leadership and the Power of Trust (2007); and Aneil Mishra & Karen Mishra: Trust is Everything (2008).

your own goals, admitting mistakes, establishing and sharing of a performance plan, secure relevant training of employees, have competency, and support and thank employees.

Following Stephen M. R. Covey (2006) personal trust is build on the basis of the credibility of the leader. Four elements is found to make leaders credible: integrity, intent, capabilities and results. Having established personal credibility the leader, following Covey, should work with 13 principles of behavior to build relationship trust: talk straight, demonstrate respect, create transparency, right wrongs, show loyalty, deliver results, get better, confront reality, clarify expectations, practice accountability, listen first, keep commitments, and extend trust.

Following Mike Armour (2007) more than a dozen character and performance expectations enter into the equation as people form trust in their leader. Armour points to the following important expectations as 'layers of trust-building' in leaders: character, core values, commitment, concern, credibility, competence, and concrete results.

Aneil Mishra & Karen Mishra (2008) identify four 'pillars of trust' in leaders and co-workers, the ROCC of trust: **R**eliability, **O**penness, **C**ompetence, and **C**ompassion.

Developing a trust-based organizational culture in the organization. All books also agree that a second step in trust-based management should be to extend the interpersonal trust in leaders to the whole organization, establishing a trust-based culture.

According to Arki Ciancutti & Thomas Steding (2001) a trust-based culture is created by developing, implementing, and maintaining a specific 'Trust Model' formulated in cooperation with employees. The Trust Model could include the following guidelines: closure, commitment, communication, speedy resolution, respect, and responsibility. Building the specific guidelines requires involvement, contribution, and creativity from all employees.

The Trust Model process – creation, buy-in, and maintenance of the organizational trust guidelines – may follow the following phases: 1. Commit the leadership; 2. Assess the level of trust and closure in your organization; 3. Formulate the Trust Model guidelines; 4. Commit the organization; and 5. Maintain the Trust Model.

Following Hyler Bracey (2002) organizational trust is built upon interpersonal trust following a long-term trust-building strategy including four critical components for building and maintaining corporate trust:

1. Providing basic economic and financial education for all employees;

2. Developing a new employee paradigm, based on the following assumptions: employees want meaningful work, employees want to impact decisions that affect them, and employees want good relationships at work;

3. Train leaders and employees how to build interpersonal trust; and

4. Create structured experiences for building interpersonal and team trust.

According to Hyler Bracey regular preventive maintenance of interpersonal and organizational trust may prevent the erosion or loss of trust that otherwise may be expected to happen by following these principles: over-communicate; show up in person; don't restrict information; listen and empathize; confront denial, never say never, and be careful of your hiring and firing practices.

According to Robert Galford & Anne Seibold Drapeau (2002) organizational trust derives from an amalgam of lots of interpersonal trust, plus the processes and traditions to which the individuals in the organization adhere. Robert Galford & Anne Seibold Drapeu (2002) illustrate the composite character of organizational trust by 'the organizational trust equation':

$$T = \frac{(A_1 + A_2 + A_3) \times (A_4 + A_5)}{R}$$

Where T = organizational trust;
A_1 = aspirations;
A_2 = abilities;
A_3 = actions;
A_4 = alignment;
A_5 = articulation; and
R = resistance

Aspirations are what the organization believe in, what it stand for? Abilities are the available resources (skills and tools) in the organization to execute its stated aspirations. Actions use the organizations' abilities to achieve its aspirations. Alignment is about the

consistency in aspirations: consistency between aspirations and abilities, between aspirations and actions, and between abilities and actions. Articulation is how these four elements are articulated and explicitly expressed in the organization. Resistance refer to the different forms of resistance that building and maintaining trust have to face, such as skepticism whether the leader is sincere or realistic, fear of negative consequences, and frustration from being micro- or macro-managed.

According to Sally Bibb & Jeremy Kourdi (2004) the following characteristics have been identified in a culture of trust: shared values, a shared mission or goal, open and authentic leadership, a culture of consensus not force, a feeling of enjoying work, an atmosphere of fun and enjoyment, a desire to learn, not blame, and honesty and authentic conversations.

Following Stephen M. R. Covey (2006) organizational trust is build by applying the four principles for personal trust: integrity, intent, capabilities and results on the organizational level. For example, organizational integrity can be increased by creating or improving organizational mission and values statements, engaging all employees in the process. Organizational intent can be improved by ensuring that your mission and values reflect motives and principles that build trust. Organizational capabilities can be increased by taking steps to ensure that the structures and systems in the organization are designed to attract and retain the employees you need to be competitive. Organizational results can be improved by helping employees to create shared vision concerning desired results.

Following Mike Armour (2007) trust-based management should focus on four critical element: climate, character, behavior and culture. First leaders should create a 'climate of trust' so that employees feel **S**afe, **I**nformed, **R**espected, **V**alued, **U**nderstood, following what Armour calls the SIRVU formula. In order for trust to mature employees should see the following seven qualities in their leaders (the HI-TRUST formula): **H**umility, **I**ntegrity, **T**ruth, **R**esponsiveness, **U**nblemished fair play, **S**upport and encouragement, **T**eam care.

Summarizing, it appear that most authors argue that trust-based management should be based on leaders establishing personal trust by their own trustworthy behavior. The second element in trust-based management is to increase interpersonal trust throughout the organization, leading to a trust-based and cooperative culture in the organization.

Research Literature on Designing High-Trust Organizations

To supplement the analysis of management literature on trust-based management we now take a look at the research literature that explicitly deal with high-trust-organizations.

In the research literature Frédérique Six have studied the problem of building trust in organizations (Six 2003; Six 2005), and recently she has, together with Arndt Sorge (Six and Sorge 2008), studied policies that that are successful in creating trusting behaviour. In order to create high-trust organization, according to Six & Sorge, it is important to know how to stimulate interpersonal trust-building. Despite a wealth of research on antecedents of trust in general, 'we know very little about how organizations can (and do) enhance interpersonal trust' (Six and Sorge 2008, p. 858).

Based on a comparative case study Six & Sorge point to four types of organizational policies that may enhance interpersonal trust (Six and Sorge 2008, p. 866):

1. The creation of a culture in which relationships are important and showing care and concern for other person's needs is valued.
2. Facilitating of relational signalling among collegues.
3. Socialization of newcomers into the values and principles of the organization.
4. Managing, matching and development of employees' professional competencies.

A second interesting comparative empirical study is Maarten Verkerk's (Verkerk 2004) ethnographical study of trust and power relations in two Dutch companies, one showing a low-trust dynamics and one showing a high-trust dynamics. Verkerk concludes his analysis by reinterpreting the two cases from the point of view of trust and power constructing a trust - power matrix as shown in table 3 below.

A key characteristic of low-trust dynamics is found to be 'a continuous struggle of management to control and to de-power employees' (Verkerk 2004, p. 404). In response employees try to escape the controlling power of management and a low-trust-low-power spiral is fuelled leading to an organization with a low amount of total power. As a consequence, the effectiveness of the organization to solve problems, to continuously improve, and to adapt to the changing environment is rather low.

The fourth quadrant is characterised by high-trust and high-power relations. High trust makes empowerment possible and successful empowerment supports the development of

trust leading to an upward spiral of trust and power. The high-trust-high-power spiral result in an organization with a high level of total power.

Table 3. The power - trust matrix (Verkerk)

<div align="center">Trust</div>

		Low	High
Low **Employee** **power**		**I. Low-trust-low-power spiral:** Management struggle to control and de-power employees	II. Hierarchical organizations with shared goals. Unstable – move towards I?
	High	III. Unstable – move towards I?	**IV. High-trust-high-power spiral:** Empowerment supports development of trust. Trust makes empowerment possible

From the perspective of understanding the problem of designing a high-trust organization and plan the change process from a low-trust to a high-trust organization this study reveals that the evolution of trust and high-power dynamics are strongly intertwined. Trust fuels empowerment and successful empowerment fuels trust and an upward spiral of trust and power develops. Verkerk stresses that such an upward spiral of trust and power only evolves when both parties – management and employees – experience the development of trusting relationships and experience empowerment.

The relationship between trust and new organizational forms have been discussed by several other researchers. The link between trust and the network form have been discussed by Creed and Miles (Creed and Miles 1996) who argue that within the network form 'trust requirements are high and the consequences of failing to them severe' (Creed and Miles 1996, p. 26). Further, Creed and Miles find that:

'… both across the firms within a network and within the various network firms, there is little choice but to consider trust building and maintenance to be as essential as control systems building and maintenance are viewed in the functional form'… The network form is designed to operate with jointly set schedules, individually monitored. If the parties do not trust another to perform and instead act according to this lack of trust, the form will fail.'(Creed and Miles 1996, p. 30).

Creed and Miles further argue that because the costs of trust failures are so visible in the network form, both scholars and managers appear willing to treat trust building and trust maintenance as normal and expected managerial behaviours. According to Creed and Miles, it is possible to infer the emergence of a new management philosophy, *the human investment philosophy*, which is radically different from the earlier managerial philosophies: traditional (1800), human relations (1890-1920), Human relations (1920-1960, and human resources (19960-1990) (Creed and Miles 1996, p. 21). The human investment model is based on two basic assumptions (Creed and Miles 1996, p. 31):

1.   Most people not only want to contribute, but they also have the potential to continually develop their technical skills, their self-governance competency, and their understanding of business issues; and
2.   Most people are both trustworthy and anxious to be trusting in their relationships. They can and will develop broad interpersonal and inter-organizational interaction skills.

Although the network organization form is still evolving and the final shape of supporting managerial philosophy in not yet visible, Creed and Miles find that the network form demands a high level of initial trust, and that the evolution and effectiveness of the network form depend on a continuing willingness to expand trust and trust-building investments (Creed and Miles 1996, p. 32).

In contrast to the other forms, according to Creed and Miles, in the network form, investing in trust is found to occur at all levels of the organization. In more traditional organizational forms the consequences and the corrections for a trust deficit are more manifest at the interface of senior management and functional specialists (the functional form), of senior management and division executives (the divisionalised form), and between senior management and project teams (the matrix form). Creed and Miles concludes by stating that 'alternative forms have, we believe, clear trust requirements, and

managerial philosophies have clear levels of implied trust' and argue further that recognition of the explicit trust requirements of alternative organizational forms should give trust the economic substance it always deserved but seldom received (Creed and Miles 1996, p. 34-35).

Summarizing, I find that the management literature presents a much too simplified vision of this change process. Following this literature, the change process involves two main issues: how to increase interpersonal trust in the organization; and how to develop a high-trust culture in the organization. The description of the change process in the research literature presents a slightly more complex description, pointing to facilitating relational signalling (Six and Sorge 2008), empowerment strategies (Verkerk 2004) and the explicit use of a human investment philosophy (Creed and Miles 1996), radically different from earlier managerial philosophies.

Nevertheless, what remains is a rather fragmentary picture of what is involved in the processes of designing and building a high-trust organization. In the following section I introduce Alan Fox' (1974) analysis of low-trust vs. high-trust dynamics as a more solid foundation for analyzing the change from low-trust to high-trust.

Designing the Change Process from Low- to High-Trust Organizations

As we saw above the problem of designing high-trust organizations is an important problem that may not have received sufficient attention from management research. In this section I take the first step to analyze how management researchers may approach this problem. First, I present a framework for understanding the difference between low-trust and high-trust dynamics presented by Alan Fox in 1974. I argue that this framework gives a more encompassing perspective on the low-trust versus high-trust distinction. Second, I discuss how we may start analyzing the five specific design issues Alan Fox is outlining: aligning employees and managers around company goals and values; changing the control system towards emphasizing employee self-control; developing coordination by mutual adjustment; implementing a learning culture; and implementing a problem solving approach to conflict resolution.

Low-Trust and High-Trust Dynamics

In order to get a better understanding of the change process from low-trust to high-trust organizations we may look for authors who have analysed these notions more deeply. To my knowledge, the best discussion of high-trust organizations is presented by Alan Fox (1974), who seems to have been one of the first explicitly discussing the notion of low-trust and high-trust organizations. It should be mentioned that the primary focus of Alan Fox' discussion was a concern about the rising importance of low-trust dynamics in British industry. The rising importance of high-trust dynamics was not an issue discussed explicitly by Alan Fox.

Alan Fox based his discussion of low-trust and high-trust relationships on the distinction between low-discretion and high-discretion work. What is demanded of the subordinate in low discretion work is obedience and conformity. The requirement is that the subordinate adhere to the prescribed procedures and instructions laid down in the form of external controls that may take many different forms, technical, physical, and administrative.

The low discretion work role is contrasted to the high discretion work role demanding a radically different form of behaviour most clearly visible in the changing form of control. While low discretion work typically is subject to external control high discretion work is not subject to formal control, but control is expected to come from within, in the form of self-control:

By contrast, performance of the discretionary content requires not trained obedience to specific external controls, but the exercise of wisdom, judgement, expertise. The control comes from within – it is, in the literal sense, self-control. The occupant of the role must himself choose, judge, feel, sense, consider, conclude what would be the best thing to do in the circumstances, the best way of going about what he is doing (Fox 1974, p. 19).

Alan Fox applies the distinction between low-discretion and high-discretion work to the characterization of two sharply contrasting work role patterns referred to as the low-discretion and high-discretion syndromes. The *low-discretion syndrome* is characterized by a) a perceived disposition on the part of super-ordinates to behave as if the role occupant cannot be trusted; b) the imposition of close personal supervision, specific impersonal rules, or other forms of systematic control generating a mutually reinforcing circle, leading

to declining mutual trust; c) the imposition of tight coordination through externally applied standardized routines and schedules, ruling out the open unrestricted communication and interaction patterns appropriate for problem solving; d) An assumption that failures or inadequacies of performance result from negligence or insubordination; and e) a tendency for conflicts to be conducted on group basis through bargaining, with an acknowledged divergence of interest (Fox 1974, p. 25-30 and p. 73).

Table 4. Low-trust and high-trust Dynamics (Fox)

	Low-Trust Dynamics **Control-Based Management**	**Design problem**	**High-Trust Dynamics** **Trust-Based management**
Degree of shared goals and values	Leaders behave as if employees cannot be trusted and that they do not share organizational goals and values	→	Leaders behave as if employees can be trusted and have commitment to organizational goals and values
Supervisory pattern and control	Close supervision and bureaucratic rules generate a mutually reinforcing circle, leading to declining mutual trust	→	Self-discipline is achieved informally through pressures that colleagues exert upon one another
Coordination of activities	Imposed and standardized coordination calls for restricted interaction and communication patterns between lower and higher ranks	→	Coordination by mutual adjustment, involving transmission of new information, and involving communication across hierarchical lines
Response to failures and inadequacies of performance	Failures are regarded as due to careless indifference to job rules, calling for more rules, punishment, or intensification of supervision	→	Failures and inadequacies are regarded as due to substandard exercise of discretion and as an occasion for learning
Model for handling conflicts	Conflicts is handled on a group basis through a bargaining process due to perceived lack of consensus on goals	→	Since the assumption is that goals are shared conflicts are handled by either the model of 'problem solving', or that of persuasion

Source: Elaborated on the basis of Fox (1974)

In contrast the *high-discretion syndrome* is characterized by a) an assumption by super-ordinates of personal commitment on the part of the role occupant to the goals and values of the organization; b) freedom from close supervision and detailed regulation by specific impersonal rules. Self-discipline is achieved informally through pressures that

colleagues exert upon one another; c) emphasis on problem solving and coordination by mutual adjustment, involving a relatively open network of communication and interaction, with those in super-ordinate or leadership positions being seen as supportive colleagues; d) a tendency for inadequacies of performance to be categorized as honest misjudgment rather than as derelictions of duty or insubordination; and e) the handling of disagreements on a basis of "working through" in the light of shares goals rather than on a basis of bargaining in the light of divergent goals (Fox 1974, p. 30-37 and p. 77).

While the low-discretion syndrome present a picture of the rank and file production worker, in contrast, the high-discretion syndrome is suggested as an appropriate model for studying the work situations of occupational groups such as 'senior managers, functional specialists, doctors in hospitals or partnership practice, university teachers, research scientists, lawyers, architects, small élite military units, and top administrative groups' (Fox 1974, p. 36).

Alan Fox characterizes 'high-trust relationship' as

'one in which the participants share certain ends or values; bear towards each other a diffuse sense of long-term obligations; offer each other spontaneous support without narrowly calculating the cost or anticipating any equivalent short-term reciprocation; communicate freely and honestly; are ready to repose their fortunes in each other's hands; and give each other the benefit of any doubt that may arise with respect to goodwill or motivation' (Fox 1974, p. 362).

The relationship between top management and the occupant of a high-discretion role can, according to Alan Fox, usefully be explored, with the aid of a model characterized as a reciprocal balance of high-trust in which each bears towards the other a sense of diffuse long term obligation. The relationship between top management and the occupant of a low-discretion role, on the other hand, is one of imbalance of reciprocity (Fox 1974, p. 98). The analysis of work discretion and trust relations by Alan Fox may inform the discussion on high-trust organizations in several ways. First, following Alan Fox, the growing importance of high-trust organizations may be related to a widening of the part of employees granted high-discretion work roles as we have experienced in the recent wave of organizational change where 'ordinary workers' have higher discretion (Boltanski and Chiapello 2005). Second, Fox' analysis may remind us that organizations cannot be characterized as either low-trust or high-trust, but may combine both low-trust and high-trust relations in different degrees. The low-trust vs high-trust model presented above stress the two extremes of what may be conceived as a continuous variation of the

balance between low-trust and high-trust dynamics. Third, Fox point to the close relation between high-discretion work roles and self-control, an issue that seems to be a key element in recent organizational change.

In the following I explore how the design problems in relation to the five different aspects of the low-trust vs. high-trust dynamics.

1. Aligning employees and managers around company goals and values

The first issue, that may be seen as 'fundamental and basic in the sense of explaining the others' (Fox 1974, p. 26), concerns the assumptions on which the leader-employee relations are based. In low-trust dynamics the employee perceives super-ordinates as behaving as if they believe he cannot be trusted. Their 'behaviour', in this context, refers to the ways in which they design, for example, task rules, supervisory inspection, and other control systems which govern him.

In high-trust dynamics employees are expected to share organizational goals and values. An important issues for management is then to align leaders and employees with organizational values and goals.

Alan Fox states that when an employee has high discretion it becomes crucial for his superiors, that 'as far as possible he identifies himself with their purposes; that as far as possible his values, interests, and goals are integrated with theirs' (Fox 1974, p. 58). There are several means by which managers can try to achieve this; by assimilating the employee socially in the management group; using approval and disapproval to tailor him into the desired way of thinking and perceiving; by training, educating and socialising the employee; or offering a level of rewards, opportunities and prospects which make it apparent for the employee that his it is beneficial for him to align with organizational goals and values.

 An important issue to obtain alignment around organizational values and goals is to work explicitly on values-based management (Gillespie and Mann 2004; Barrett 2006; Dolan, Garcia et al. 2006). In their study of policies that enhance interpersonal trust Frédérique Six and Arndt Sorge (Six and Sorge 2008) point explicitly to the importance of socializing employees into the values and goals of the organization. Seen in this perspective values-based management then becomes an important element in trust-based management.

Empirical studies of values-based management in Danish companies (Hagedorn-Rasmussen and Jagd 2007), suggest that we may distinguish between two radically different types of values-based management. The label of values-based management 1.0 is applied for the, rather common, use of value-statements primarily for PR-purposes only, with no or rather small effects on actual practices. In contrast values-based management 2.0 is based on active involvement of employees in the translation of organizational values form overall principles to daily practice. For the purpose of radically transforming leader-employee relation, it is necessary to apply this last form of values-based management.

2. Changing the Control System towards Employee Self-Control

According to Alan Fox, it is a feature of the low-discretion syndrome that close supervision and bureaucratic rules generate a mutually reinforcing circle. Based on this situation of declining mutual trust, managers sees further intensification of supervision or rules as necessary.

Along with high-discretion work goes the belief that close supervision and detailed regulation by impersonal rules would be inappropriate. Following Fox '[t]he whole aspect of control over high-discretion work reveals such significant differences from that exercised over low-discretion work as to bring out he essence of the distinction' (Fox 1974, p. 33). In high-discretion work self-discipline is achieved informally through the pressure that colleagues exert upon on another like the processes we see in professions.

In the discussion of the relationship between trust and control it is suggested that there are two basic approaches to control: external measurement-based control and internal values-based control (Eisenhardt 1985). The measurement approach may focus on the behavior of employees (behavior control) or on the outcome of those behaviors (outcome control). From this perspective we end up with three control strategies, two are performance evaluation strategies (behavior and outcome based) and one which is a social based strategy (social control/ 'clan control'). According to Eisenhardt 'the task characteristics determine which control strategy is appropriate' (Eisenhardt 1985, p. 136) as shown in the following figure adopted from Das and Teng (2001):

Table 5. Forms of Control

		Knowledge of the Process (i. e. Task high	**Transformation** Programmability low
Outcome	high	Behavior control and output control	Output control
Measurability	low	Behavior control	Social control

The two performance based strategies is also called formal modes of control, while the social control strategy is also referred to as informal or normative control, including norms, values and culture. The distinction between three control strategies gives rise to two ideal types of control. External measurement-based control is achieved through actors' regulation of their behavior in exchange for expected rewards or the avoidance of sanctions. Normative control, on the other hand, is achieved through the negotiation of meaning. Control in this last sense is at a deeper level, involving actors' preferences and not merely their expectations (Maguire, Phillips et al. 2001).

William Ouchi (1981) pointed very early to the importance of social control in Japanese companies, giving it the label clan control. Ouch point that clans work on the basis of trust.

Luc Boltanski and Eve Chiapello (2005) argue that the development of self-control as the new key element in organizational control is the most important change in recent management:

'Oversimplifying, the transition form control to self-control, and the externalization of control costs formerly met by organizations on to wage-earners and customers, may be regarded as the most significant features of the evolution of management in the last thirty years.'(Boltanski and Chiapello 2005, p. 81).

As we saw above Alan Fox argued that in high-trust organizations 'control comes from within – it is, in the literal sense, self-control' (Fox 1974, p. 19). In the ideal typical situation self-control is achieved informally through pressures that colleagues exert upon one another – through peer-control.

In order to advance self-control by employees management must start trusting employees, empowering them (Verkerk 2004), and accepting that they occasionally make wrong decisions. This initial trust in employees has to be met by employees actually being worthy of trust.

Managers wishing to move in the direction of high-trust organization should, according to Reinhard Sprenger (2004) invite employees to trust by making themselves vulnerable. Leader vulnerability can be created by getting rid of time-monitoring systems and trusting employees to have their own quality standards for themselves and their work. Following Sprenger leader vulnerability and the trust in employees it signals brings employee commitment by binding employees to respond leader trust. Employees being trusted normally will respond with trustworthy behavior.

Reinhard Sprenger point that the binding effect of trust means that trust turns out to be control in a new form, in the form of self-control. It does not mean that all forms of measurement and control of production will disappear. Following Sprenger 'if trust predominates, checking has an informative, supportive role. If distrust predominates, checking is experienced as restrictive and inimical to trust' (Sprenger 2004, p. 109).

3. Developing Coordination by Mutual Adjustment

This element relates to another aspect of control – the coordination of activities between employees and between employees and their leaders. In low-discretion work structures the need for imposed and standardized coordination has implications for the whole pattern of interaction and communication. Since problems of coordination are expected to have been planned for through workflow design and bureaucratic discipline there is only needed highly restricted interaction and communication patterns between lower and higher ranks (Fox 1974).

In contrast, the nature of coordination among the occupants of high-discretion work roles calls for problem solving relations instead of standardized, externally imposed coordination. What is called for is what Thompson (1967) calls coordination by mutual adjustment involving the transmission of new information during the process of action and may involve communication across hierarchical lines. This results in interaction and communication emphasizing the free flow of ideas, suggestions, criticisms, advice and consultation characteristic of high-trust work structures (Fox 1974).

This design problem is dealt with under the label of lateral processes in the organizational design literature. As argued by Jay Galbraith in organizations facing continuous change 'lateral processes become the principal means of coordinating

activities' (Galbraith 2002, p. 38). The first challenge for the organization designer is to match the amount of lateral coordination needed to execute the different types and amounts of lateral processes in the organization.

According to Galbraith (2002, p. 40) the need for lateral coordination depends on whether the company's strategies and task involve the following: diversity, rapid change, interdependence between functional units, internet connected processes, and speed.

4. Implementing a Learning Culture

This aspect concerns the official response to failures or inadequacies of performance. In low-discretion work structures the assumption is that failures result from indifference to job rules and organizational goals. Occupants of highly prescribed work roles are required to obey to ensure the appropriate performance. Failures then indicate that the employee has failed to observe the specific rules laid down for his or her behavior.

In high-discretion roles failures are regarded as due not to deviance or neglect, but to 'substandard exercise of discretion' (Fox 1974, p. 35). The general approach is the approach of an organizational learning culture .

5. Implementing a Problem Solving Approach to Conflict Resolution

The last issue relates to the way in which conflicts between employees and superiors are handled. In low-discretion work structures conflict is handled on a group basis through bargaining processes. Bargaining is assumed to be the appropriate mode of conflict resolution since goals to some extent are assumed to diverge. In high-discretion work structures it is assumed that goals are shared. The mode of handling conflicts then has to be either that of problem solving, based on the assembling of information and elaboration of relevant alternative solutions; or that of persuasion based on the assumption of sharing common goals. According to Alan Fox (1974, p. 35). there is a continuum between problem solving and bargaining which matches the continuum of discretion.

Summary

The specific problem considered in this paper is what are the key issues managers should consider when they are designing and implementing a change process from low-trust or middle-trust to a high-trust organization. As we saw the management literature we find a simplified description of this change process pointing to two main issues: how to increase interpersonal trust in the organization by behaving as a trustworthy person; and second, how to develop a high-trust culture in the organization. The research literature gives a slightly broader description pointing to the intertwining of the issues of trust and of power, and the need for relational signalling. But a general description of the change process from a low-trust to a high-trust organization is not found.

I argue that a better understanding of this change process can be gained by drawing on Alan Fox's (1974) models of low-trust and high-trust dynamics. Based on Alan Fox's analysis we can divide the design problem into five specific design issues: aligning employees and managers around company goals and values; changing the control system towards emphasizing employee self-control; developing coordination by mutual adjustment; implementing a learning culture; and implementing a problem solving approach to conflict resolution.

The problem of designing high-trust organizations may involve even more issues than the five discussed in Alan Fox's analysis of low-trust and high-trust dynamics. The main argument here is that by focusing on these five issues we have a basic understanding of the complexity of the change process.

Another conclusion from this analysis is that when managers attempt to design and build high-trust organization this activity must draw on several of the most important streams of literature in management research. The most important relevant perspectives that should be included is literature on the building of interpersonal trust, on the creation of trust-based organizational cultures, on values-based management, on changing forms of management control, on self-control and self-leadership, on coordination of lateral processes, on organizational learning, and on problem solving and conflict resolution.

Empirical studies of trust-building processes will be important for both testing the relevance of Alan Fox's analytical framework and for understanding the finer details of the change process from low-trust to high-trust organizations.

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