

Trust in Leadership for Sustaining Innovations: How Leaders Enact on Showing Trustworthiness

Prof. Taina Savolainen

*Department of Business, University of Eastern Finland, Joensuu, Finland
Chief Examiner of the Finnish Quality Award*

Dr. Palmira López-Fresno

President, Service Quality Committee-Spanish Association for Quality, Madrid, Spain

ABSTRACT

In the environment of continuous change today, trust is needed more in most organizations but is enacted less. This paper discusses trust in leadership. Trust is the essence of leadership forming a foundation for functioning relationships and co-operation. Trust is intangible asset, a managerial skill, and an influencing power for leaders. Leadership by trust emphasizes trustful behavior towards employees. It can be defined as an interactive way of leading organizations for effectiveness and profitability. In this paper, we suggest that, it is trustworthiness in leader behavior that matters. Showing trustworthiness by competence, integrity, benevolence, and credibility makes a difference in daily leadership work and sustaining innovations. This paper focuses on how leaders enact on trust by showing trustworthiness to subordinates. Real life case examples are presented and their implications are discussed. In conclusion, leadership by trust matters in building innovative work environment. As to untrustworthy leader behavior, it is worth noting that building and sustaining trust is reciprocal in nature. A practical implication for leaders is that the development of an awareness of trustworthiness and skills for demonstrating it should be a top priority in the current business environment, which demands strong interaction, cooperation, and communication abilities.

Keywords: Leadership, Sustainable Innovation, Trustworthiness

1. Introduction

This article examines trust in leadership by looking at trustful or distrustful leader behavior towards employees and its consequences to organizations. The objective of the article is to increase leaders' awareness and knowledge of the importance of building interpersonal trust within work relationships, particularly between leader and follower. The article looks at trust in a relational context, which means that trust develops and evolves in interactions and relationships between organizational actors ([Mayer et al., 1995](#)). Trustworthiness is examined through leader behavior and in the context of intra-organizational, inter-personal work relationships. The main question is how leaders show trustworthiness by building and sustaining or violating trust. The consequences of trust and lack of trust for collaboration activity, commitment, and mental work well-being are discussed.

There is no doubt that studying the topic of trust is highly timely, relevant and meaningful. This is grounded in the recently increasing awareness that existing bases for social co-operation, solidarity, and consensus have been eroded and new alternatives are needed. Because organizational change is a frequent threat to trust, better understanding is needed of ways of enacting on trust in inter-personal work relationships within organizations. However, the consequences of intra-organizational trust spread far beyond the organizational boundaries. In trustful leader behavior, competence (ability) is seen one of the main dimensions of trustworthiness, together with three other factors: integrity, benevolence, and predictability. Distrust is associated with negative expectations and a lack of confidence in the other party. Distrust also involves the belief that one party may not care about the other's welfare and may act harmfully ([Lewicki et.al, 2006](#); [Gillespie & Dietz, 2009](#)). Mutual trust and perceptions of trust play a crucial role in

trustworthiness pertaining to cooperation and interpersonal and inter-group relationships in organizations (Ferrin et al., 2008). Personality is also a strong facet of trusting (Ben-Ner & Halldorsson, 2010).

2. Trust, Leadership and Innovations

Trust is one of the most frequently examined constructs in recent organizational literature (Burke et al., 2007). Following the well known definitions of Deutsch and Rotter (1962 and 1967), trust comprises a person's beliefs and expectations on how the trustee will behave. Interpersonal trust is defined as the individual's or group's expectation that the word or promise – verbal or written – of another individual or group can be relied upon.

The importance of trust in leadership has been widely recognized in the literature and business practice. In this paper, trust in leadership is seen as an influential force for the management (Savolainen, 2011). Trust enables good leadership. In leadership, creating collaborative relationships draws on one of the core concepts of the leadership literature: on *interpersonal influence* (Yukl, 2010), and on the important role that managers play in acquiring, selecting and sharing information. The influencing in leadership becomes visible in innovative behavior, i.e., in catalyzing new ideas and innovations (Savolainen, 2008, 2010). This view proposes that management is a "natural", active part of the innovation process. Literature of trust and innovation seem to overlap in many points. When trust is looked from the organization behavior and management point of view, the link between the two appears in organizational culture, leadership, climate, learning, change and creativity. They all are connected with managerial and leadership behavior and with efforts to create atmosphere for organizational innovativeness in leadership.

Leading by trust is interactive, collaborative management style that nurtures innovations (Savolainen, 2011). In a change processes, leaders influence by sowing the 'seeds' and promoting new ideas, visions and goals. But before ideas can be implanted, collective faith in them and the acceptance of organization members are needed. The amount of support matters. Getting support challenges leaders' influential power. It is about trustworthiness that is shown by competence, integrity, benevolence and credibility (Möllering et al., 2004). In this communication plays a major role.

3. Consequences of Trust to Organizations

Trust affects organizations in various ways. It has influence on information and knowledge sharing and, thus, *innovativeness*, commitment, and identity (Savolainen, 2008). Trust is both organizational- and individual-based (Lewicki et al., 1998). Innovation, in turn, is a consequence, a 'fruit' and positive effect of trust. Trust interrelates to innovation, for example, in risk taking, acceptance of lower management control, sharing of information and knowledge, empowerment, freedom, and visionary leading. By concluding, currently developments in organizational culture and management aim to achieve climate which pursues balancing trust and control, and competition and co-operation. Innovations may be produced within these conditions. Therefore, understanding trust and innovation and their linkages become important to all organizations sustaining innovations and competitiveness. Some studies show connection between trust and productivity which is mediated by leadership and management. Innovation may result in economic gains. This way trust and innovation support competitiveness (Nahapiet & Ghoshal, 1998). Three aspects appear particularly pertinent for competitiveness: flexibility, co-operation and learning. These aspects require organizational openness both in structure and with regard to individual and group behavior. Finally, researchers and practitioners examine and apply the concept of trust as a way of enabling managers to achieve competitiveness while reducing social uncertainty and vulnerability through *building trust*.

4. Leader Trustworthiness

Human resources management has become more and more competence-oriented in the knowledge-intensive society. Organizations focus on offering career opportunities for personnel and fulfill their motivational needs in order to build commitment. An employee's commitment to their work and the organization is related to mental well-being, and both affect the success of the organization. As trust appears at many levels, organizational or managerial, it is multi-faceted. Trust between leaders and followers is manifested in frequency, and quality of interaction and communication, among others.

Trust forms a basis for functioning relationships in organizations. Employees in organizations create trustworthiness towards leaders by performing their daily tasks skillfully (Savolainen, 2011; Häkkinen et al., 2010). If feelings of insecurity in workplaces prevail it may be often a reason for atmosphere-related problems such as teasing, conflicts, and disputes. All of them affect the level of trust. Work well-being is largely sustained by supervising, but also sufficient emotional support such as appreciation, respect, openness, and feedback. Commitment to work and the organization is reflected in employees' work motivation and satisfaction, i.e., work welfare (Häkkinen, 2011).

Employees who trust their leaders work effectively and have a high level of commitment. In addition, they share ideas and knowledge, including tacit knowledge (Savolainen & Malkamäki, 2011). Trust in the behavior of other people grows when cooperation is reciprocal. Psychologically, trust declines most often when positive expectations are disconfirmed (Lewicki et al., 2006). Respect and appreciation stimulate the development of trust, while poor leadership underestimates employees' personal competences. This results in declining work and company performance eventually. By concluding, trust matters (Zaheer et al., 1998).

Building trust is considered an essential activity in managerial leadership. However, enacting on trust, i.e., the task of building and maintaining trust is complex and challenging (Savolainen, 2010, 2011). Leader's traits, leadership style, and skills matter in building trust and showing trustworthiness. By implication, leader's mundane behavior plays a key role; trust is built and maintained by leader's small daily deeds and not just great promises. In addition to leader behavior, organizational culture plays a key role in the development of trust and distrust in an organization. Culture is largely influenced by leaders' actions. In the case of a very authoritarian management style, for example, employees become socialized by the actions of their leaders and adopt the style. As managers act as role models to subordinates, leaders who fail to behave in the expected ways earn disrespect. This has consequences to the entire organization. Further, subcultures within organizations play a role in employee socialization and commitment to the organization. Subculture may be even more strongly related to work commitment than the overall organizational culture (Savolainen & Häkkinen, 2010).

5. Real life Examples of Trust and Distrust in Leaders

In this chapter four brief case examples of trust and distrust in leaders are presented. They are based on a qualitative empirical studies made in manufacturing and service organizations in Finland (Häkkinen, 2011; Savolainen & Häkkinen, 2010, 2011) and Spain. Companies are SMEs, service, and not-for-profit organizations. Some of them are well recognized in their own business fields. The primary and secondary data were used to gather qualitative data from several actors and sources, the leaders, employees, and human resources manager. The themes of the interviews focused on trust, leadership style, and leader behavior. A qualitative research approach was well grounded due to the nature of the topic (Myers, 2009).

5.1 Examples of Trustworthy Leader Behavior

Case company A

Company A manufactures and sells structural parts for the automotive industry, hardware stores and other applications. The company's headquarters are in Barcelona, Spain, and it has 75 employees. Management is based in the principles of Customer Service, Respect for People, Sustainability, Continuous Improvement and Innovation. Special emphasis is put on training and continuous improvement, to improve products, processes and overall competitiveness. The Company has several programs to involve employees in continuous improvement (CI), based on three pillars: training, communication and participation. More than 70% of employees participate in one or the other program. The results are the evidence by the high level of motivation and integration by the staff towards the mission and objectives of the company, and a considerable amount of savings per year.

The organizational chart of the company is quite hierarchical. Leadership style is based on sound competence of the general manager and built on deep knowledge on the field of activity, integrity, high ability to empathize with people and a style of walking around. Although the leader is very demanding and authoritative, he listens to people through a wide range of channels and feedback is given to them continuously. Thus, co-operation and co-creation are pillars in managing the organization affecting positively the motivation of people, productivity and global competitiveness.

Case company B

The case company B is a vegetable supplier with customers who are predominantly professionals in the food industry (e.g., restaurants and catering companies) in Finland. The company employs 25 people including general manager, financial manager, and sales and marketing manager; the rest of the employees work in production. The leadership style in company B was democratic and participative. The atmosphere in the organization encouraged open communication and debate. The company has a flat organizational structure with flexible job descriptions; authority, responsibilities, and liabilities are more dispersed and shared, which lead to a more diverse division of daily work. Collaboration was successful between employees and managers and it was found important.

5.2 Examples of Untrustworthy Leader Behavior

Case organization C

The case organization C is an association of engineers based in Spain, with 65 employees that include a general manager and 5 division managers; the rest of the employees work in administration. The association also has several committees constituted by members. Since the association was set up, membership was based importantly in the ability of the members to sign licenses, so in these cases it was mandatory. Due to a modification in legal regulations in 2010, an important part of the traditional incomes, coming from licensing, were missed, as the need to sign licenses was eliminated. So the association needed to face an important transformation to be able to provide added value to their members, present and future. This transformation should be based in an important cultural change, as until that moment its employees had a passive attitude to selling and continuous improvement, two important factors to successfully face the new context.

One of the first consequences and measures the general manager took after the change in legal regulations was to downsize the association. Several staff members were fired gradually. But the downsizing was done without a proper communication process from top management, who made all the decisions showing a authoritarian, non interactive leadership style. This, employees did not properly understand the specific reasons in each case. Yet, they knew a transformation was needed and perceived the whole process as a lack of respect by the general manager. Distrust was a prevalent reaction to the general manager's attitude and behavior. As a consequence they started to feel insecure, speculate about the future and did not trust in top management any more. A negative atmosphere developed which affected motivation, inspiration and productivity. The negative atmosphere was also perceived by the members of the association which

affected them, and the association. The distrustful climate had a wide negative impact on co-operation and co-creation among the key stakeholders, i.e., between employees, members and management.

Case company D

The case company D manufactures and sells valves and pumps, and it operates worldwide. The company's headquarters are located in Finland. At the time the research was done, 43 people worked in the company. Four of them were middle managers and one was a general manager. Half of the employees worked in the manufacturing department and the rest were office workers in marketing, purchasing, sales, and financial administration. Some of the functions, such as cleaning and maintenance, were outsourced. The company has sales representatives all over the world.

The leadership style in company D was fairly authentic and the organization structure was quite hierarchical. Middle managers had formal responsibility, but this was not actualized; the general manager made all the decisions. Also, the behavior of the general manager was neither predictable nor equal toward employees. Open dialogue between managers and subordinates did not occur. Fear and suspicion were prevalent reactions to the general manager's attitude. Thus, co-operation and co-creation could not develop between employees and management in the organization.

6. Key Findings from the Cases

In the case organizations it seemed that employee trust or distrust towards the organizations and leaders develop as a result of appreciation or undervaluation of people by skilful or unskillful management, and authentic (democratic) or authoritarian leadership styles. In the cases of trust, for example, in the company B, spontaneous sociality emerges between organization members as an indication of the trustful atmosphere and a demonstration of trustworthiness (cf. Fairholm & Fairholm, 2000). In the cases of distrust, for example, in the company A, a distrustful atmosphere prevails, which hinders communication and interaction. Poor leadership underestimates employee competences. As a result, trust does not develop, and disputes and conflicts occur. Eventually, such situations show declines in employee and company performance.

Low leader trustworthiness in the company A was associated with the development of subcultures. Employees did not trust managers, particularly the top management (i.e., the owner-manager). This manager lacked business knowledge and knowledge of the industry, and did not possess the necessary leadership and management skills. As a result, leader behavior by top management was perceived as untrustworthy due to incompetence in business and leading people. This was reflected in the leader's actions, which aroused suspicions and mistrust among employees. Incompetence and unethical behavior by the leadership of company A lead to emerging distrust in the organization. In the course of time, distrust permeated the organization and resulted in declining well-being and a low level of commitment to the organization.

Further, an interesting finding in the cases of distrust is that, despite the lack of trust, the employees were still confident with their own competencies and skills, but felt that the organization was not worthy of them. They still had faith in themselves and trust in a future outside the organization. It is also somewhat contradictory that people were highly confident with the continuity of work and felt physically well, despite evidently low levels of mental well-being. Trustworthiness and untrustworthiness of general managers is represented by the leadership style. In contrast to the cases of distrust, the leadership style in the cases of trust is very democratic and participative, thus stimulating interactions and co-creation with employees. Internal communication is flowing and frequent; this is supported by the flat organizational structure. The structure also enables open communication and high morality in the treatment co-workers.

7. Conclusions and Implications

In the case studies presented, the enacting of leaders on trustworthiness clearly demonstrate the difference between trustworthy and untrustworthy leader behavior and its consequences to employees and organizations. In these cases, there are a few important lessons to be learned. Firstly, you can favorably influence the workplace atmosphere by showing trustworthiness through competence, integrity, benevolence, and predictability (cf. Möllering et al., 2004). In the cases of A and B, a trustful climate prevails, along with evidence of enthusiasm, high commitment levels, effective communication, and knowledge sharing. As a consequence, new ideas are produced and innovativeness nurtured through open communication and supportive workplace climate (Savolainen & Häkkinen, 2011; Häkkinen 2011).

In contrast, the cases C and D reveal a distrustful atmosphere, fear, low commitment levels, and a lack of willingness to collaborate and share knowledge. Secondly, employees become socialized by a leader's good or bad habits and the action style of their trustworthy or untrustworthy leader. As culture develops by unwritten, enacted daily manners strictly influenced by the leader, a lack of respect and appreciation stimulates feeling of distrust (Fairholm & Fairholm, 2000). Consequently, mistakes are hidden, knowledge is not shared and new ideas are not developed. There is not a ground for innovations to grow in the company.

In conclusion, a leader's competence (ability) is one of the key dimensions in showing trustworthiness. The cases presented imply that it is the *small mundane deeds of the leader that matter to the development of employee trust or distrust in their leaders*. Leaders should increase their awareness and knowledge about building trust, and they should develop behavioral skills for demonstrating trustworthiness. Trustworthiness cannot be overemphasized as a leadership trait and managerial skill. It should be on the top-three list of leader competences, along with the social skills. As to sustaining trust, the development of communication and collaboration skills should be prioritized in social skills.

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Authors' Background

Prof. Taina Savolainen is Professor of Management and Leadership at the University of Eastern Finland, Dpt. of Business. She has held Professorships in Organization & Management, and Quality Management in several Finnish universities. Prof. Savolainen is specialized in trust within organizations, leadership, organizational change, and global competitiveness management. She is internationally recognized scholar. Her doctoral thesis was nominated to the Thesis Award in Europe by the EFQM. Prior to taking up her academic appointments, Prof. Savolainen has worked as a corporate adviser and deputy director in the Ministry of Trade and Industry. She has been extensively involved in management training and consulting for both private and public sector organizations. Her academic achievements have been recognized in Who's Who in the World, and Finland with over 100 international academic publications, some of them available on-line at uef.academia.edu

Dr. Palmira López-Fresno is President of the Service Quality Committee - Spanish Association for Quality (AEC), Vice-president of AEC and Executive Director for Catalanian Country – Club Excelencia en Gestión (NPO of EFQM). She worked before within and for different organizations as Vice President Quality Management and as a Corporate Quality and Environment Director, as well as a Consultant and Coach. Her research interest is in the areas of Leadership, Integrated Management, Business Process Management, Service Quality, Innovation and Excellence. Senior Member of AEC and ASQ. Author of several books and articles.