

# Organizational Identity and Trust

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## Abstract

This paper focuses on organizational identity and trust. The paper is being created from a theoretical point of view. Exploring concept and their interrelation is important and valuable scientific work with the purpose of better understanding their meaning and interrelation. This kind of conceptual and theoretical examination has an important task as a basis for theorizing and theory creation. Both identity and trust are multilevel notions. Both concepts describe an abstract phenomenon that is of growing interest in organization field of study. Despite of the conceptual ambiguity both identity and trust can be argued to be relative and qualitative by nature. In addition, they both are commonly seen as the property of a collective at the organizational level analysis. They both can be understood being affected by meanings, understanding and interpretation. They can also be understood being created and maintained in social interaction. There are several concepts that are related to the concept of organizational identity. In this paper we create a link between organizational identity and trust. The link can be understood by exploring organizational identity's related concepts self-identity and identification. Both concepts are also crucial in understanding trust. In addition, in order to understand organizational identity's and trust's interrelation one must also explore the concept of commitment. Identity in an individual level, self-identity, can be characterized as individual's theory of oneself. Identification in

turn, has been defined as an individual's sense of oneness or belongingness with an organization. Organizational identity can be understood as if a part of an answer relating to identification: To what is someone identifying themselves with? Commitment has commonly been characterized as the psychological strength of an individual's attachment to the organization or as the relative strength of an individual's identification with the organization and involvement in a particular organization. Trust in return is the key in creating greater commitment to an organization. Trust however, does not create identification. Instead we believe organizational identity affects the level of identification of individuals within organization which in return creates trust. In general the approach presented here encourages an enhanced awareness of interdependence and embeddedness of the concepts organizational identity, membership identification, commitment and trust.

## Keywords

Organizational identity, self-identity, identification, trust, commitment

## Introduction

This paper focuses on organization identity and trust. The paper is created from a theoretical point of view. Exploring concepts and their interrelation is important and valuable research area with the purpose to better understand their meaning and interrelation. This kind of conceptual and theoretical examination has an important role as a basis for theorizing and theory creation. There are several concepts related to organizational identity. In this paper we create a link between organizational identity and trust. The link can be understood by exploring the concepts of self-identity and identification that are related to organizational identity. Identification is also a significant trust-making mechanism. In general the approach encourages an enhanced awareness of interdependence and embeddedness of the concepts. First, we explore the multilevel notion of organizational identity. Then, we present the concept of trust within organization. Finally, we conclude by building a bridge between these two phenomena.

## Identity as a multilevel notion

Exploring identity has its origin in examining it at an individual level. The phenomenon has interested philosophers such as Socrates, Plato and Aristotelian in the ancient Greece. Concepts of identity and self can be perceived as the most important concepts in sociology and social-psychology. Identity at an individual level can be characterized as individual's theory of oneself. Identity helps seek answers to questions like "who am I?" "Who do I want to be?" "Who could I be and what are my goals in life?" "How do I handle my relationships to other human beings?" "What is my place within society as a human being?" Thus, identity can be understood as referring to different meanings that individuals associate with themselves. Typically humans characterize themselves based on structural features of a group membership or with the help of characteristics that an individual him/herself associate with herself. In other words, identity is formed by different characterizations of oneself. It has also

been stated that identity illustrates the desire and need human beings have to interpret themselves as being part of something, a certain entity. Therefore, it can be concluded that humans have a natural desire to belong to a group. (Aaltio, 2004; Barney et al., 1998; Bernstein, 1986; Houtsonen, 1996; Huotelin, 1992; Rönholm, 1999). According to the social identity theory, self-image is largely defined on the basis of how individuals are perceived and interpreted by others and how others bring out the impression they have formulated.

As time went by, researchers became interested in exploring the phenomenon of identity more systematically. They extended the research to identity and its illustration at a group level. Based on, for example the work conducted by Erickson (1964), it was discovered that not only does identity have an effect on how we perceive ourselves or how we categorize ourselves in relation to others, but it simultaneously creates team spirit between individuals in tight relationship and interaction with one another.

Finally, research was extended to organization level when Stuart Albert and David Whetten began their research at the University of Illinois in 1979. In the year of 1985, the very first definition of organizational identity was introduced. Albert and Whetten suggested that organization identity consists of those attributes that members feel are fundamental to the organization, uniquely descriptive of it and persisting within it over time. In other words, organizational identity refers to what is central, distinctive and enduring in an organization, when considering its past, present and the future. Organizational identity is commonly seen as the property of a collective. In other words, organization's identity defines a more or less shared and collective sense of "who we are as an organization".

Based on the previous chapter it is easy to understand that identity at the individual level and identity at the organization level are interrelated. Theory and research results have also indicated a close relationship between self-identity and organizational identity. (Ashfort & Mael, 1989; Dutton et al., 1994; Elsbach & Kramer, 1996; Scott & Lane, 2000). The relationship between individual and organizational identities is regarded as reciprocal, such that organizational identities can influence individual behaviour, and individual behaviour can influence organizational identity. (Pratt & Foreman, 2000; Huemer et al., 2004) According to Empson (2004), organizational identity at the individual level represents the distinctive attributes which individuals associate with their membership of a particular organization. At the organizational level, on the other hand, identity is formed by the agglomeration of the distinctive attributes of individual members. Therefore it can be stated, that organizational members both shape and are shaped by their organizational membership through this dynamic dialectic process.

Identification and identity are constructs closely related to one another as well. Huemer et al. (2004) have also considered the interrelation and point out that consideration of identity of an organization is not unrelated to the question of identification. Organizational identity can be understood as a part of an answer relating to identification: To what is someone identifying themselves with? Or as Hatch & Schultz (2000) describe it: "Organizational identity, as the object of commitment and a sense of belonging, is seen as providing a cognitive and emotional foundation on which organizational members build meaningful relationships with the organization concerned. Identification has been defined as an individual's sense of oneness or belongingness within an organization. (Mael & Ashfort, 1992)

The question of identification is relevant and current nowadays when organizations are going through constant changes. In addition, relationships between supervisors and subordinates

constantly change as well. Identification as a construct can be understood as creating a kind of a mental bridge between an individual and an organization. It helps analyze the individual's perception of herself, her relation to the surrounding world and therefore her relationship to her associated organization. Huemer et al. (2004) also suggests that identification processes provide links between identities at different levels. However, i.e. Rock & Pratt (2002), even though they agree with the interrelation, state that so far there has been little research on exactly how these processes can be managed over time and across contexts. Empson (2004) suggests that a well defined, clearly differentiated, widely shared, and positively construed organizational identity can provide a focus for member identification in an insecure employment context, like many are nowadays.

Organization identity, when realized by organization members, has an effect on how strongly individuals within the organization, identify themselves with the organization. Strong identification then, results in stronger commitment to the organization and its goals. How to create identification and commitment to an organization? Can it be created by someone or does it create on its own?

### Trust within organizations

Trust as a phenomenon is very abstract. Like organizational identity, trust can be examined at different levels. Trust at the level of organizations refers to a collective commitment and cooperation in order to achieve organizational goals. At the individual level, trust affects to willingness to co-operate and to commit to organizational changes.

Trust has been described as the "social glue" that can hold different kind of organizational structures together (Atkinson & Butcher, 2003). Trust is an essential element in constructive human relationships. It creates togetherness and gives people a feeling of security. (Mishra & Morrissey, 1990.) Shamir & Lapidot (2003) suggest that trust is both an interpersonal and a collective phenomenon. Trust is expressed at three levels within an organization: individual, group and system level.

At the individual level, trust is based on interpersonal interaction (Atkinson & Butcher, 2003). Trust can be defined as "the willingness of a party to be vulnerable to the actions of another party, based on the expectation, that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party." Willingness to be vulnerable, to say take a risk, implies that there is something of importance to be lost. (Mayer et al., 1995.) Different definitions and models of trust focus on features such as integrity, competence, openness, vulnerability, reliability and positive expectations (Appelbaum et al., 2004; Bhattacharya et al., 1998; Kramer, 1999; Rousseau et al., 1998; Jones & George, 1998; Huemer, 1998). These features refer to trust as a positive expectation, that another person will not – through words, actions or decisions – act opportunistically.

At the group level, trust is a collective phenomenon. Teams represent collective values and identities. (Shamir & Lapidot, 2003.) Interactional histories give information that is useful in assessing dispositions, intentions and motives of others. Individuals' judgements about others' trustworthiness are anchored, at least in part, on their priori experiences about the others behaviour (Kramer, 1999). As values are commonly believed to guide behaviour, sharing common values helps team members to predict each other's and leaders' behaviour in the future. Shared values and shared goals reduce uncertainty, but also determine which types of behaviours, situations or people

are desirable or undesirable. (Gillespie & Mann, 2004; Jones & George, 1998.) Teams also have rule-based trust. Rules, both formal and informal, include the knowledge that members have about tacit understandings. Rule-based trust is predominantly shared understandings relating to the system of rules regarding appropriate behaviour. By institutionalizing trust through practices at the collective level, trust becomes internalized at the individual level. (Kramer, 1999.)

At the system level, trust is institutional and based on roles, systems or reputation, from which inferences are drawn about the trustworthiness of an individual (Atkinson & Butcher, 2003). Trust can be seen as given, based on the role that an individual acts. Trust is tied to formal structures, depending on individual or firm-specific attributes, e.g., certification as an accountant, doctor or engineer. (Atkinson & Butcher, 2003; Creed & Miles, 1996; Ilmonen & Jokinen, 2002.)

Trust in organization refers to the global evaluation of an organization's trustworthiness as perceived by the employee. Employees continually observe the organizational environment when they consider whether or not to trust their organization. Organizational processes communicate the organization's views of its employees and their roles, and employees will respond to trust relations communicated by the organization. (Tan & Tan, 2000.)

According to some researchers, managers play a central role in determining the overall level of trust within organizations. For example, managers design reward and control systems that are visible displays of base levels of trust or mistrust within the organization as a whole. The beliefs and actions of managers also directly and indirectly influence trust in organizations. (Creed & Miles, 1996.) Employee's trust in an organization is also affected by organizational justice and perceived organizational support. Procedural justice is the degree to which those affected by allocation decisions perceive that those decisions were made according to fair methods and guidelines. Distributive justice refers to employee's perceptions of fairness in the allocation of resources and outcomes. Perceived organizational support is the general belief of employee that the organization values their contributions and cares about their well-being. Good treatment by the organization creates an obligation in employees that they should treat the organization well in return. (Tan & Tan, 2000.)

According to Tan & Tan (2000) organizational commitment and turnover intentions are the salient outcomes of trust in organization. Commitment has commonly been characterized as the psychological strength of an individual's attachment to the organization (Maranto & Skelly, 2003) or as the relative strength of an individual's identification with the organization and involvement in a particular organization (Lahiry, 1994). Employees who trust the organization will most likely enjoy working in the organization. They also will likely be interested in pursuing a long-term career in the organization. Therefore, such employees are less tending to leave the organization.

Lewicki & Bunker (1996) distinguishes between three types of trust, calculus-based trust, knowledge-based trust and identification-based trust. The three types of trust are assumed to be organized in a hierarchical manner. The first level of trust is an ongoing economic calculation in the situation where parties risk losing too much if they cheat. Compliance with calculus-based trust is often ensured by the rewards of being trustworthy and by the threat that if trust is violated, one's reputation can be hurt through the person's network of associates and friends. The second form of trust (knowledge-based) relies on information and ability to predict the other's behaviour. Trust develops over time

as a function of the parties having a history of interaction. Information contributes to the predictability of the other, which in turn contributes to trust. The capacity to predict the other's behaviour makes possible to make plans, investments or other decisions contingent on the behaviour of the other party. The most interesting here, however, is identification-based trust. This type of trust means that the trustor fully internalizes the preferences of the other party, and identify with him/her on that ground.

According to Borgen (2001), strong identification is a significant trust-making mechanism. When trust is based on identification with the other's desires and intentions, trust exists because the parties effectively understand and appreciate the other's wants. They have a mutual understanding and each of them can effectively act for the other. The other can also be confident that his/her interests will be protected and that no monitoring of the actor is necessary. Identification-based trust develops when both knows and predicts the other's needs, preferences and choices and also shares some of those same needs, preferences and choices as one's own. (Lewicki & Bunker, 1996.) Calculus-based and knowledge-based trust may also allow a person, group or firm to become more dependent on others, but the exclusive advantage of identification-based trust is that both of the parties can act independently, knowing their interests will be met in the long run (Borgen, 2001).

### Building the bridge between organizational identity and trust

"How", as stated earlier, is the key question. Our answer is that the concept of trust is a key in understanding the link between organizational member identification and strong organizational identity. We believe that trust and the creation of trust is the key in creating greater commitment to the organization. Trust however, does not create identification. Instead we believe that strong organizational identity affects the level of identification of individuals within an organization, which in turn creates trust. Organization identity, when realized by organization members has an effect on how strongly individuals within the organization identify themselves with the organization. Therefore, a strong identification results in the level of trust and in that way creates stronger commitment to the organization and its goals. (Figure 1.)



Figure 1. The connection between organizational identity and trust.

## Conclusions

As demonstrated in the text, organizational identity reflects the multiple perspectives of various constituents that comprise the organizational membership and exists only in the sense that members share an understanding of what it might be. The aim of this paper is to build bridge between organizational identity and trust from a theoretical point of view. The link between organizational

identity and trust is a reciprocal one. An interesting avenue for future empirical research would be to study the relationship between organizational identity, member identification and trust. Our discussion here has been framed around the idea that identification is an important element for creation of trust. The creation of strong organizational identity has significant influence on identification and therefore the creation of trust.

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