The relationship between inter-organizational trust and employee engagement and performance

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Abstract

There is a growing interest on the concept of employee engagement in the corporate world as well as in the academic world. Employee engagement is all about employees, cognitive, emotional and behavioral involvement of his or her job as well as the organization. On the basis of the review of the existing literature this paper analyze the consequences of employees engagement for job performance. This paper aims at enhancing understanding of the consequences of employee engagement on job performance by examining the mediating role of trust. It presents a conceptual framework of inter-organizational trust, employee engagement and employee job performance.

Keywords

employee engagement, inter-organizational trust, employee job performance

Introduction

In a current tumultuous economy organizations often rely on employees to gain a competitive advantage [Kumar and Pansari, 2016]. However, numerous research indicated that the crucial element of employees’ effectiveness is connected to their engagement [Mackay, Allen and Landis, 2017]. Yet, According to the Gallup [2017] study reveals that only 15% employees are engaged worldwide. One of the objectives of human resource management is the increase of employee job performance [Iddagoda and Opatha, 2018; Peccei, de Voorde 2019, Opatha and Opatha...
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2019; Szydło and Widelska, 2018]. These existing literature shows the importance of analyzing connections between employee engagement, employee job performance and organizational financial performance. This paper aims at enhancing understanding of the consequences of employee engagement on job performance by examining the mediating role of trust. Hence the research objective of this paper is to examine this above-mentioned linkage. With that intention the research questions were established:

*Whether inter-organizational trust has an effect on employee engagement?*

*Is employee engagement related to employee productivity?*

This study presents a conceptual framework that illustrates the rationale between trust, employee engagement and productivity. It will help to understand the relationship connecting trust within organization, employee engagement and job performance.

This paper is organized as follows: firstly it presents a literature review, secondly the conceptual framework is developed and finally discussion provide some implications.

1. Literature review

1.1. Employee engagement

The concept of employee engagement first introduced by Kahn in the year 1990 [Andrew and Sofian 2012; Guest 2014; Iddagoda and Opatha, 2017; Graça et al. 2019]. Kahn [1990] defined employee engagement as “the harnessing of organization members’ selves to their work roles; in engagement, people employ and express themselves physically, cognitively, and emotionally during role performances”. Graça et al. [2019] states that for that reason, people use different degrees of themselves, physically, cognitively and emotionally, in performing their roles. Employee engagement is the extent to which an employee gets involved in the job and the organization cognitively, emotionally and behaviorally is the definition of Iddagoda et al., [2016]. It is evident that employee engagement related to work related attributes such as organizational commitment, job involvement, work involvement, job satisfaction and organizational citizenship behavior. For that reason there is a saying that employee engagement is like old wine in a new bottle. Iddagoda et al., [2016] in their study proved it is far from the truth. The approach to employee engagement advocated by Iddagoda et al., [2016] considered that em-
employee engagement is a unique concept and it is closely related to work involvement and job involvement.

When it comes to the labels of employee engagement, Kahn [1990] prefers personal engagement; Anaza and Rutherford [2012] prefer job engagement, Bakker and Demerouti [2008]; Gorgievski et al., [2010]; Karatepe [2013] prefer work engagement. Anitha [2014] and Guest [2014] believe that there is a common thread in all these labels. Iddagoda et al., [2015] point out that the word “employee” is better to be used with “engagement” because the word employee represents a living being. As a result employee engagement is the most suitable label. Researchers of this study also agree with Iddagoda et al., [2016] and use the label called employee engagement.

Some researchers believe that disengagement is a burnt out condition. The worker’s internal experience of strain is assumed to play a mediating role between the impact of external job demands (stressors) and work-related outcomes [such as absenteeism or illness). This basic mediation model characterizes the job stress phenomenon known as burnout as well as its positive opposite of engagement with work [Moczydlowska, 2013; Leiter and Maslach, 2005]. This school of thought has an influence of Kahn’s [1990] definition. This school of thought supported the view, that engagement is the antithesis of burnout. Researchers state that this is the main weakness of this school because employee engagement is not the antithesis of burnout. The research by Timms et al., [2012] demonstrated that the experience of both psychological burnout and engagement can occur simultaneously; supporting suggestions that the two constructs are independent and negatively correlated, rather than two extremes of one continuum. The research of Timms et al., [2012] further demonstrated that the experiences of burnout and employee engagement are not uniform, but rather are characterized by varying levels of both constructs, which form distinctive groups. The review of Bakker et al., [2014] shows burnout and employee engagement are important concepts because they predict significant outcomes for individual employees and for organizations at large. Whereas burnout seems to be caused by high job demands and to a lesser extent by low job resources, work engagement seems to be caused by job resources. The results of the research done by Cole et al., [2012] suggest that the various dimensions of burnout and engagement have a similar (at times nearly identical) pattern of association with the available correlates and, thus, provide support for the view that rather than being independent constructs that differentially relate to a common set of correlates, the dimensions of burnout and engagement share a nomological network. Gallup [2017] sorts employees into three broad categories, namely engaged, disengaged, and actively disengaged. Gallup describes engaged employees as those who
“work with passion and feel a profound connection to the company” and who “drive innovation and move the organization forward”. Gallup [2017] describes disengaged employees as “sleepwalking through their workday, putting time but not energy or passion into their work”. Researchers can say there are some employees who rest before they are tired. There are employees who do not do much work. They gossip in the organization, chat with their colleagues and play games may be video games. They just don't care about whether the company succeeds or fails. They enjoy their life but they are not productive to the organization. In other words they are disengaged employees but they are not burnt out. Burnout is exaggerated state of stress [Bittel and Newstrom 1992; Opatha 2009]. Opatha [2010] points out when a person is burnt-out he/she will be unable to do normal work. Above mentioned disengaged people carry out their normal work in their life.

1.2. Drivers of employee engagement

Kahn [1990] has identified three antecedents, namely, psychological meaningfulness, psychological safety and psychological availability. He points out that psychological safety includes no fear of tarnishing a person’s self-image and status or damaging one’s career. Kahn [1990] further points out that employees experience psychological meaningfulness when they feel worthwhile and useful. His view of psychological availability is the employee’s sense of having the emotional, psychological or physical resources to be engaged. Psychological availability measures the readiness of the employee to be engaged.

Saks [2006] provides a model of employee engagement. There the antecedents are job characteristics, perceived organizational support, perceived supervisor support, rewards and recognition, procedural justice and distributive justice. It is evident that in defining the antecedents Saks [2006] has been influenced by the antecedents of Kahn [1990]. On the other hand when defining job characteristics, Saks [2006] has been influenced by the job characteristics model of Hackman and Oldham [1980], according to whom the job characteristics model has five core job characteristics, namely, skill variety, task identity, task significance, autonomy and feedback. Saks reveals that employees tend to be more engaged when their jobs are high on the core job characteristics. Saks further states that when employees believe that their organization is concerned about them and cares about their well-being, then they will be more engaged [Saks 2006]. This comes under perceived organizational support. According to Saks, perceived supervisor support is support from the leader or the supervisor [Saks 2006]. Support from the leader will
enhance employee engagement. Saks [2006] believes that perceived supervisor support also leads to employee engagement. He also believes that lack of perceived support from the first-line supervisors is believed to be the root of employee disengagement.

Under rewards and recognition Saks [2006] states that rewards and recognition should be linked with employee performance. Employees will be more likely to be engaged when they get rewards and recognition for their excellent performance. Saks reveals that distributive justice is the perception of the employee about the fairness of the decision making process [Saks 2006]. He further reveals that procedural justice occurs through the fairness of the processes used to determine the amount and distribution of resources. Under distributive and procedural justice when an organization has a high level of distributive and procedural justice the employees feel obliged and they perform well. This leads to employee engagement.

Mauno et al. [2007] have identified job resources and job demands as antecedents of employee engagement. According to them, job demand consists of psychological, physical, social and organizational features of a job that require psychological and physical effort from an employee. They have identified job resource as psychological, physical, social and organizational features of the job that are useful in achieving work goals.

Rich et al., [2010] in their study present nine categories of antecedents of employee engagement: autonomy and job control; feedback and access to information; opportunities for development; a positive workplace climate; recovery time; rewards and recognition; organizational, supervisor, coworker and social support; job variety and work role fit. These nine categories of job resources are positively related to employee engagement and job demands and employee engagement are highly dependent on the nature of the demand. Saks and Gruman [2014] criticize the study of Rich et al., [2010] on the grounds that there is ambiguity in the relationship between job demands and employee engagement.

Christian et al. [2011] identified job characteristics, leadership and dispositional characteristics as antecedents. They found that job characteristics from their conceptual framework -autonomy, task variety, task significance, feedback, problem solving, job complexity, and social support- were positively related to employee engagement. They also found that transformational leadership and leader-member exchange were positively related to employee engagement. Xu and Thomas [2011], Abeysuriya and Gamage [2015] state that, theoretically, leadership is an important antecedent of employee engagement. The research conducted by Xu and Thomas [2011] confirms that leadership behaviours such as performing effectively,
supporting the team and displaying integrity are positively associated with followers being engaged in their job and the organization. Andrew and Sofian [2012] selected employee development, employee communication and co-employee support as antecedents for their research.

In the proposed integrated model of employee engagement of Bedarkar and Pandita [2013] there are three drivers of employee engagement, namely, leadership, communication and work-life balance. The researcher’s view is that these drivers are antecedents. Under the antecedent called communication, Bedarkar and Pandita [2013] reveal that internal communication includes communicating organizational practice and organizational values to the employee. They also emphasize the employee’s need for clear communication from his/her leaders.

Anitha [2014] found workplace wellbeing, organizational policies, compensation, training and career development, team and co-worker, leadership and work environment to be antecedents of employee engagement. Armstrong [2012] mentions that well-being at work occurs when employees are happy with what they do, the way they are treated and how they interact with other employees. Armstrong [2012] further mentions that the well-being of employees depends on the quality of working life provided by their organization. According to Anitha [2014], well-being is one of the most important antecedents of employee engagement. He made an attempt to prove it by citing Towers Perrin Talent Report [2003] and mentions that there is a link between organizational policies and procedures and employee engagement. This is proved in the study of Richman et al., [2008], according to whom flexible work-life policies of the organization have a remarkable positive impact on employee engagement. Kahn [1990] believes that the perception of the benefits that the employee receives have an influence on employee engagement. According to Anitha [2014], compensation includes both financial and non-financial rewards. This researcher emphasizes that training and career development are other drivers of employee engagement. The confidence of the employee builds up in the area of training when he/she undergoes training. This leads to employee engagement.

Kahn [1990] reveals that interpersonal relationships together with a supportive and trusting manner promoted psychological safety. Anitha [2014] also agrees with this by stating that employee engagement level is high when the employee has good relationships with his/her co-workers. He believes that a meaningful workplace environment that helps the employee to achieve interpersonal harmony and focused work is regarded as a main determinant of employee engagement. This leads to the selection of the construct called “trust” as a dynamic of employee engagement.
1.3. Trust as a dynamic of employee engagement

In an organizational context, trust is defined as a reciprocal relationship between two or more actors [Gambetta, 2000]. The individuals assess each other’s trustworthiness so they can adjust their behavior [Savolainen, Lopez-Fresno and Ikonen 2014]. Trust relationship can be described as an assumption made by an involved party towards others regarding their prospective actions [Mayer, Davis, and Schoorman, 1995]. An actor decision concerning his behavior depends on his/her evaluation of the other side trustworthiness. McAllister [1995] highlights the role of willingness to act on the basis of the decision of another person. It refers to an individual anticipation regarding others positive intentions. Furthermore, trust means that the expectations towards action of others usually concerns positive, collaborative behaviors [Fukuyama 1995]. This mutual reliance occurs under condition of risk [Currall and Judge 1995]. Summarizing, trust can be defined as a willingness to increase one’s vulnerability to another individual in certain situations.

There are three categories of trust in organizations [Stranes, Truhon and McCarthy 2015]. The first one, inter-organizational trust, concerns the reliance between organizations. The second one, intra-organizational trust, describes the relationship between employees and managers within organization. Finally, interpersonal trust refers to the trust in teams. This paper analyzes the inter-organizational trust. Hence, it will focus on the relationship between members of an organization.

Mayer, Davis, and Schoorman [1995] describe three main factors affecting individual’s willingness to exert trust: competence, benevolence and integrity. Competences as an antecedent of trust refers to the skills and abilities of a person. Benevolence illustrates the quality of relationship. Integrity reflects overall reliability of a given individual. The understanding of trust enhancing factors allows managers to improve the certain areas and strengthen the trust relationship in organizations. Numerous studies have confirmed the role of competences, benevolence and integrity in building intra-organizational trust [Bulińska-Stangrecka, Bagieńska 2018; Hardwick, Anderson, and Cruickshank 2013; Ejdys 2018; Schiemann, Mühlberger, Schoorman and Jonas 2019; Svare, Haugen Gausdal and Möllering 2019]. Moreover, Brattström and Bachmann [2018] suggest that trust plays a crucial role in strengthening inter-relationship between employees. Trust provides a basis for effective collaboration in organizations [Choia & Chobc, 2019]. Therefore, the importance of inter-organizational trust in organizational setting is highlighted in this paper.
2. Conceptual framework and propositions

2.1. Inter-organizational trust and employee engagement

Trust can be perceived as a breeding environment for interpersonal relations in organizations. Inter-organizational trust is a success factor which coordinates social action and decision making. Trust’s positive influence on work engagement has been confirmed in numerous research [Chughtai and Buckley 2013; Ugwu, Onyishi and Rodríguez-Sánchez 2014; Chughtai, Byrne and Flood 2015; Yıldız, Baran and Ayaz 2017].

Employees increased work engagement is achieved through the enhancement of inter-organizational trust. In a longitude study Malinen, Wright, and Cammock [2013] verified that inter-organizational trust predicted work engagement 12 month later. Whereas, Heyns, and Rothmann [2018] found that leaders can facilitate employees’ engagement through trust. Further, Kaltiainen, Lipponen, and Petrou [2018] claim that trust can boost work engagement especially in relation to forthcoming changes.

In order to increase employees’ engagement, managers should enhance workers’ psychological safety [Basit, 2017], which in turn will make them feel committed to the organization. Inter-organizational trust provides a positive workplace environment. This results in building positive work relationships. Finally, it brings about development of employee engagement. Thus, the foundation of trust promotes better common understanding that leads to improved workplace relationships [Sherman and Morley 2015]. Workers in trusting environment are more likely to create a bond with an organization. Hence, trust has a profound effect on employees’ work engagement. Therefore, we propose:

P1. Inter-organizational trust has a positive effect on employee engagement

2.2. Employee engagement and employee job performance

The driving force behind the popularity of employee engagement is employee outcomes and organizational outcomes [Saks 2006; Saks and Gruman 2014]. Saks and Gruman [2014] provide the reasons for that. According to Saks and Gruman [2014] employee engagement has been found to be positively related to job attitudes (e.g. job satisfaction, organizational commitment) job performance and organizational citizenship behavior and health and wellness outcomes and negatively
related to turnover intentions. Anitha [2014] found employee engagement had significant impact on employee job performance.

Saks [2006] points out neither Kahn [1990] nor May et al. [2004] included outcomes in their studies. Saks [2006] points out Kahn [1992] proposed that engagement leads to both individual outcomes (i.e. quality of people’s work and their own experiences of doing that work), as well as organizational-level outcomes (i.e. the growth and productivity of organizations).

Saks [2006] in his model mentions about five consequences of employee engagement namely, job satisfaction, organizational commitment, intention to quit and organizational citizenship behavior. The researcher does not consider job satisfaction, organizational commitment and organizational citizenship behavior as the consequences of employee engagement. In the meta-analysis of employee engagement and performance, Christian et al., [2011] found that employee engagement was moderately correlated with job satisfaction (0.53), organizational commitment (0.59), and job involvement (0.52) in support of discriminant validity. Christian et al., (2011) also found that employee engagement explained incremental variability in task and contextual performance over job attitudes such as job involvement, job satisfaction and organizational commitment. Christian et al., [2011] concluded their study by stating that “work engagement is unique although it shares conceptual space with job attitudes”.

Employee engagement has also been linked to organizational level outcomes [Saks and Gruman, 2014; Bagieńska 2018]. Harter et al., [2002] have identified the outcomes of customer satisfaction, productivity, profit, employee turnover and accidents. Macey et al., [2009] found that in a sample of 65 organizations from different industries, financial performance is an outcome of employee engagement.

Aon Hewitt [2015] in their employee engagement model presents several outcomes of employee engagement. The outcomes are categorized under two categories namely engagement outcomes are business outcomes. Aon Hewitt [2015] categorized say, stay and strive under engagement outcomes. The report of Aon Hewitt [2015] reveals that business outcomes that often result from strong engagement drivers and higher employee engagement levels. The main business outcomes are talent, operational, financial and customer. It is evident that not only engagement outcomes, business outcomes are also consequences of employee engagement.
2.3. Employee job performance

Stewart and Brown [2011] believe that organizational success depends on the employees’ job performance. Stewart and Brown [2011] define employee job performance as the contribution that individuals make to the organization that employs them. Koopmans et al. [2013] also identified three dimensional framework for employee job performance. The three dimensional framework Koopmans et al., [2013] consists of employee task performance, contextual performance, and counterproductive work behavior. Employee job performance is one of the key determinants that decide organizational success [Seneratne and Rasagopalsingam, 2017; Priyankara and Keppetipola, 2015].

They further state that employee engagement is a combination of attitude and behavior. Employee engagement leads to employee job performance [Anitha, 2014; Berg et al., 2017] and organizational financial performance [Harter et al., 2002; Iddagoda and Gunawardana, 2017]. Eldor and Vigoda-Gadot [2016] found that employee engagement boosts the organization’s bottom line by giving it a competitive advantage. Employee engagement leads to these consequences because the engaged employee is creative and innovative [Carbonara, 2012] a good team player [Sendawula et al., 2018] speak positively about his/her organization when they move with the society [Aon, 2015; Aon, 2018] and attract the customers [Richman 2006].

Researchers such as Christian et al., [2011] and Anitha [2014] found that employee job performance is a consequence of employee engagement. Christian et al., [2011] mention that an engaged employee who has a high level of connectivity with work or tasks and the ultimate result is task performance. Therefore, we propose:

**P2:** Employee engagement will have a positive effect on employee job performance.

![Conceptual framework](image_url)

*Fig. 1. Conceptual framework*

*Source: own elaboration.*
3. Discussion and implications

In the systems theory there are inputs, process and output. According to Bulińska-Stangrecka and Bagieńska [2019] trust makes possible a successful collaborative relationship. This occurs because trust is a concrete belief in reliability. Trust is a virtue because Opatha and Teong [2014] point out that virtue is a good attribute which is useful for oneself and other persons. This is an ability of a person. Wright and Snell [1991] point out that skills and abilities are treated as inputs from the environment in the systems theory. As a result trust becomes the input. When explaining the systems theory Wright and Snell [1991] state that employee behavior treated as a throughput. The view of Iddagoda et al., [2016] is that employee engagement is a combination of behavior and attitude. Bevan et al [1997] as cited in [Armstrong 2009] engaged employee is someone ‘who is aware of business context, and works closely with colleagues to improve performance within the job for the benefit of the organization. Collins Birmingham University English Language Dictionary [1987] contains two definitions for ‘behaviour’ (1) a person’s behavior is the way they act in general, especially in relation to the situation they are in or the people they are with. (2) The behavior of something is the typical way in which it functioned, according to the laws of science. Since employee engagement is not only an attitude but also a behavior there are certain activities performed by engaged employee. Bevan et al [1997] as cited in [Armstrong, 2009] state that engaged employee is someone ‘who is aware of business context, and works closely with colleagues to improve performance within the job for the benefit of the organization. For instance Bevan et al [1997] as cited in [Armstrong, 2009] state that engaged employee is “works closely with colleagues”. This is an activity. Therefore engaged employee becomes a process. Wright and Snell [1991] further state that employee satisfaction and performance are treated as output. Anitha [2014] found employee engagement had significant impact on employee job performance. Consequently employee job performance becomes the output.

The proposed conceptual framework explains the role of trust in developing work engagement that enhance employees’ performance. This provide some implication for managers. Managers should invest in building trust-based workplace relationship. By enhancing inter-organizational trust managers provide a foundation for work engagement. Consequently, high work engagement results in better job performance. From a business standpoint, this study provide a better understanding of the mechanism improving work output by focusing on the relationship within organizations. Managers can develop their strategies to improve the level of trust and engagement so this will contribute to the increased performance.
Overall, there is a need for more focus on the interpersonal relationship in organizations. Understanding how trust can enhance work engagement and performance may be an important step in increasing organizational effectiveness.

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Związek między zaufaniem wewnątrzorganizacyjnym a zaangażowaniem i wydajnością pracowników

Streszczenie

Zainteresowanie koncepcją zaangażowania pracowników jest przedmiotem zainteresowania praktyki biznesu jak i środowiska akademickiego. Zaangażowanie pracowników polega na poznawczym, emocjonalnym i behawioralnym zaangażowaniu pracowników związanym z jego pracą, a także organizacją. Na podstawie przeglądu istniejącej literatury w artykule przeanalizowano wpływ zaangażowania pracowników na wydajność pracy. Artykuł ma na celu lepsze zrozumienie znaczenia i roli zaangażowania pracowników w kształtowaniu wydajności pracy poprzez uwzględnienie pośredniczącej roli zaufania. Artykuł przedstawia proponowane ramy koncepcyjne wyjaśniające rolę zaufania wewnątrzorganizacyjnego w rozwijaniu zaangażowania i wydajności pracy pracowników.

Słowa kluczowe

zaangażowanie pracowników, zaufanie między organizacjami, wydajność pracy pracownika