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## Context, governance, associational trust and HRM: diversity and commonalities

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### ABSTRACT

This study explores how HRM and trust are inter-related, and what this means for how we understand HRM under different varieties of capitalism. We explore the direct impact of different indicators of societal trust on intra-organisational HRM practice, using large-scale internationally comparative survey evidence. We find that countries with high levels of associational trust, such as the Nordic social democracies, are generally associated with better communication and co-determination over the setting of the employment contract. The converse was true for countries with lower levels of associational trust, such as the liberal market economies. We failed to encounter any significant effects of multi-nationality or country of origin in the case of MNCs; they did not differ significantly from their domestic peers when it came to the relationship between country of domicile levels of associational trust and HRM practice. We draw out the implications for theory and practice.

### KEYWORDS

Comparative capitalism; legal origin theory; comparative HRM; associational trust; trust in contracting; governance environment; institutional theory

## Introduction

There has been growing interest in the relationship between institutional setting, governance and firm level practice (Bachman & Sidaway, 2016; Hall & Soskice, 2001; Whitley, 1999). It can be argued that the relationship between trust and HRM is a two-way one: systemic trust facilitates high-trust HRM practices in the workplace and, in turn, the latter may help shore up systemic trust. However, the precise nature of this relationship remains uncertain (Guinot & Chiva, 2019; Vanhala & Dietz, 2019). As Zak and Knack (2001) note, there are two different aspects of societal trust relations: ‘rights-based trust’, which remains the dominant

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concern of the mainstream economics literature; and ‘associational’ trust, which forms the dominant strand of the sociological literature. The former affects security in contracting by imparting a predictability to exchange relations. In contrast, sociological approaches that explore associational trust see trust flowing from the operation of groups that inculcate cooperation and altruism amongst members (Knack, 2013). Such relationships tend to be more than a product of one institutional feature. Rather, associational trust concerns the degree of accumulated social capital and other ties between individuals and groups (Lane & Bachmann, 1998).

In a systematic review of the literature on HRM and intra-organisational trust, Guinot and Chiva (2019) found that the literature is ‘dispersed’ and provides mixed evidence as to whether a link exists at all. In fact, the predominant concern has been with performance outcomes (Guinot & Chiva, 2019; see also Searle, 2018). Other work explores the micro-antecedents of trust and, more specifically, existing propensity to trust management (Shantz et al., 2018), and the relationship between trust and setting at a conceptual level (Hong et al., 2018; c.f. Cooke et al., 2019). In supplementing earlier work, this study seeks to explore the societal trust-based antecedents of HRM practices; in turn, this may help bolster or undermine wider societal trust. Institutional theories hold that micro-level events and institutions are mutually reinforcing (Amable, 2003; Malik et al., 2019). There are two dominant ways of understanding societal trust: associational and rights based. Each assumes institutional features ‘work’ in a certain way: the former as exerting composite effects on socio-economic ties (Magnin, 2018), and the latter in terms of relative protection of private property (Saravia, 2016). Finally, the literature on HRM in multinational corporations (MNCs) suggests both country of origin and domicile effects (c.f. Cooke et al., 2019): hence, we explore whether MNCs differ from their local counterparts when it comes to country of domicile associational trust. The study draws on large-scale comparative survey evidence. We find that in coordinated (and above all, social democratic) markets where there are high levels of associational trust, there is a greater propensity to communicate more widely with employees and to engage in co-determination. However, we encountered no significant differences between MNCs and their local counterparts. The effect of trust on contracting was rather more limited. We draw out the implications for theorising and practice.

### **The two forms of trust and HRM practice**

Associational trust refers to expectations by one party that others will behave reliably and cooperate (Gomez & Rosen, 2001, p. 56). Trust

relations are reconstituted through individuals who collect, assess and disseminate supportive information, reducing transaction costs in social interactions (Lapavistas, 2007, p. 417). Hence, trust relations will be reflected in HRM practices; in turn, low trust HRM practices may reflect a breakdown in systemic trust. This has been a growing topic in HRM and international HRM as a trawl through this journal demonstrates (see e.g. Hong et al., 2019; Hu & Jiang, 2018; Malik et al., 2019). Most of these studies, even when they note the importance of contextual factors, are of HRM in a single country (see e.g. Blunsdon & Reed, 2003; Hu & Jiang, 2018; Iqbal et al., 2019; Tremblay et al., 2010), though more recently there have been cross-country studies. These, however, tend to assign differences to 'culture', even if they do not measure their items against cultures (Iqbal et al., 2019; Iqbal et al., 2019; Jiang et al., 2017). Detailed analyses of national differences in trust and their implications for businesses require a comparison of the value of associational and rights-based trust and their value in explaining trust at the firm level.

Existing theoretical work highlights the linkages between institutions and trust relations, and the likely impact of this on HRM practice. One branch of the institutional literature, that on comparative capitalisms, directly highlights the importance of both formal regulations and informal ties (Cooke et al., 2019; Thelen, 2014). Our paper focuses specifically on associational trust, comparing it with the predictions of rights-based trust theories. Whilst trust may be formed in a variety of ways, societal characteristics broadly guide values, beliefs and choices (Doney et al., 1998, p. 601). In workplaces, associational trust will help firms and individuals feel secure enough to 'expose their vulnerabilities to each other' (Benkert, 1998, p. 285), with the realisation that risk or harm will result if expectations are violated (see also Saunders et al., 2010). In other words, in contexts conducive to promoting associational trust at societal level, firms and workers are more likely to develop open-ended relationships based on give and take, with a greater flow of information and joint decision-making around the employment relationship (Dietz, 2004).

A limitation of the literature on comparative capitalisms is that, although it has been extensively developed over the years to incorporate understanding of systemic change (Amable, 2016), the linkages between societal features, and developments in the workplace are depicted in rather abstract terms; the primary focus is on broad socio-economic features, rather than detailed empirical evidence of firm level practices (Wood et al., 2014). Yet, it has been argued that when there is a shortage of decent and dignified work, underpinned by a basis of trust, this can lead to unpredictable political blowback (Franko & Witko, 2018). This would suggest the need for a much closer understanding of the different

types of societal trust, how this relates to HRM policies, and, in turn, the relative propensity of systems to enter sustained crises in the face of unexpected shocks.

The literature on comparative capitalisms (Amable, 2016; 2003; Hall & Soskice, 2001) sees trust as the product of a composite set of institutional features and, hence, institutional effects are best explored through comparing different types of national economy. This approach focuses not only on formal institutions, but also the quality of relationships they sustain; the coordinated markets of the Rhineland and Scandinavia are associated with denser ties between workers, firms and other actors (*ibid.*). In contrast, a core assumption of rights-based approaches to trust is that one institutional feature (property rights) is more important than, and moulds, others (Botero et al., 2004; Djankov et al., 2003), thereby impacting on trust in contracting and on firm practices; hence, it is simplest to compare and contrast the direct effects of the single dominant institutional feature on firm practice, rather than bothering with composite effects. In protecting private property, legal tradition matters (Botero et al., 2004): property rights are stronger in common law countries than in civil law ones. Importantly, this approach holds that owner and employee rights under the law are antithetical: where owner rights are strong, employee rights are necessarily weaker and *vice versa* (Botero et al., 2004). This would suggest that in common law countries, firms would be freer to make usage of insecure labour, and adopt harder line HRM policies (Goergen et al., 2010), even if, in legal terms, contracts *per se* are more robust.

Rather than legal system, Pagano and Volpin (2005) argue that the electoral system is important: there may be greater trust regarding contracting, and property rights are less likely to be challenged, in a 'first past the post' electoral system. The primary concerns of political parties in such systems will be to serve their own narrow constituencies and woo a relatively small pool of swing voters unlikely to be swayed by class loyalties. Such voters are more likely influenced by expensive political campaigns, which property-owning interests are more able to mount. So, in first past the post systems, governments are likely to concentrate on legislation favouring property owners over other stakeholders (Pagano & Volpin, 2005), which encourages high levels of trust in contracting, but lower associational trust. In more proportional electoral systems coalition governments are more likely: the need to accommodate diverse interests encourages governments to enact legislation that secures worker and stakeholder rights, directly impacting on workplace practice.

The property rights approach's dismissal of associational trust as irrelevant or having negative consequences (in contrast to simple trust in contracting) was criticised in Knack and Keefer (1997) argument that

associational trust between citizens may substitute for low contractual trust, weak property rights and poor law enforcement. They also predict that higher associational trust societies will have longer investment horizons, rein in opportunism, and incentivise employers' investment in employees for firm-specific skills. Associational trust represents an important component of workplace stability, mutuality and wellbeing (Schindler & Thomas, 1993; Hu & Jiang, 2018). Since no employment contract is ever complete, successful cooperation is contingent on manifestations of trust that go beyond it, facilitating wider ranging mutual understandings and procedural rules (Lorenz, 1999).

Both associational and rights-based forms of trust impact on HRM; yet each may be associated with quite different types of HRM practice which may, in turn, help reconstitute – or potentially erode – societal trust (Hu & Jiang, 2018; Marsden, 1998). Workplace trust may be operationalised in the reciprocal perceptions of individuals and groupings (Møllering et al., 2004), but may also be embodied in workplace practices, with some enhancing and others eroding trust relations (Guinot & Chiva, 2019; Iqbal et al., 2019; Vosse & Aliyu, 2018). Costa et al. (2018) argue that trust at team level is sustained – or eroded – at a range of different levels, with dynamic interaction between them. Looking at the case of disabled workers, Shantz et al. (2018) found that trust in management, and that generated by firm wide HRM policies and practices, both had the effect of reducing employee dissatisfaction (see also Hong et al., 2019). This paper focuses on the potential two-way relationship between broader associational trust and in-firm practices. Firms may adapt practices corresponding to wider societal associational ties, and firm level practices may contribute to deepening solidarities: a relationship of association rather than causality (c.f. Giddens, 1990).

Low trust on entering the organisation may result in low trust relations being perpetuated; in contrast, high initial trust provides 'buffers' against future organisational breaches (Searle, 2018). This may reflect the extent to which, as suggested by the literature on comparative capitalisms, specific practices may be more or less functional in different national settings (Cooke et al., 2019); in some contexts, low trust practices may be a great deal less dysfunctional than in others (Gooderham et al., 2019; Iqbal et al., 2019). Other work has highlighted the importance of both personal and impersonal trust in making specific HRM practices viable, and, in turn, how the latter may help reconstitute them (Vanhala & Ritala, 2016).

### ***Hypotheses: varieties of trust and HRM practice***

Here, we identify four hypotheses in order to explore the relationship between associational trust, trust in contracting, and two dimensions of

HRM: the relative flow of information, and formalised mechanisms for employment relationship adjustment.

First, discussing financial and strategic issues is bound up with trust relations (Mayer & Davis, 1999; Redman, 2006). More extensive communication is more common where associational trust is high. Formalised communication systems represent an important structural property (Ahlf et al., 2019), which makes the reconstitution of trust possible (Sydow, 1998, p. 48). Trust is both reflected in and embodied in a willingness to grant 'access to and the sharing of information relating to the organization's operations' (Bratton, 2003, p. 134). Hence, trust relations are acted out through communication and awareness and respect for the other's intentions (Nugent & Abolafia, 2006). Hence, communication represents a central dimension of trustworthy behaviour (Hu & Jiang, 2018). Continually reinforcing their credentials through communication will promote trust relations between individuals (Offe, 1999). Communication is central to associational trust and the degree to which this is possible is bound into wider social realities (Aoki, 2010). As Dodgson (1993) notes, effective interchange of information and associated social ties will promote intra-organisational trust. Such communication facilitates a relationship orientated culture, which promotes and reconstitutes trust relations (Six & Sorge, 2008). In terms of communication with employees, there are two key sub-dimensions. The first is communication around strategy. There is an extensive body of research that confirms that effective strategy implementation depends on good communication with employees (Atkinson, 2006), held up as a hallmark of responsible management (Rasche et al., 2017). Transparency around strategy gives employees time to adjust their activities to shifting needs, making for less disruption (Schnackenberg & Tomlinson, 2016).

*Hypothesis 1a: In countries with higher levels of associational trust, there is on average a higher level of communication on strategy within organisations.*

However, the need for communication is not the same in all firms. Multinational companies are exposed to greater complexities and sources of uncertainty due to their liability of foreignness (Qian et al., 2013) and are subject to a wider range of expectations than domestic firms (Brewster et al., 2008). Compared to domestic firms, MNCs also deal with diversity and cross-cultural communication barriers due to their presence in countries with different languages and cultures (Maljers, 1992). Lack of proper communication could lead to misunderstandings and conflicts in cross-cultural enterprises (Han et al., 2018). But, what will matter more: country or domicile effects? Within the comparative capitalism literature, the existing body of research points to a mix of

country of origin and domicile pressures (Brewster et al., 2008). However, earlier work indicates particularly strong country of origin effects when it comes to information sharing (Lavelle et al., 2010), probably because corporate policy on the latter is likely to be set centrally. Given their complexity, and the diversity of the scale and scope of their operations, it may be important for MNCs to effectively disseminate knowledge and expertise across subsidiary units to strengthen their competitive advantages (Solvell & Zander, 1995). Hence, we expect the impact of associational trust on business strategy briefing to be higher in MNCs than would be the case with domestic firms:

*Hypothesis 1b: Compared to domestic firms, MNCs are more likely to share business information with their employees than domestic firms.*

The second key sub-dimension of communication is around financial information. The sharing of financial information will impart greater confidence as to an organisation's sustainability and help promote greater trust and sustain mutual commitment (Schnackenberg & Tomlinson, 2016). However, once more, it needs to be systematically shared throughout the organisation to genuinely help sustain organisational level trust. Transparency is sustained through perceptions as to the quality of communication (ibid.), and it could be argued that objective financial information would hold more weight than intrinsically more subjective accounts of managerial strategy.

*Hypothesis 2a: In countries with higher levels of associational trust, there is on average a higher level of communication on financial matters within organisations.*

As noted above, earlier research indicates a mix of country of origin and domicile effects on HRM practices in the latter (Brewster et al., 2008), but the scale of information sharing is more likely to be set centrally. Indeed, when it comes to financial information sharing, it has been found that home country dynamics play an over-riding role (Aggarwal & Goodell, 2015). As they are likely to be larger, and more visible as 'outsiders' (Eden & Molot, 2002), MNCs may be under greater pressure to share financial information

*Hypothesis 2b: Compared to domestic firms, MNCs are more likely to share financial information with their employees than domestic firms.*

The classical literature on political economy alerts us to the fact that at the core of modern capitalist production lies the employment contract, whereby a specific amount of labour is exchanged for a cash wage (Hyman, 1995, 1997). The ability for workers to have a formal impact on the setting of both wages and working time is thus of central importance to both the employment contract and, indeed, the wider process of

production. Workers may, of course, impact on wage setting and working time in a range of informal ways, from high levels of individual exit, through to individual attempts to push back on the setting of working hours through strategies such as goldbricking (intensive work, hoarding and then releasing production to allow for time off) to unnecessary (in organisational terms) absenteeism. However, such behaviour is, from an organisational perspective, both undesirable and outside of the sphere of workplace regulation and, for the latter reason, falls outside of the scope of this study. When managers accord workers and their representatives a formalised say, through established mechanisms in setting wages and working time, this is a significant shift in the nature of the employment contract and a reduction in managerial power which we call ‘co-deterministic employment relationship adjustment mechanisms’. It can be argued that if associational ties are more developed, there are more likely to be ways open to amending the employment relationship on a cooperative basis in the light of events (Whitley, 1999). Hence, we would suggest that the potential impact of variations in associational trust, and countervailing power would equally apply to the ability to adjust the employment contract. Hence:

*Hypothesis 3a: Co-deterministic employment relationship adjustment is more common in countries with higher levels of associational trust, property rights, and more proportional electoral systems.*

As noted above, MNCs as outsiders, are likely to be more conspicuous in the public eye (Eden & Molot, 2002), and hence under greater pressure to adopt more accommodationist HRM policies. Hence:

*Hypothesis 3b: Compared to domestic firms, the positive association between co-deterministic employment relationship adjustment and associational trust, property rights, and proportional electoral systems is higher in MNCs.*

## **Method**

Data on HRM practices are taken from the Cranet survey of senior HRM specialists, and which cover Western and Eastern Europe, developed countries such as the USA and Australia and transitional economies such as Serbia. We use data from the six waves of collection extending from 1991 to 2016 and focus on the 37 countries (listed in [Table 1](#)) covered by the these Cranet waves, as well as the World Values Survey (WVS) waves and Djankov et al. (2008). The Cranet questionnaire contains mainly closed-ended questions. We aggregate nationally these company level data. The number of organisations covered in each country ranges from 50 in Serbia to 5110 in the UK. The total number

of observations across all 37 countries and across time is 31,239 and the average number per country is 844. The survey covers all major sectors within the selected countries and, in all but the largest countries, is a full population survey. With larger economies (e.g. France, Germany, Italy and the UK), random sampling was employed, from publicly available mailing lists, weighted for sector and size. The surveys exclude firms with less than 100 employees. Response rates varied between 10% and 22% according to country, which is considered acceptable for such surveys (Bryman & Bell, 2007, pp. 245–246). Here we have excluded public organisations.

How reliable are the country means? The WVS consists of a common questionnaire administered to almost 100 countries and based on interviews with almost 400,000 respondents. The sample size per country ranges from 33 to 1508 observations. Each country sample is representative of all the people aged 18 and older living in that country, whatever their nationality, citizenship and language. The questionnaire is administered *via* face-to-face interviews or *via* phone for respondents from more remote areas. Following the interviews, the data are subjected to a stringent quality control and cleaning. To test our hypotheses over the six waves, we perform unbalanced panel regressions using country fixed effects, with different numbers of countries in different waves. This gives us 107 observations for managers, professional and clerical employees over the six waves from 1991 to 2016, and 91 observations for manual employees for whom the data is not available in the sixth wave in 2016, and the data remains available upon request. The specific countries, their corresponding waves, number of observations, and trust level are listed in Table 1.

With rights-based trust we use the legal family each country belongs to, which it has been argued is related to trust in contracting (La Porta et al., 1998). We measure associational trust by the proportion of respondents in each country replying that ‘most people can be trusted’. For most countries, the measure is taken from the WVS for the corresponding periods of the studied waves.<sup>1</sup> It should be noted that, based on the WVS trust measure, La Porta et al. (1998) find that levels of associational trust are relatively temporally stable. Table 1 shows that trust ranges from 0.028 in the Philippines for 2016–0.795 in Denmark for 2005. Trust levels are highest in the Nordic countries (Netherlands, Finland, Norway and Denmark) ranging from 0.535 to 0.795.

Our studied sample includes companies from various legal regimes (English, French, German and Scandinavian). Table 2 shows that around half of our studied companies are MNCs, that is, firms with their headquarters abroad, with an almost equal distribution of MNCs and

**Table 1.** Sample distribution.

Wave	Number of observations						Country trust					
	1991	1995	2000	2005	2009	2016	1991	1995	2000	2005	2009	2016
Australia					110	395					0.400	0.544
Austria			230	270	203				0.334	0.444	0.334	
Belgium		314	282	191	240			0.310	0.292	0.331	0.292	
Brazil						354						0.066
Bulgaria			150	157	267				0.268	0.401	0.268	
China						256						0.644
Cyprus					90	87					0.128	0.091
Czech			188	72	54				0.245	0.225	0.245	
Denmark	478	443	520	516	362		0.577	0.621	0.665	0.795	0.665	
Estonia			218	118	74	83			0.235	0.381	0.235	0.396
Finland		276	290	293	136			0.597	0.574	0.629	0.574	
France	990	403	400		157		0.228	0.221	0.213		0.213	
Germany	967	383	503	320	420	278	0.329	0.352	0.375	0.400	0.375	0.424
Greece			136	180	214				0.237	0.205	0.237	
Hungary					139						0.223	
Iceland					138						0.411	
Ireland		139	446					0.415	0.360			
Israel			194	175	114				0.235	0.235	0.235	
Italy	188	59	79		389		0.353	0.340	0.326		0.431	
Lithuania					119						0.259	
Netherlands	223	217	234	397	116	167	0.535	0.568	0.601	0.686	0.601	0.674
Norway	303	358	391	303	98		0.651	0.652	0.653	0.653	0.653	
Philippines					33	138					0.086	0.028
Portugal			169						0.123			
Romania						225						0.071
Russia					56	131					0.240	0.292
Serbia					50						0.118	
Slovakia				259	225					0.185	0.159	
Slovenia			205	161	219	218			0.217	0.250	0.217	0.201
South Africa					192	121					0.131	0.236
Spain	297	250	294			98	0.361	0.310	0.275			0.195
Sweden	295	344	352	383	282	291	0.661	0.662	0.663	0.723	0.663	0.648
Switzerland		187	168		99			0.426	0.370		0.370	
Taiwan					229						0.382	
Turkey		131	258			154		0.100	0.068			0.124
United Kingdom	1508	1178	1091	1115	218		0.437	0.363	0.289	0.384	0.289	
USA					1052	509					0.363	0.382

Notes: The numbers of observations refer to the number of observations from the Cranet surveys six waves from 1991 to 2016. Trust is measured by the proportion of respondents in each country replying that 'most people can be trusted', taken from the World Values Survey waves for the corresponding periods of the studied waves.

domestic firms across the different legal regimes ranging from 44.33% in the French regime to 50.94% in the English regime.

Table 2 provides further descriptive statistics on information sharing within our studied organisations. Panel A shows that virtually all organisations brief their managers about business strategy and financial planning. While a majority of organisations still engage in both of these dimensions of communication with their professional employees, the equivalent proportions of organisations communicating with their clerical and manual employees are much lower. Panels B and C of the table compare the proportion of MNCs with the proportion of domestic firms. Both Panels B and C show that MNCs are significantly more likely to

Table 2. Descriptive statistics.

	Proportion of organizations briefing on											
	Business strategy				Financial planning							
	Management	Professional	Clerical	Manual	Management	Professional	Clerical	Manual	Management	Professional	Clerical	Manual
<i>Panel A – Entire sample</i>												
No. of obs.	29,666	28,279	27,633	23,329	29,626	28,504	28,002	23,615				
1991	0.938	0.529	0.291	0.232	0.927	0.641	0.486	0.410				
1995	0.947	0.652	0.425	0.354	0.919	0.700	0.558	0.472				
1999	0.918	0.527	0.335	0.244	0.891	0.609	0.480	0.346				
2003	0.995	0.982	0.973	0.968	0.994	0.985	0.982	0.977				
2008	0.931	0.693	0.565	0.417	0.920	0.673	0.563	0.417				
2016	0.850	0.533	0.353		0.839	0.486	0.343					
<i>Panel B – MNC sub-sample</i>												
No. of obs.	12,705	12,120	11,844	10,311	12,692	12,280	12,100	10,515				
1991	0.932	0.514	0.289	0.245	0.929	0.711	0.566	0.499				
1995	0.955	0.662	0.436	0.384	0.947	0.766	0.650	0.588				
1999	0.939	0.583	0.391	0.303	0.926	0.717	0.596	0.471				
2003	1.000	0.998	0.994	0.985	1.000	1.000	0.999	0.995				
2008	0.968	0.724	0.612	0.458	0.957	0.729	0.649	0.501				
2016	0.941	0.593	0.435		0.928	0.541	0.415					
Total MNC	0.954	0.655	0.478	0.392	0.946	0.746	0.638	0.558				
<i>Panel C – Domestic sub-sample</i>												
No. of obs.	15,972	15,239	14,881	12,174	15,944	15,299	14,990	12,260				
1991	0.920	0.488	0.278	0.204	0.923	0.638	0.475	0.379				
1995	0.950	0.642	0.450	0.356	0.938	0.726	0.586	0.467				
1999	0.925	0.535	0.367	0.258	0.900	0.618	0.502	0.356				
2003	1.000	0.992	0.982	0.977	0.999	0.994	0.993	0.987				
2008	0.946	0.691	0.559	0.423	0.917	0.687	0.536	0.417				
2016	0.798	0.497	0.337		0.975	0.441	0.321					
Total domestic	0.925	0.618	0.451	0.364	0.910	0.670	0.541	0.457				
Probability <i>T</i> -test for diff.	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000				

Notes: The proportions of firms briefing each of their four categories of employees on business strategy and financial planning, Panel A reports the proportions for the entire sample whereas Panels B and C report the proportions for the sub-sample of MNCs and the sub-sample of domestic firms, respectively. We note that the difference between the total number of observations in Panel A and the sum of observations in Panels B and C is due to missing responses for some firms.

communicate and share information with their employees than domestic firms. The only exception to this pattern is business strategy communicated to clerical and manual employees, where there are no significant differences between MNCs and domestic firms. Similar to Panel A for the entire sample, both Panels B and C confirm that communication is biased towards highly ranked employees in both MNCs and domestic organisations.<sup>2</sup>

In order to test the validity of our hypotheses, we applied OLS regressions, including the level of associational trust on the proportion of organisations briefing managers, professionals, clerical employees and manual workers on business strategy or financial performance using country-level data for the entire sample as well as the sub-samples of domestic firms and MNCs. In further robustness tests, we repeat our tests at the firm-level while controlling for firm characteristics and legal regime. We also examine the effect of country trust, property rights or proportional representation on co-deterministic employment relationship adjustment for the entire sample and separately for the domestic and MNC sub-samples.

## Findings

The estimated OLS regressions test the validity of each set of hypotheses and determine whether associational trust or trust in contracting, as measured by the proportional nature of the electoral system or the strength of property rights, best explain access to and sharing of information. Our regressions related to access to and sharing of information are run for the entire sample as well as the sub-samples of MNCs and domestic firms to control for the effect of the international presence of the studied firms.

### *Organisations briefing employees on business strategy*

We tried to explain the proportion of employees that are briefed on business strategy: distinguishing again between (a) managers, (b) professionals, (c) clerical employees and (d) manual workers. Panel A of [Table 3](#) includes the results for the entire sample. The coefficients on country trust in the regressions indicate a growing importance of business briefing from managers to professionals, clerical and then to manual workers. This is consistent with Hypothesis 1a which suggests that businesses sharing organisational strategy with labour are positively related to the level of associational trust.

In detail, columns (1a)–(1c) show the results of the regression of the proportion of organisations briefing their managers on business strategy

**Table 3.** Business strategy debriefing and associational trust.

	Proportion of organizations briefing			
	Managers <i>N</i> = 107	Professional/ employees <i>N</i> = 107	Clerical employees <i>N</i> = 107	Manual employees <i>N</i> = 91
<i>Panel A – The entire sample</i>				
	(1a)	(2a)	(3a)	(4a)
Constant	0.904*** <i>0.015</i>	0.595*** <i>0.035</i>	0.380*** <i>0.032</i>	0.299*** <i>0.039</i>
Trust	0.067* <i>0.038</i>	0.173** <i>0.085</i>	0.341*** <i>0.078</i>	0.384*** <i>0.095</i>
<i>R</i> <sup>2</sup>	0.061	0.048	0.085	0.088
<i>F</i> -statistic	3.150	4.180	18.960	16.380
Prob.	0.079	0.043	0.000	0.000
<i>Panel B – The sub-sample of MNCs</i>				
	(1b)	(2b)	(3b)	(4b)
Constant	0.930*** <i>0.008</i>	0.621*** <i>0.034</i>	0.391*** <i>0.032</i>	0.312*** <i>0.040</i>
Trust	0.076*** <i>0.019</i>	0.201** <i>0.082</i>	0.397*** <i>0.078</i>	0.443*** <i>0.097</i>
<i>R</i> <sup>2</sup>	0.125	0.058	0.098	0.106
<i>F</i> -statistic	15.830	5.930	25.820	20.950
Prob.	0.000	0.017	0.000	0.000
<i>Panel C – The sub-sample of domestic firms</i>				
	(1c)	(2c)	(3c)	(4c)
Constant	0.893*** <i>0.018</i>	0.567*** <i>0.037</i>	0.360*** <i>0.033</i>	0.271*** <i>0.039</i>
Trust	0.086* <i>0.045</i>	0.200** <i>0.090</i>	0.352*** <i>0.081</i>	0.404*** <i>0.093</i>
<i>R</i> <sup>2</sup>	0.061	0.053	0.088	0.091
<i>F</i> -statistic	3.630	5.000	18.700	18.680
Prob.	0.060	0.028	0.000	0.000

Tests Hypotheses 1a and 1b on the positive association between associational trust and the proportion of organizations briefing their employees on business strategy, and the differential impact in MNC versus domestic firms.

\*\*\*, \*\*, \* denote significance at the 0.01, 0.05, and 0.10 levels, respectively, using two-tailed tests.

Notes: Unbalanced panel regressions with wave fixed effects. The dependent variable is the proportion of organizations briefing managers in regression (1), the proportion of organizations briefing professional/technical employees in regression (2), the proportion of organizations briefing clerical employees in regression (3) and the proportion of organizations briefing manual employees in regression (4). We repeat our tests in Panels B and C for the sub-samples of MNCs and domestic firms, respectively. Standard errors are in italics.

on the level of associational trust. The coefficient is significant at the 10% level for the entire sample and is significant at the 1% (10%) level for the sub-sample of MNCs (domestic firms). While the *R*-square is relatively low for managers, this is not surprising as most organisations across the 37 countries brief their managers, so there is very little cross-country variation. What matters for organisational level trust, however, is whether information is shared below the management team. Similar results apply for professional, clerical and manual employees, although the significance of the variable has now increased and generally the relationship increases as the data move down the hierarchical scale. This suggests that associational trust in fact has an increasingly positive impact on briefing employees about business strategy through to manual employees. However, we do not find a more significant effect for the sub-sample of MNCs (Panel B) compared to the sub-sample of domestic

firms (Panel C). Therefore, Hypothesis 1a is supported, while Hypothesis 1b is rejected.

### **Organisations briefing employees on financial performance**

We then focused on the proportion of organisations briefing staff about financial performance (Table 4). As with strategy, virtually all the organisations from all countries brief their different categories of employees about their financial performance, which is consistent with Hypothesis 2a. The coefficient on the association between associational trust and the proportion of organisations briefing managers on financial performance is positive and significant at the 10% level for the entire sample, and is significant at the 1% (10%) level for the sub-samples of MNCs (domestic firms). As with strategy briefing, the low *R*-square for managers is related

**Table 4.** Financial performance debriefing and associational trust – MNCs vs. domestic firms.

	Proportion of organizations briefing			
	Managers	Professional/employees	Clerical employees	Manual employees
<i>Panel A – The entire sample</i>				
	(5a)	(6a)	(7a)	(8a)
Constant	0.886*** <i>0.018</i>	0.579*** <i>0.034</i>	0.412*** <i>0.036</i>	0.320*** <i>0.042</i>
Trust	0.074* <i>0.044</i>	0.271*** <i>0.083</i>	0.425*** <i>0.088</i>	0.494*** <i>0.102</i>
<i>R</i> <sup>2</sup>	0.054	0.116	0.161	0.164
<i>F</i> -statistic	2.850	10.750	23.460	23.310
Prob.	0.094	0.001	0.000	0.000
<i>Panel B – The sub-sample of MNCs</i>				
	(5b)	(6b)	(7b)	(8b)
Constant	0.910*** <i>0.011</i>	0.617*** <i>0.036</i>	0.462*** <i>0.039</i>	0.358*** <i>0.045</i>
Trust	0.085*** <i>0.026</i>	0.279*** <i>0.088</i>	0.429*** <i>0.096</i>	0.551*** <i>0.108</i>
<i>R</i> <sup>2</sup>	0.096	0.112	0.153	0.195
<i>F</i> -statistic	10.480	10.000	19.780	25.890
Prob.	0.002	0.002	0.000	0.000
<i>Panel C – The sub-sample of domestic firms</i>				
	(5c)	(6c)	(7c)	(8c)
Constant	0.876*** <i>0.021</i>	0.545*** <i>0.034</i>	0.358*** <i>0.035</i>	0.258*** <i>0.041</i>
Trust	0.092* <i>0.051</i>	0.311*** <i>0.083</i>	0.489*** <i>0.086</i>	0.555*** <i>0.098</i>
<i>R</i> <sup>2</sup>	0.057	0.135	0.187	0.179
<i>F</i> -statistic	3.260	14.150	32.400	32.070
Prob.	0.074	0.000	0.000	0.000

Tests Hypotheses 2a and 2b on the positive association between associational trust and the proportion of organizations briefing their employees on financial performance, and the differential impact in MNC versus domestic firms

\*\*\*, \*\*, \* denote significance at the 0.01, 0.05, and 0.10 levels, respectively, using two-tailed tests.

Notes: Unbalanced panel regressions with wave fixed effects. The dependent variable is the proportion of organizations briefing managers in regression (5), the proportion of organizations briefing professional/technical employees in regression (6), the proportion of organizations briefing clerical employees in regression (7) and the proportion of organizations briefing manual employees in regression (8). We repeat our tests in Panels B and C for the sub-samples of MNC and domestic firms, respectively. Standard errors are in italic.

to little variation between countries at the level of managers. And again, the significance of the variable and the magnitude of the coefficient increase as the data move down the hierarchical scale. This suggests that trust has a greater positive impact on briefing employees about financial performance through to manual employees. The results in Panels B and C are based on MNCs and domestic firms, respectively. We find that the effect of trust on organisations briefing on financial performance is positive and more significant as we move down in the hierarchical scale to manual workers, which supports Hypothesis 2a. However, we do not find that MNCs from high-trust countries are more likely to share financial information with their employees than their domestic counterparts. Hence, Hypothesis 2b is to be rejected.

### ***Co-deterministic employment relationship adjustment***

Co-deterministic employment relationship adjustment is measured by three proxies: first, the ability of employees to influence through flexitime aspects their working hours; second, the extent of the resultant delegation of responsibilities through the opportunity to work across a range of projects as and when they arise according to demand and, third, the strength of formal collective employee voice mechanisms, evidenced by relative union penetration (see e.g. Bamber et al., 2016). In other words, co-deterministic employment relationship adjustment can be measured by the extent of the use of flexitime, job rotation and collective representation.

Table 5 reports the empirical results related to the test of our Hypotheses 3a and 3b. In Models 9a–11a of Panel A of Table 5, we find that high-trust contexts are associated with greater use of flexitime ( $p = 1\%$ ) and higher presence of unions ( $p = 1\%$ ), which partially confirms Hypothesis 3a. This suggests that firms in countries with higher trust levels are more likely to have flexitime arrangements, in which they delegate some responsibility to employees in terms of the timing of work. Higher country-level trust is correlated with a greater presence of unions, which voice employees' concerns and maintain a high-trust environment. Our data show similar results for both MNCs and domestic firms, except for job rotation which is negatively associated with the level of trust ( $p = 5\%$ ) in MNCs but not in domestic firms. Although job rotation may indeed involve highly skilled workers changing roles, this could also reflect unskilled workers interchanging basic tasks. This suggests marginal support for Hypothesis 3b. Columns 12a, 13a, and 14a in Panel B show that countries with higher protection rights are associated with lower job rotation ( $p = 10\%$ ). Protection rights are extracted from Djankov et al. (2008). However, the latter may

**Table 5.** Co-deterministic employment relationship adjustment in the workplace.

	Using the entire sample			Using the sub-sample of MNCs			Using the sub-sample of domestic firms		
	Flexi-time (9a)	Rotation (10a)	Union (11a)	Flexi-time (9b)	Rotation (10b)	Union (11b)	Flexi-time (9c)	Rotation (10c)	Union (11c)
<i>Panel A – Co-deterministic employment relationship and country trust</i>									
Constant	2.425*** 0.263	12.701*** 1.208	0.621*** 0.053	2.509*** 0.277	12.956*** 1.056	0.607*** 0.055	2.378*** 0.265	12.675*** 1.360	0.620*** 0.053
Trust	2.105*** 0.642	-4.667 2.954	0.347*** 0.132	1.794*** 0.678	-5.561** 2.582	0.359*** 0.136	2.284*** 0.647	-4.320 3.324	0.367*** 0.133
No. of obs.	107	107	102	107	107	102	107	107	102
R <sup>2</sup>	0.051	0.014	0.073	0.042	0.018	0.078	0.054	0.012	0.076
F-statistic	10.740	2.500	6.860	7.000	4.640	6.950	12.450	1.690	7.600
Prob.	0.001	0.117	0.010	0.010	0.034	0.010	0.001	0.197	0.007
<i>Panel B – Co-deterministic employment relationship and property rights</i>									
Constant	3.792*** 0.493	5.368** 2.283	0.725*** 0.099	3.607*** 0.522	6.673*** 2.041	0.734*** 0.101	3.833*** 0.501	5.208** 2.551	0.699*** 0.099
Property rights	-0.108 0.136	1.647*** 0.630	0.012 0.027	-0.070 0.144	1.238** 0.563	0.008 0.028	-0.111 0.138	1.732** 0.704	0.021 0.027
No. of obs.	96	96	91	96	96	91	96	96	91
R <sup>2</sup>	0.001	0.050	0.001	0.000	0.032	0.000	0.001	0.049	0.004
F-statistic	0.630	6.840	0.200	0.240	4.830	0.080	0.650	6.060	0.590
Prob.	0.429	0.011	0.658	0.628	0.031	0.779	0.423	0.016	0.446
<i>Panel C – Co-deterministic employment relationship and proportional representation</i>									
Constant	3.328*** 0.312	14.236*** 1.466	0.667*** 0.059	3.313*** 0.331	13.466*** 1.255	0.641*** 0.061	3.355*** 0.318	14.753*** 1.641	0.686*** 0.059
Proportional representation	0.110 0.127	-1.439** 0.596	0.053** 0.024	0.089 0.134	-1.202** 0.510	0.062** 0.025	0.114 0.129	-1.590** 0.667	0.047* 0.024
No. of obs.	90	90	85	90	90	85	90	90	85
R <sup>2</sup>	0.010	0.069	0.073	0.007	0.058	0.098	0.010	0.070	0.059
F-statistic	0.75	5.83	4.74	0.44	5.55	6.26	0.77	5.67	3.7
Prob.	0.389	0.018	0.033	0.508	0.021	0.014	0.382	0.020	0.058

\*\*\*, \*\*, \* denote significance at the 0.01, 0.05, and 0.10 levels, respectively, using two-tailed tests.

Notes: Unbalanced panel regressions with wave fixed effects. The dependent variables are the country average flexi-time, staff rotation and employee unions, respectively. All dependent variables are extracted from the Granet survey. The independent variable is Country Trust in Models (9)–(11), Property Rights in Models (12)–(14), and Proportional Representation in Models (15)–(17). Country Trust is sourced from the World Values Survey corresponding to the studied wave and consists of the percentage of respondents in each country who answer that ‘most people can be trusted’ to the following question: ‘Generally speaking, would you say that most people can be trusted, or that you can’t be too careful in dealing with people?’, and Property Rights and Proportional Representation are sourced from Djankov et al. (2008). Standard errors are in italic.

also capture insecure gig working, which is increasingly popular in countries where owner rights are strong (Brewster & Holland, 2019; Findlay & Thompson, 2017). Similar to the results in Panel A using the sub-samples of MNCs and domestic firms in Panel B, our findings do not provide support to Hypothesis 3b.

In Panel C, we examine the impact of proportional representation, which is taken from Djankov et al. (2008). The variable equals 3 if all the seats are allocated *via* the proportionality rule, 2 if the majority of seats are allocated *via* this rule, 1 if a minority of seats are allocated proportionally and 0 if no seats are allocated *via* the proportionality rule.<sup>3</sup> Typically, few or no seats in Anglo-Saxon countries are assigned *via* the proportionality rule, whereas in Continental Europe most or all are. Models 15a, 15b and 15c in Panel C show a positive (negative) association between proportional representation and unions (job rotation) ( $p = 5\%$ ). This suggests that countries with political institutions that favour coalitions are more likely to have stronger unions and lower job rotation. The literature on the effects of electoral arrangements on corporate governance suggests that nation-wide coalition-building increases union power – the concerns of collective interests have to be taken seriously. Further, proportional representation is positively (negatively) associated with unions (job rotation) for both domestic firms and MNCs. Hence, the results do not support Hypothesis 3b.

### **Further robustness checks**

In further robustness tests, we repeat our analysis in Tables 3–5 at the firm level using associational trust as well as other control variables used in the literature. This includes firm size, profitability, public listing and a family-controlled dummy. We also control for the legal regime effects (English, French, German and Scandinavian). Although not shown, we find evidence consistent with our previous results, especially for briefing on financial performance. MNCs are more likely to brief lower hierarchical scale employees on their financial performance than domestic firms. We thus confirm our predictions on the positive association between rights-based trust levels and sharing information with employees, and this is more likely to occur in MNCs.

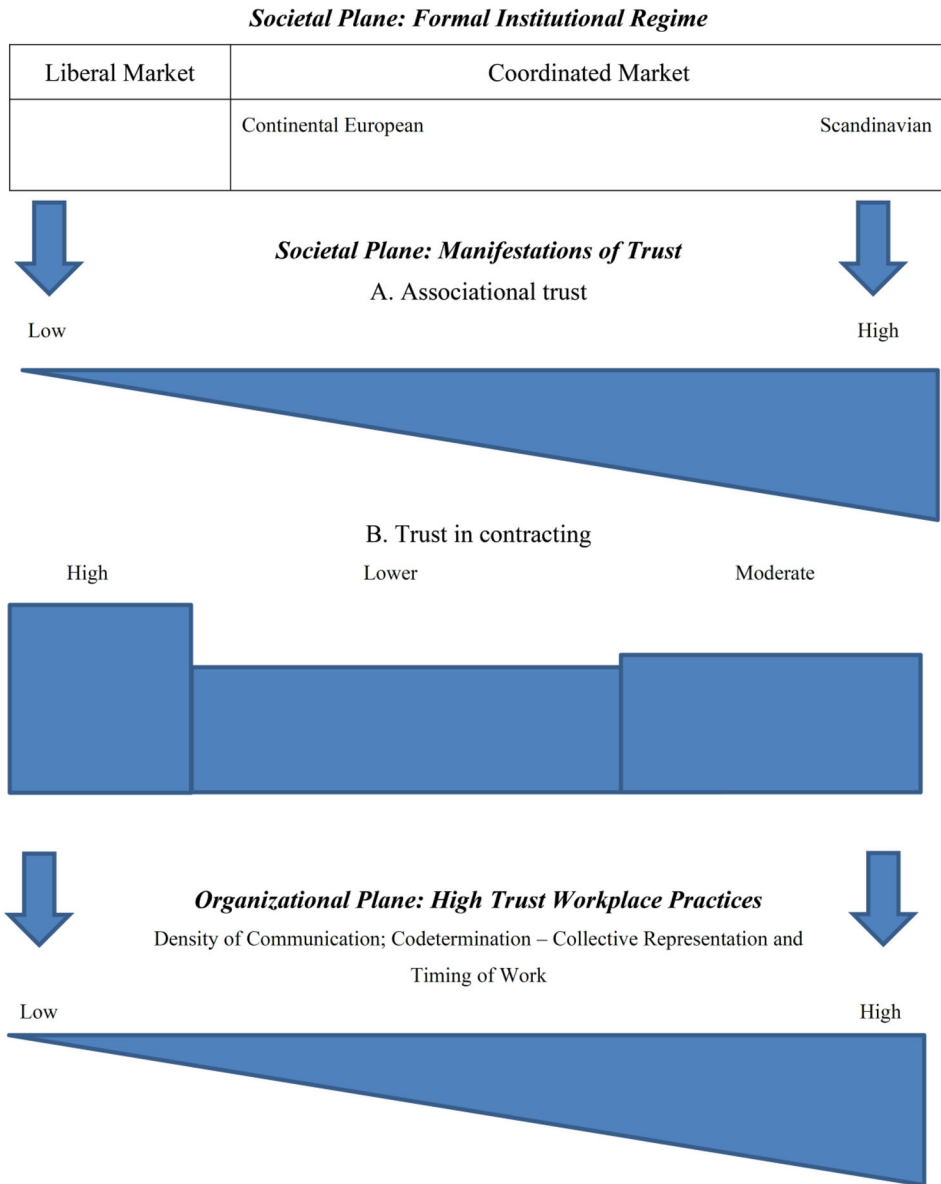
### **Discussion and conclusion**

We begin with a caveat. There are different ways of conceptualising trust and we have chosen a macro national-level measure that is widely reported and used; this is not to deny the validity of other measures, which might yield different results. Again, there are many dimensions to

people management, but we focused on information flows and the ability of workers to impact on the employment contract. Communication is central to trust (Patent & Searle, 2019; Schnakenberg & Tomlinson, 2016), whilst at the centre of production lies the employment contract and how its core tenets are amended over time (Hyman, 1975). We found that different types of national institutional order were associated with different forms of trust relations, and that, in turn, associational trust had a strong impact on our selected areas of HRM practice (c.f. Cooke et al., 2019; Gooderham et al., 2019)

We found that trust in contracting – in turn, a feature of stronger private property rights as defined by legal origin – had limited impact. When worker rights under the law were weaker, trust in the employment contract tended to be similarly so, whatever societal measures of trust in contracting (and how well this works for property owners) might suggest. Ironically, where the dominant feature of societal trust relations was in contracting, HRM practices were encountered that might make for lower worker trust around the employment contract. However, we find uneven evidence of a link between institutional features that are likely to directly impact on owner or investor rights, more specifically electoral proportionality, and workplace practices. This may reflect the extent to which there is a difference between formal electoral structures and how they operate. For example, Canada's first past the post system faces strong de facto pressures towards social compromise, so as to accommodate Quebec. The relationship between profit sharing and context was rather more complex, reflecting the very different forms it assumes, and the degree to which differences may supplement, rather than undermine, collective contracts and differences in tax regimes (Poutsma et al., 2005).

A limitation of the literature on intra-organisational trust is that there is sometimes a tendency to focus on personal attributes and associated behavioural outcomes (Guinot & Chiva, 2019; Saunders et al., 2010). However, associational trust is contingent on the development of formal and informal ties, which, at the workplace, is contingent on depth of communication and the exchange of ideas. In turn, the nature and type of exchange is bound up with wider societal features. Indeed, we found a strong relationship between associational trust and communication over both financial issues and strategy (Hypotheses 1a and 2a). Greater and more frequent communication, particularly with manual workers, was significantly more common in coordinated markets (and social democratic Scandinavia in particular), and noticeably weaker in liberal markets. This would confirm the linkage between capitalist institutional archetypes and high-trust HRM practices (Iqbal et al., 2019). Even clearer was the evidence in terms of the hypothesised relationship between



**Figure 1.** Planes of trust-societal and in HR.

associational trust and such HRM practices: there is support for a relationship between higher levels of the former and the latter (Hypothesis 3a), which was most likely to be the case in coordinated markets. Hence, we found that higher associational trust at societal level is linked to higher trust HRM practices – better communication and co-determination around key dimensions of the employment contract. The key results are summarised in Figure 1.

However, in the case of all three sub-hypotheses (1b, 2b and 3b), we failed to encounter any country of origin or multi-nationality effects: MNCs did not differ significantly from their domestic peers when it came to the impact of country of domicile associational trust on HRM practice. While MNCs are subject to country of origin and domicile pressures (see Cooke et al., 2019; Farndale et al., 2008), this study highlights that, when it comes to trust relations, country of domicile pressures do not have a differential effect. This may be because country of origin pressures cancel out any country of domicile effects; indeed earlier work indicates particularly strong country of origin effects when it comes to information sharing (Lavalle et al., 2010). Again, in terms of the sharing of financial information, Aggarwal and Goodell (2015) found not only strong country of origin effects, but these varied according to where the firm came from: firms from common law countries were less transparent. This may explain why being an MNC *per se* did not result in particular practice level outcomes.

At an applied level, orthodox rational choice approaches to property rights have been highly influential in the policy community: *inter alia*, they have informed World Bank reports (Cooney et al., 2011). Yet, our study finds rather more tenuous links between societal level metrics of property rights and contractual trust and actual firm level practice, despite the bold claims of prominent studies (Botero et al., 2004; Djankov et al., 2008). Again, if common law countries are associated with a diminution of worker countervailing power regarding the employment contract, a key element in a neoliberal agenda (Dardot & Laval, 2013), then this would suggest wider-reaching systemic reform is necessary than is currently envisaged, to reduce excessive short-termism that may damage firms and wider national economies.

The relationship between societal level associational ties and better communication at workplace level would reflect how social relations are reconstituted through the choices and decisions of actors (Giddens, 1990; Gooderham et al., 2019; *c.f.* Cooke et al., 2019). Not only does this mean that certain environments are more conducive to some firm level HRM practices than others, but also potentially that the real decisions made by firms can help support or corrode an existing social order.

What the study highlights is that associational trust at societal level is mirrored by denser ties and relations between employers and employees, encompassing greater information flows and higher levels of communication. We also confirmed that high levels of trust in contracting seem to work well for owners, but less so for employees: the latter was associated with lower trust HRM policies. Indeed, it could be argued that having firm contractual rights may matter less to workers if the wording of the employment contract *per se* makes for insecurity. Different

manifestations of trust do different things, but from an employee point of view, associational trust at societal level is mirrored by higher trust HRM practices at the workplace. In turn, the latter might facilitate more cooperative and higher value-added production paradigms. This would challenge the view that trust in contracting is associated with superior institutions, and this will optimize firm level outcomes (c.f. Botero et al., 2004).

As with any research project, this study has a number of limitations. Most importantly, we did not compare the effects of different types of country of origin. Even if, as we found, multi-nationality *per se* did not make for any differences, specific countries of origin might. Again, it was not possible to explore the relationship between high-trust practices at the workplace and objective performance outcomes, owing to the use of an anonymous survey instrument, precluding matching with companies' data. Investigating the impact of country of origin type on the relative incidence of high-trust HRM practices, as well as the relationship between high-trust HRM practices and long and term performance, would constitute fertile paths for future research.

## Notes

1. An alternative way of approaching trust would be through comparing differences between countries according to Hofstede's cultural categorisation (Hofstede, 2001). However, a growing body of critical research suggests that none of the dominant cultural metrics devised by Hofstede are sufficiently accurate to be adopted in a large-scale survey study (McSweeney, 2002). However, we do deploy measures of trust which in turn have been shown to depend on cultural factors such as religion and ethnolinguistic diversity (see e.g. Knack & Keefer, 1997; Zak & Knack, 2001). Hence, at least implicitly our result that trust is best at explaining differences across countries implies that culture matters.
2. The correlation matrix is not reported here, but is available on request from the authors.
3. Djankov et al. (2008) source their data from Beck et al. (2001), covering the period from 1975 to 2000.

## Disclosure statement

No potential conflict of interest was reported by the authors.

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