Spinning the wheels of trust and culture in organizations:
A conceptual and mathematical model using social exchange theory

Ike Udechukwu,
Shorter University
Email: Udechukwu@hotmail.com

Davida M. Redmond,
Capella University
E-mail: Davida.Redmond@gmail.com

Bahaudin G. Mujtaba,
Nova Southeastern University
Email: mujtaba@huizenga.nova.edu

Abstract

The culture of an organization can be a good indicator of itsvalues. Trust among employees of organizations can shed light on the nature of such cultural underpinnings. In order to understand these concepts, the inner-workings of the North American automotive industry will be discussed as examples toexaminethe relationship between interpersonal trust (affective and cognitive) and organizational culture. We provide this atypical conceptual discussion using Social Exchange theory, with a focus on organizational directed social exchanges. While trust is considered a closely associated variable to Social Exchange theory, very rarely is it discussed in terms of cognitive and affective trust as is the case in this paper, nor is it discussed in terms of its possible net effect on the culture of an organization. This article takes a broad and conceptual look at existing research and attempts to make some propositions for filling the gaps on how trust could help build organizational culture using a process-based approach unlike existing models that use a content-based approach.Finally,fourkey lessonsare drawn and shared from our analysis.

Keywords: Affective trust, cognitive trust, organizational culture, process-based, automotive industry, social exchange theory.

Introduction

In recent years, the North American automotive industry, like many other industries, has experienced significant changes due to the influence of the economy (Leggett, 2009; Perriello, 2009). "It's been a rough ride for the domestic automotive industry over the last few years, as burgeoning oil prices, stiff competition from foreign vehicle makers and the general decline of the American manufacturing sector combined into a perfect storm of trouble for Detroit" (Perriello, p.26). A key for the Big Three (Ford, General Motors, and Chrysler) and many organizations with similar problems is, how should we define and build our culture going

forward? Should trust (affective and cognitive) be an essential component in building a sustainable culture relative to internal and external stakeholders? What should be the dynamics of trust in building a culture in such an exchange relationship? Do differences between the trust (affective and cognitive) levels of internal and external stakeholders impact organizational performance? While these questions are important and pertinent, we take the broad view that developing a conceptual model of affective and cognitive trust as the basis for building a sustainable organizational culture, may be a very important contribution to organizational studies.

In late 2008 and early 2009, the auto industry, as with other industries,laid off thousands of employees in attempts to manage direct costs while regaining some semblance of balance on its profit and loss statements. Leggett (2009) highlighted that "the acute and worsening financial problems for the Detroit Big Three further dented confidence among prospective car buyers, just as the whole economy went sharply into reverse" (p.7). The economic downturn severely impacted Detroit, Michigan, the city which the North American automotive industry calls home. The Big Three are all headquartered in the metro Detroit area. However, this city has shown its resilience through a comeback story worthy of consideration.

For the past two years the Detroit motor show has been a dismal affair. But this year the parties were in full swing again. Helped by government bail-outs and with debt burdens lightened by bankruptcy, Chrysler and GM are back on their feet; Ford, the other member of Detroit's Big Three, is thriving ("Crowded car industry," 2011).

Through the help of government loans (two of the Big Three received funding from the government) and the gritty determination of the employees that stuck it out, these companies are again demonstrating what it means to be profitable ("Crowded car industry, 2011).However, the future is not yet guaranteed. "The road ahead for…American carmakers is still potholed and slippery" ("Sadder, wiser union,"2011).Only time will tell how the industry will fare, but it is important to understand the impact the environment has on these organizations.Trust is a vital part of this environment. While business results are steadily continuing to improve, it is unknown how factors such as organizational culture and trust, among many other pertinent organizational concerns, which these organizations ignored in the past,would affect their internal workings, given the difficult moments in their recent history. As these organizations begin to hire more workers due to the improvement of the economy, how should they define the processes required in building trust with both internal and external stakeholders,moving forward, when one considers trust from an organizational perspective and a process-based activity?

Trust, within the cultural framework of the North American auto industry,and among employees of similar organizations, can also be one of the keys to success (McAllister, 1995). According to Tekleab and Chiburu (2011), trust in organizations "captures the integrity and dependability of the organization based on past events" (p. 461). Dirks and Ferrin (2002) argued that it is important for organizations to determine whether focus is needed on establishing trust in its supervisors or senior leadership. Li (2008) highlighted the critical role that top leadership plays in building trust within an organization. However, Bai, Li, and Xi (2012) expanded upon this research through their examination of the impact that leadership at two levels – top management team and direct supervisor - has on trust. "The most significant finding of this study is that trust in leadership follows two parallel and different paths or processes of social exchange" (Bai, Li & Xi, p. 17). In order to understand the inner-workings of the North American automotive industry and other organizations,

examination of the relationship between interpersonal trust (affective and cognitive trust) and the organizational culture in these organizations, in the current economic climate, may be critical.

We conduct this qualitative discussion using Social Exchange theory, particularly organization-directed social exchanges, as suggested by Tekleab and Chiaburu (2011). However, we also recognize there is more to organizations, and thus, we encourage further research into organizational structures and organizational processes in this industry,since organizational strategies depend not only on the organizational culture, but on organizational processes, organizational resources, and organizational structures. This paper focuses conceptually and broadly on organizational culture and its relationship to trust (cognitive and affective) through the framework of Social Exchange theory, and through a process-based framework.Shore, Tetrick, Lynch, and Barksdale (2006) argued the significance and value of understanding exchanges that occur between employees and employers. In their research, they found that social exchange has traditionally emphasized the socioemotional aspects of the workrelationship (i.e., feelings of obligation and trust), while economic exchange tends toemphasize the financial or the more tangible aspects of the exchange relationship (Shore, et al., 2006). We take the view that trust is intrinsic to the employer and employee and so we view this paper from a socioemotional perspective rather than adopt the economic exchange paradigm which is extrinsic to the employee and employer. It is also important to note that the concepts generated in this paper may also apply to other organizations as well.

Trust: Cognitive and Affective

Li, Bai, and Xi (2011) defined organizational trust as "employees' collective perception regarding the trustworthiness of their organization" (p. 2). Tekleab and Chiaburu(2011) concluded that there are two fundamental forms of social exchanges: organization-directed exchanges and supervisor-directed exchanges. They further added, "each form of social exchange brings a different perspective on how employees construe their relationships with their organizations and direct supervisors" (Tekelab&Chiaburu, p. 465). In that research, they found that organizational directed social exchanges, which is the focus of this paper, was significantly related to trust in organizations (Tekleab and Chiaburu). However, their research also opened the door for us to question the impact of cognitive and/or affective trust in such exchange relationships, and how such trust can become a source for building a sustainable organizational culture.According to Li (2008), "it is evident that task oriented, cognition based trust and relationship oriented affect based trust play different roles in social or economic exchanges" (p. 417). Therefore, it is vital that cognitive and affective trust are explored in greater detail. More importantly, this conceptual paper attempts to break new ground by suggesting that the discussion on trust should begin to take two paths---process based trust and content based trust. This process and content based paradigmsare also evident in several research areas, to include research on motivation. Thus, this paper conceptually begins the journey on a process-based path of trust. This paper is also different from current trust research, which is vastly content-based. However, a content and process based approach to trust should help with a richer understanding on the dynamics of trust.

Cognitive trust

Stakeholdersare an important part of the equation in an organization's success. This includes stakeholders internal and external to the organization---employees, consumers, suppliers, etc. More importantly, the development of trust between employees that work together is usually critical to the success of the organization (McAllister, 1995; Webber, 2008). "Intuitively, interactions in work contexts require some inherent level of trust for exchange partners to discharge their mutual obligations. Perhaps because of this, trust

may be considered to be of singular importance in effective work relationships" (Yang, Mossholder&Peng, 2009, p.143).It would then appear that trust can be viewed as a latent and necessary element in the proper functioning of an organization, to the extent thatTekleab and Chiaburu (2011) had identified a strong relationship between organizational directed social exchanges and trust in organizations.

Erdem andOzen (2003) argued that the development of trust in organizations is not just the responsibility of the individual, but also that of the organization itself. In essence, Erdem and Ozen suggest an implicit value attached to the focus on aspects of trust in such exchange relationships. We argue that such a focus should also be a basis for forging the organizational culture of organizations. In addition, Chua, Morris, and Ingram (2009) highlighted that trusting relationships can be found in businesses all over the world. In their research on trust in Chinese and American networks, Chua, Morris, and Ingram found that "whereas Chinese managers had more affect-based trust in those on whom they economically depend, American managers had less affect-based trust in such individuals. Also, American managers were more likely than Chinese managers to derive affect-based trust from friendship ties" (p.503).

Interpersonal trust has been defined as "the extent to which a person is confident in, and willing to act on the basis of, the words, actions, and decisions of another" (McAllister, 1995, p.25). For example, in the North American auto industry where Chrsyler and GM had filed for bankruptcy, it is safe to suggest that stakeholders (internal and external to the culture) had reason to doubt their confidence in these organizations, based on the their bankruptcy filings. Unless these organizations are willing to counter such nervousness by recognizing and acting on the premise that trust, both affective and cognitive, is an important aspect in the exchange relationship between these organizations and their stakeholders. Li (2007) articulated the basic premise of trust: trust is needed only when there is an uncertainty of dependability.

Two key types of interpersonal trust that can be found in organizations are cognitive and affective trust. Morrow Jr., Hansen and Pearson (2004) argue that "both cognitive processes and affective influences play roles in the development of trust" (p.50). Cognitive trust is developed based on the proven reliability of the individual (Lewis &Weigert, 1985; McAllister, 1995). In an exchange relationship, this reliability would be expected to go both wayswith the organization and its stakeholders (internal and external). Trust in organizations "captures the integrity and dependability of the organization based on past events" (Tekleab&Chiaburu, 2011, p. 461). The ability to deliver time and time again is a basis for building cognitive trust in an organizational setting. It has often been linked to the task-oriented side of work versus the relationship-oriented side. According to Yang, Mossholder andPeng (2009),
Cognitive trust has a more natural connection with task-oriented aspects of work with which employees must deal. Such trust in supervisors allows individuals to better focus on increasing the quantity and quality of task performance. When they are less subject to worry and anxiety in accomplishing tasks, employees are apt to evaluate the overall work experience in a more positive fashion (p. 152).

Cognitive trust is established over numerous situations and is based on the aggregation of these occurrences which then establishes a reputation (McAllister, 1995). However, it is important to note that this type of trust can also develop based on individual occurrences. Morrow Jr., Hansen and Pearson (2004) argue that "in these forms of trust, one party assesses the trustworthiness of another party by weighing the evidence embedded in both the attributes of the transaction and the characteristics of the other party(s) to the transaction" (p.53). Thus, each interaction in that exchange relationship presents the opportunity to either highlight the

cognitive trust that surrounds individual/groups in that relationship or to combat/eliminate it.Six and Sorge (2008) argue that,

Interpersonal trust building is an interactive process in which individuals learn or unlearn to establish and maintain trustworthiness, under given organizational (contextual and structural) settings, and subject to policies directly or indirectly, positively or negatively sanctioning the building of interpersonal trust (p. 859).

Cognitive trust is especially important within the North American automotive industry as many of the employees of the Big Three have worked at one or both of the other companies. Thus, the reputation that one has built within this industry is likely to follow them. Employees within this industry are highly aware of the level of cognitive trust that they have built up in the form of reputational currency - a good name or a good worker.

"Although cognitive trust is knowledge-driven, the need to trust presumes a state of incomplete knowledge. A state of complete certainty regarding a partner's future actions implies that risk is eliminated and trust is redundant" (Johnson & Grayson, 2005, p. 501). While trust within North American automotive industry should not be considered redundant, at this time, cognitive trust should be built up over time during the exchange relationship between stakeholders and the organization, until it permeates and becomes embedded as part of the organizational culture. In fact, Li (2007) highlighted the iterative nature of the trust building process whichbuilds into a crescendo that sometimes defines the trust relationsbetween organizations and their stakeholders. And, since the North American auto industry depends on the quality of the products they offer to at leastone of their stakeholders (the consumer),cognitive trust, which is knowledge-centric and task-oriented, becomes vitally important in that effort, especially in their exchange relationship to stakeholders. However, we argue that interpersonal trust has to go beyond cognitive trust. Interpersonal trust has to extend to affective trust in that exchange relationship with stakeholders, in order to have any meaningful and stabilizingimpact on the organizational culture. Li likens this to the various levels of trust that are present in stranger and friend relationships, arguing that "the initial trust between strangers differs from the mature trust between friends…For instance, the cognitive content of trust may be prominent at the initial stage, while the affective content of trust may be more at the mature stage" (p. 439). It is because of this maturation of trust that we next explore the affective nature of interpersonal trust.

Affective trust

Affective trust exists when there is an emotional bond between individuals (Lewis &Weigert, 1985). This type of trust is built upon the genuine care and concern that the individuals have for each other. Johnson and Grayson (2001) add that, "The essence of affective trust is reliance on a partner, based on emotions. As emotional connections deepen, trust in a partner may venture beyond that which is justified by available knowledge" (p. 501). However, in order for affective trust to exist, some form of cognitive trust must first be present (McAllister, 1995). Research identifies that affective trust between people in an organization results in greater success. We extend this argument to stakeholders as well. In fact, Webber (2008) found that affective trust has a more positive relationship with team performance than cognitive trust.

Affective trust centers more on personal ties… [it] may evoke closer ties and greater identification on the part of the employee, which can provide for greater assurance in and enjoyment of interactions with the supervisor. Moreover, the experience of these prosocial effects may readily spillover to coworkers and others in the work context (Yang, Mossholder&Peng, 2009, p.152).

Affective trust becomes even more important in the North American automotive industry when times are hard since tough times tend to cause people to become more conservative and less willing to take risks. When affective trust is present, people within organizations are likely to exert a little more effort than normal to accomplish goals or achieve results, thus, effectuating the emergence of an internal organizational culture built on cognitive trust, which is then extended to affective trust.We also argue that these organizations must find ways to establish cognitive trust in their exchange relationship with their external stakeholders such as consumers. Morrow Jr., Hansen and Pearson (2004) reinforce that trust has positive effects on organizational outcomes. Furthermore, affective trust has the potential to minimize organizational conflicts. Parayitamand Dooley (2009) argue that "in the absence of affect-based trust, group members may perceive task-based disagreements aspersonal attacks on the members who oppose their viewpoints" (p.791).Parayitamand Dooley go on further to suggest:

While cognition-based perception of trustworthiness is helpful in understanding and explaining how information is inferred and interpreted by members, affect-based trust encourages members to explore ideas, communicate openly, and concentrate on a task. Affect-based trust encourages members to work toward group goals as it promotes fuller processing of information provided by other members (p.790).

Li (2008) argued a key point about the trust building process. In his research, Li highlighted that while initial trust is weak, mature trust can be either weak or strong. In addition, while initial trust is normally derived organizationally, mature trust can be derived either organizationally or interpersonally. Therefore, as trust builds from initial to mature, and cognitive to affective, it is important that the relationship or link that trust has with organizational culture continues to be explored and expanded upon.

Trust among people in an organization can help build a sustainable and progressive organizational culture. Webber (2008) argues that teams that have not had the opportunity to distinguish affective trust from cognitive trust may experience more difficulty working together effectively. We also suggest that this could potentially be the case with external stakeholders such as consumers, who should be considered members of the organizational team—they buy the organization's product. Inability to work together has the potential to affect the culture of an organization. In fact, the most important factor that influences team member interaction is a climate of trust (Erdem&Ozen, 2003). Thus, it is imperative that the foundations of trust be examined by the North American auto industry and other organizations, in order to appreciate its linkage and impacton organizational culture. Yang andMossholder (2010) further states that the"intention to accept vulnerability is rooted in the conceptualization of trust. When this acceptance is manifested as cognitive or affective trust in either the supervisor or management, differences in employee attitudinal and behavioral outcomes could accrue" (p. 51).

Thus, we conclude that an organization is impacted internally and externally by the level of cognitive and affective trust it establishes with its internal and external stakeholders, depicted as

$T_{internal} = T_{external}$ (1)

T_A = Affective trust

T_C = Cognitive trust

Where, $T_{internal}$ = Affective Trust + Cognitive Trust (for internal stakeholders)

Where $T_{external}$ = Affective Trust + Cognitive Trust (for external stakeholders)

The Trust-Culture Link

For many organizations, a strong and high-performing culture can be the difference between being the best in the industry and merely wanting to be the best. Culture is, at its core, a set of shared meaning, values, and beliefs. In today's constantly changing business environment, companies are faced with influences from many different areas, both domestically and globally, and are invariably required to remain flexible and adaptable to the changing environment in order to remain competitive. That changing environment involves the pressures of changing levels of cognitive and affective trust between internal and external stakeholders of that organization. Brown (2011) argues that "companies can only succeed if they are flexible enough to follow customer demand" (p.33). Customers are external stakeholders, and those organizations that manage well in the face of change are likely to be rewarded by the stakeholders that keep them in business. Consequently, Smith (2012) highlighted that when culture is left to deteriorate and the trust of clients is abused, the sustainability of organizations is threatened. Thus, organizations within an industry, though constrained by their environments, can create unique cultures that then become a source of competitive advantage (Balthazard, Cooke & Potter, 2006; Schultz, 2001).

There are several variables to consider in the discussion of organizational culture, including teamwork-conflict, climate-morale, information flow, involvement, supervision, and meetings which combine to shape the culture of an organization (Glaser, Zamanou, and Hacker, 1987; McAllister, 1995). We ask, what if we could design a culture around an understanding of cognitive and affective trust in spite of these well-established cultural factors?

However, Robbins (2005) defines organizational culture as "a system of shared meaning held by members that distinguishes the organization from other organizations"(p.485). Balthazard, Cooke, and Potter (2006) highlight that normative beliefs and shared behavioral expectations can be quantified and used to indicate the culture of an organization. Thus, an organization's culture can be measured, managed, and modified to ensure that it is highly aligned with the external environment and flexible enough to meet changing trends (Zamanou& Glaser, 1994; Schraeder, Tears & Jordan, 2005). We have argued that the management process of an organizational culture may involve a social exchange between the stakeholders(internal and external) of the organization,such that there is an emergent and existent acknowledgement and appreciation of the role of cognitive and affective trust in that process. In fact, research conducted by Li, Bai, and Xi (2011) upholds that argument. "In contrast to the hard formal rules of formalization and centralization, which are regarded as negative to trust, the soft informal norms of business and ethical values are expected to be positive for trust" (Li, Bai& Xi, p. 8).

According to Linnenlueckeand Griffiths (2010), "organizational cultureis often cited as the primary reason for the failure of implementing organizational change programs" (p.359).Failing to change the organizational culture has the potential to move an organization down the path of either failure or a very difficult recovery. In addition, failing to adopt necessary changes to build a credible organizational culturecan detract from the organization becoming relevant in its environment. Erdem and Ozen (2003) argue that it is the responsibility of the organization to define, encourage, and check the behavior that creates the environment of trust necessary for synergetic teamwork.

Glaser, Zamanou, and Hacker (1987) studied six components of organizational culture that are central to the development of rituals and shared beliefs: teamwork-conflict, climate-morale, information flow, involvement, supervision, and meetings. While not exhaustive, these components are central to the construction

of organizational culture (Glaser, Zamanou& Hacker). In addition, these factors represent communication dimensions of organizational culture, or more specifically, how culture is created through social interaction (Zamanou& Glaser, 1994). These social interactions create room for social exchanges where cognitive and affective trust can find fertile ground for germination.

Teamwork-conflict

The teamwork-conflict element of organizational culture is perhaps the most relevant to this discussion as it keenly highlights the amount of trust that is experienced within the organization. Linnenluecke and Griffiths (2010) argue that teamwork is important for not only cost-savings, but also for adding value to the organization. Six and Sorge (2008) propose that in order "for trust to be built in long term work relationships both individuals need to have stable intentions to maintain the relationship and forego opportunities for opportunism" (p. 880). These organizations must consider both internal and external stakeholders as part of the same team.They must treat each group with equal amounts of respect, dignity and importance in that exchange relationship. Thus, trust matters here.

Climate-morale

Climate-morale could also be associated with cognitive and affective trust. Defined by Glaser, Zamanou, and Hacker (1987) as the character of the organization or general atmosphere, interpersonal trust could play a role in the perception of this variable within an organization. For example, organizations that have a foundation based upon cognitive trust alone will have a different climate than those that have developed a more affective-based trust level (McAllister, 1995). In addition, organizational commitment and performance are likely to be influenced by the climate-morale of the company, as well as level of trust. Song, Kim, and Kolb (2009) argued that "organizational performance could be strongly related to employees' motivation to work and commitment level in terms of their positive attitude toward the organization based on trust" (p. 152). We argued earlier that these organizations must consider the value of both internal and external stakeholders, in that exchange relationship, while building both cognitive and affective trust with stakeholders, in order to achieve a sustainable organizational culture.

Information flow

It is important to understand the flow of information within an organization when trying to assess the impact of cognitive and affective trust on organizational culture. Glaser, Zamanou, and Hacker (1987) discuss information flow as the "flow of communication to pertinent people or groups in the organization" (p. 194).This flow of information establishes a basis for implicit exchange relationships between stakeholders, as opposed to the more common explicit and overt exchange relationships as it exists in most organizations. Communication is vital because it helps to avoid confusion and misunderstanding. The level of cognitive and affective trust experienced between individuals in an organization is a key contributor to the amount of information that is shared and how effective or ineffective the communication is among employees. Six and Sorge (2008) highlight the important role played by flow of information within the walls of organizations when development of interpersonal trust is taken into consideration.

It is not the intention of the sender of the relational signal, the trustee, that determines the character and effect of the signal, but how the receiver, the trustor, perceives the signal. Making sure that one's actions convey unambiguously positive relational signals requires interpersonal skills such as communication skills on the part of the trustee. Also, being able to deal with ambiguous signals, without immediately concluding that distrust is warranted, requires self-confidence on the part of the trustor (pp. 870-871).

Involvement

When management has higher levels of trust in their employees, the level of involvement, or willingness to listen to different ideas and thoughts, is elevated (Glaser, Zamanou& Hacker, 1987). McAllister (1995) articulates the importance of this factor by suggesting,

Organizations must also depend on employees to use their skills and energies wisely so that contributions are maximized-organizations need employees who work not only harder but smarter. An essential ingredient in working smarter is undoubtedly paying attention and looking for opportunities to make constructive contributions (p. 33).

Song, Kim, and Kolb (2009) further argued that a high-trust environment stimulates involvement, particularly around the areas of collaboration and knowledge sharing.However, the other concern that may be generated from these assertions might be the perceived effectiveness of cognitive trust versus affective trust while establishing a high level of employee involvement within the organizational culture. Rather than choose which is better, we argue that establishing both types of trust with all stakeholders is a pragmatic approach since all stakeholders contribute to the overall well-being of the organization.

Supervision

The relationship between an employee and his/her supervisor is highly influenced by the level of cognitive and affective trust that is present. According to McAllister (1995), "in working relationships involving high interdependence, peer performance can have a determining impact on personal productivity, and evidence that peers carry out role responsibilities reliably will enhance a manager's assessments of a peer's trustworthiness" (p. 28). Glaser, Zamanou, and Hacker (1987) define supervision as the extent to which feedback is provided and job expectations are clear.Six and Sorge (2008) highlight the importance that having clear performance expectations has on building trust within an organization. By this, supervisors and managers on behalf of the organization may be responsible for establishing a path towards a trust-based culture in their organizations, based on cognitive and affective trust. In fact, Li (2008) stated that "leadership is pivotal to building trust in organizational settings because it has the capacity to facilitate organizational trust" (p. 428).

Meetings

Feedback from supervisors is more tangible and meetings are more productive when there is an increased level of trust within an organization.In fact, Six and Sorge (2008) explain that it is important for colleagues to meet informally outside of normal work-related requirements in order to build and establish strong, trusting relationships. According to Six and Sorge, "this tended to restore or even deepen trust, as they learned more about the other person" (p. 872).

The problem with this model of culture,as with other models, is that it focuses excessively on the activities or content-based variables of internal stakeholders while taking very little account of its impact or process-based variables on external stakeholders. We argue that trust, cognitive and affective trust,built through a process-based paradigm in that exchange relationship, may provide broader insightinto its relationship with both internal and external stakeholders in that environment. We provide a brand new conceptual model below

on how trust (cognitive and affective) define, impact, and develop as organizational culture, both internal and external to the organization.

Figure 1 – Trust and Organizational Culture
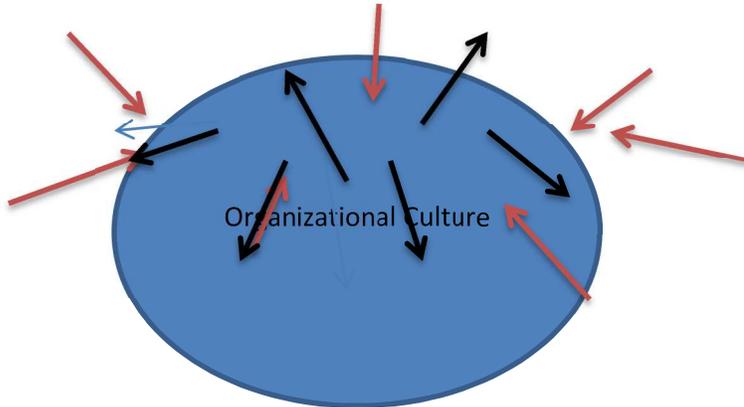
Trust (affective and cognitive) from within the organization – T $_{internal}$
Trust (affective and cognitive) from outside the organization – T $_{external}$

The arrows inside the circlein the diagram,reflect the outward pressures (cognitive and affective) trust imposes on the boundary of an organization's environment, emanating from internal stakeholders in that culture. And the outsidearrows reflect the inward trust pressures (affective and cognitive) coming from external stakeholders in that culture. While it is important to understand the research on the role of trust in organizational culture, it is also necessary to examine the theoretical basis for linking interpersonal trust and organizational culture. Social exchange theory helps in establishing the link between trust and organizational culture.

The Trust-Culture Link from a Social Exchange Perspective
The theoretical framework that guides this study is social exchange theory. Social exchange theory argues that social exchanges, or relational interactions, result in future expectations that are not specific (Konovsky & Pugh, 1994). According to Konovsky and Pugh, "trust is a key element in the emergence and maintenance of social exchange relationships" (p.658). Thus, social exchange theory serves as the foundation for the constructs of interpersonal trust, which includes, cognitive trust and affective trust, because it involves an evaluation of the cost and benefit of such a relationship, within that particular cultural ethos.This cost and benefit may not necessarily be tangible or extrinsic to the stakeholders and the organization as the economic exchange theory might suggest. The costs and benefits can be socio-emotional asin cognitive and affective based trust. In fact, Li (2007) argued that "while the conditions for trust are related to the necessity and feasibility of trust for social exchange, the functions of trust are related to the role and effect of trust in social exchange" (p. 424).
Tekleab and Chiaburu (2011) lamented the limited integration in Social Exchange theory as it continues to expand as a concept, while they set out to attempt integration of the subject matter. The authors assert,

individuals often enter into social exchanges because they perceive that the other party in the relationship has something to contribute. Over time, if the relationship proves mutually satisfying, each party's contributions increase gradually, both in breadth (the range of possible contributions made by the parties) and value (the importance of the contributions to each party). Both parties to the exchange strive for a balance in contributions made, with "balance" being judged in terms of equity norms as well as parties' past experiences in other social exchanges (Tekelab&Chiaburu, 2011, p. 461; Homans, 1961).

In their research, Tekleab and Chiaburu(2011) concluded that there are two fundamental forms of social exchanges; organization-directed exchanges and supervisor-directed exchanges. They further added, "each form of social exchange brings a different perspective on how employees construe their relationships with their organizations and direct supervisors" (Tekelab&Chiaburu, p. 465). In that research they found that organizational directed social exchanges, which is the focus of this paper, was significantly related to trust in the organization (Tekleab and Chiaburu). However, they made no distinction in the type of trust in the organization, whether cognitive or affective trust.

Similar to Tekleab and Chiaburu, Dirks and Ferrin (2002) argue that it is necessary to differentiate between direct leadership and organizational leadership relationships when seeking to better understand the role that trust plays in organizations. "According to social exchange principles, the relationship-based perspective implies that followers will reciprocate toward the other party in the relationship. For example, trust in direct leader should be associated with reciprocation primarily aimed at that referent, as opposed to organizational leadership" (Dirks &Ferrin, p.615). Cropanzano and Mitchell (2005) highlighted that interdependence is a defining characteristic of social exchange theory. It is this mutual dependence that influences the trust relationship and impacts the culture of an organization. Nakonezny and Denton (2008) argued that the very foundation of social exchange theory research seeks to explain relationships in terms of the rewards and costs that are part and parcel of the association. In fact, Ward &Berno (2011) stated that "comparison is an important component of social exchange and provides the standard against which all relationships are judged" (p. 1557).

As the North American auto industry,or any organization emerging from significant problems, continues to heal from its previous business failures, evaluations of the trust relationship between the stakeholders (internal and external) and the organization, in that culture, is likely to continue on a recurring basis as a result of the exchange relationship.Dirks and Ferrin (2002) argue that trust in leadership within organizations is more than just the normal or standard economic contract. "The exchange denotes a high-quality relationship, and issues of care and consideration in the relationship are central" (Dirks &Ferrin, p. 612).

As mentioned earlier, each interaction with an entity is an opportunity to reassess and/or reaffirm the cognitive trust or reputational reliability that is associated with that entity. Emerson (1976) noted that "each transaction must preserve the solidarity built by previous transactions and prepare the ground for future transactions" (p. 354). This future transaction should lead to a culture based on strong cognitive and affective trust. This is further elaborated on by Noblet and Rodwell (2008) who posit that people continually seek a balance between what is invested in the relationship and what is received from it. Therefore, in order for trust to maintain its currency in that exchange relationship, while contributing to the emergence of an organizational culture, the relationship must be considered mutually beneficial to all parties in that exchange relationship.

Research has shown that interpersonal trust may be linked to organizational culture. McAllister (1995) stated that informal relationships are central to the real work of organizations. Pool (2000) argued the importance that a constructive culture has on reducing stress and promoting effectiveness. Such a culture is one that expects "friendliness" or a more mature form of operationalized trust, such as affective trust.Cropanzano and Mitchell (2005) highlight that one of the basic philosophies of social exchange theory is that "relationships evolve over time into trusting, loyal, and mutual commitments" (p. 875). We expect that once established, such trusting, loyal, and mutual commitments, become the shared values and norms of the organization, or its organizational culture.

Bai, Li, and Xi (2012) argued thatleadership could foster social exchange within organizations to build employee trust across multiple organizational levels. They also highlighted that trust is more likely to develop through social exchange that is reciprocated rather than through economic exchange that is negotiated (Bai, Li & Xi, 2012).In addition, Linnenlueckeand Griffiths (2010) detail the "dilemma for organizational managers to find a balance between stability and adaptation as well as people versus task accomplishment" (p. 360). It is this careful balance that can potentiallylead an organization to surge ahead of its competition in that environment, irrespective of the external and internal influences it experiences. Thus, cultivation of an exchange relationship by establishing a culture of cognitive and affective trust is important for both the organization and its stakeholders in that exchange relationship.

High levels of trust within an organization has the potential tocreate organizations that operate at high levels of performance,while maintaining a very engaged workforce, especially when such workforces have to weigh the benefits and costs of their relationship with the organization. Dirks and Ferrin (2002) highlight the link between trust and various attitudinal outcomes, such as organizational commitment and job satisfaction. "The implication of this idea is that trust in leadership should be associated with higher levels of job satisfaction, higher organizational commitment, and lower intention of quitting" (Dirks &Ferrin, p. 613). More satisfied employees who are less likely to leave the organization impactsthe culture that is able to develop within a company. This should similarly apply to external stakeholders ofthe organization. This proposed link between trust and organizational culture is important for the North American auto industry and any other organization for that matter. Given all the turmoil that this industry has experienced in recent years, it is important that the level and quality of trust,relative to the organizational culture, are well calibrated to ensure a balance of trust between external and internal stakeholders. We provide an illustration depicting the essence of our process-based conceptual paradigm.

Thus,

$$T_{internal} = T_{external} \qquad\qquad (2)$$

$$T_{internal} - T_{external} = 0 \qquad\qquad (3)$$

$$T_{A\,internal} + T_{C\,internal} = T_{A\,external} + T_{C\,external} \qquad\qquad (4)$$

Condition 1: If $T_{C\,external} = 0$ (Here we assume a deficiency or deficit of cognitive trust the organization may have established with external stakeholders)

Then, $T_{A\,internal} + T_{C\,internal} = T_{A\,external} \qquad\qquad (5)$

Therefore, $T_{C\,internal} = T_{A\,external} - T_{A\,internal} \qquad\qquad (6)$

Condition 2: If $T_{A\ external} = 0$ (Here we assume a deficiency or deficit of affective trust the organization may have established with external stakeholders)

Then, $T_{A\ internal} + T_{C\ internal} = T_{C\ external}$ (7)

Therefore, $T_{A\ internal} = T_{C\ external} - T_{C\ internal}$ (8)

Condition 3: If $T_{C\ internal} = 0$ (Here we assume a deficiency or deficit of cognitive trust the organization may have established with internal stakeholders)

Then, $T_{A\ internal} = T_{A\ external} + T_{C\ external}$ (9)

Therefore, $T_{A\ internal} - T_{A\ external} = T_{C\ external}$ (10)

Condition 4: If $T_{A\ internal} = 0$ (Here we assume a deficiency or deficit of affective trust the organization may have established with internal stakeholders)

Then, $T_{C\ internal} = T_{A\ external} + T_{C\ external}$ (11)

Therefore, $T_{C\ internal} - T_{C\ external} = T_{A\ external}$ (12)

In terms of future primary research, two possible questions are as follows: 1) Does trust among external stakeholders have a positive relationship to trust among internal stakeholders? 2) Does the difference between trust among internal and external stakeholders have a relationship to organizational performance?

   Furthermore, two research proposition for future testing prupoes can include:

   Proposition 1: Trust (cognitive and affective) among external stakeholders of the organization should have a positive relationship to trust (cognitive and affective) among internal stakeholders for effective organizational performance?

   Proposition 2: The difference between trust (cognitive and affective) among internal and external stakeholders should have a positive relationship to improved organizational performance?

   The equations, which are significant contributions to the process-based approach to trust studies, also suggest that when organizations in their exchange relationship bolster the level of trust with external stakeholders in excess of the level of trust the organization has generated with internal stakeholders, that such a condition could lead to anorganizationalculturemisalignment or imbalance, which is typically referred to as "the customer-is-always-right syndrome". This condition couldpotentially lead to other unintended organizational outcomes among internal stakeholders, to includehigh employee turnover, job stress, reduced job satisfaction, etc. On the other hand, when the result of the exchange relationship between the organization and the internal stakeholders exceeds the level of trust between the organization and its external stakeholders, which we refer to as "the perfect-place-to work syndrome", this can also lead to organizational culture misalignment and imbalance. The unintended effect of this condition for the organization and external stakeholders could include customer flight, customer dissatisfaction, potential for overbearing regulation on the organization and industry, and organizational myopia and lack of focus/planning, which can also lead to the creation of substandard or inadequate product/service design.

   The goal of the organization is to work towards maintaining a culture of balance in its exchange relationship with its stakeholders, both internal and internal, by calibrating how it builds trust with those stakeholders, in ways that do not lead to unnecessary turbulence in that environment. A trust-based culture should serve as a yardstick in measuring the performance of the organization. Thus, a process-based approach,

as this research is recommending, in addition to extant content-based approach to the study of trust,should be helpful in fully exploring the nature and dimensions of trust.

Implications

There are several lessons and pearls of wisdom that can be gleaned from what the North American automotive industry has experienced since the economic downturn. Previous research on trust and organizational culture also provide a valuable foundation for these lessons. However, highlighted below are some of the key takeaways that this industry should take into account as it continues to move onward and upward on the road to a full recovery.

1. Trust can be the basis for building an organizational culture in exchange relationships once organizations realize the dynamics of such a relationship in their environment. This process-based approach to studies on trust should help with this effort.

2. The primary aim of organizations interested in building a trust-based culture is to ensure that there is a balance between the cognitive and affective trust of external stakeholders to the cognitive and affective trust of internal stakeholders. To create this balance, an understanding of the nature of trust, both content and process-based approaches, can be helpful.

3. Once a deficit is established in any of the types of trust (affective or cognitive) in either party in the exchange relationship, the mathematical model presented in this papercan help as a tool to rebalance and realign management thinking in terms of where effort should be spent in order to ensure healthy organizational cultural ethos. A content-based approach is incapable of identifying areas of imbalance. A process-based approach maybe a better tool for doing so.

4. The content-based approaches to trust studies, as is currently the case in trust research, should continue to provide useful tools for gathering important data that can be applied through a process-based approach in understanding the dynamics of trust in that particular environment.

Summary

Organizations can learn a great deal from the recent economic turbulence. Morrill (2008) argues that while organization theory has become increasingly more complex and difficult, it has also produced a more descriptive and multi-faceted view of the inner-workings of organizations. This behind-the-scenes view has enabled researchers to gain a deeper and fuller understanding of what goes on when the crowds show up for work each day or when external stakeholders decide to be part of the exchange relationship with an organization.Trust, both cognitive and affective, are vital to the effectiveness and efficiency of organizations. In addition, the culture of the organization is an important factor that contributes to the overall success or failure of the organization. How this trust is managed in creating a sustainable culture is critical.

The impact of social exchange theory on modern-day operations of organizations should not be ignored. The rearview mirror holds some important lessons that can be leveraged to get to the better destination ahead. From their study on trust in leadership, Dirks and Ferrin (2002) highlighted that while trust may have an impact on performance, it has an even greater effect on workplace attitudes held by employees.As a result, three key lessons have been established based on the research in this paper. However, this paper can be considered a work in progress to the extent that the research questions and propositionsremain untested. In addition, Li (2008) shared a prediction for the need to explore the impact that globalization and the mixing of cultures will have on trust research. A process-based approach as this paper advocates, is a way to begin this process.

Finally, current research indicates that there is a great need for continued exploration in the role of trust in organizational culture, and the nature of Social Exchange theory. Webber (2008) highlights that most studies generally use a one-dimensional approach to trust, which is usually cognitive-based. Future research in this area will help to determine ways to create effective organizational cultures that can adjust to the changing external environment without disrupting internal synergies. In addition, future research will assist organizations by unwrapping and sharing the evolution of interpersonal trust over time, especially within industries that experience significant change or dramatic events, such as the North American automotive industry. Erdem and Ozen (2003) propose that a closer look is taken at the optimal level of trust among team members (stakeholders) since relationships may develop to the point of unconditional trust.

References

A crowded car industry: From big three to magnificent seven. (2011, January 13). *The Economist.* Retrieved from http://www.economist.com/node/17902837

A sadder, wiser union: Carmaking in America. (2011, September 24). *The Economist.* Retrieved from http://search.proquest.com.library.capella.edu/docview/893994147/abstract

Bai, Y., Li, P.P. & Xi, Y. (2012). The distinctive effects of dual-level leadership behaviors on employees' trust in leadership: An empirical study from China. *Asia Pacific Journal of Management(published online).* doi: 10.1007/s10490-011-9280-6

Balthazard, P.A., Cooke, R.A., & Potter, R.E. (2006). Dysfunctional culture, dysfunctional organization: Capturing the behavioral norms that form organizational culture and drive performance. *Journal of Managerial Psychology, 21*(8),709-732. doi: 10.1108/02683940610713253

Brown, A.S. (2011). Under the hood at GM. *Mechanical Engineering, 133*(10), 28-33. Retrieved from http://search.proquest.com/docview/896729225?accountid=27965

Chua, R.Y.J., Morris, M.W., & Ingram, P. (2009). Guanxi vs. networking: Distinctive configurations of affect- and cognition-based trust in the networks of Chinese vs. American managers. *Journal of International Business Studies, 40,* 490-508. doi:10.1057/palgrave.jibs.8400422

Cropanzano, R. & Mitchell, M.S. (2005). Social exchange theory: An interdisciplinary review. *Journal of Management, 31*(6), 874-900. doi: 10.1177/0149206305279602

Dirks, K.T. &Ferrin, D. (2002). Trust in leadership: Meta-analytic findings and implications for research and practice. *Journal of Applied Psychology*, *87*(4): 611-628.doi: 10.1037//0021-9010.87.4.611

Emerson, R.M. (1976). Social exchange theory. *Annual Review of Sociology, 2*(1), 335-362. Retrieved from SocINDEX with Full Text.

Erdem, F. &Ozen, J. (2003). Cognitive and affective dimensions of trust in developing team performance. *Team Performance Management, 9*(5/6),131-135. doi: 10.1108/13527590310493846

Glaser, S.R., Zamanou, S., & Hacker, K. (1987). Measuring and interpreting organizational culture. *Management Communication Quarterly: McQ (1986-1998), 1*(2),173-198. Retrieved from http://search.proquest.com/docview/232848470?accountid=27965

HomansGC. Social behavior. Its elementary forms. NewYork: Hartcourt Brace & World; 1961.

Johnson, D. & Grayson, K. (2005). Cognitive and affective trust in service relationships. *Journal of Business Research, 58,* 500-507. doi: 10.1016/S0148-2963(03)00140-1

Konovsky, M.A. & Pugh, S.D. (1994). Citizenship behavior and social exchange. *Academy of Management Journal, 37*(3),656-669. doi: 10.2307/256704

LaGuardia, D. (2008). Organizational culture. *T + D, 62*(3), 56-61. Retrieved from Education Resource Complete.

Leggett, D. (2009). *Automotive markets outlook: Management briefing: The US automotive market.* United Kingdom, Bromsgrove: Aroq Limited. Retrieved from http://search.proquest.com/docview/213009535?accountid=27965

Lewis, J.D. &Weigert, A. (1985). Trust as a social reality. *Social Forces, 63*(4),967-985. Retrieved from EBSCO*host.*

Li, P.P. (2007). Toward an inter-disciplinary conceptualization of trust: A typological approach. *Management and Organization Review*, *3*(3): 421-445.doi: 10.1111/j.1740-8784.2007.00081.x

Li, P.P. (2008). Toward a geocentric framework of trust: An application to organizational trust. *Management and Organization Review*, *4*(3): 413-439.doi: 10.1111/j.1740-8784.2008.00120.x

Li, P.P., Bai, Y. & Xi. Y. (2012). The contextual antecedents of organizational trust: A cross-level analysis. *Management and Organizational Review (published online).*doi: 10.1111/j.1740-8784.2011.00219.x

Linnenluecke, M.K. & Griffiths, A. (2010). Corporate sustainability and organizational culture. *Journal of World Business, 45,* 357-366. doi:10.1016/j.jwb.2009.08.006

McAllister, D.J. (1995). Affect- and cognition-based trust as foundations for interpersonal cooperation in organizations. *Academy of Management Journal, 38*(1),24-59. doi: 10.2307/256727

Morrill, C. (2008). Culture and organization theory. *The Annals of The American Academy of Political and Social Science, 619*(1), 15-40. Retrieved from http://www.lexisnexis.com.library.capella.edu/lnacui2api/api/version1/getDocCui?oc=00240&hl=t&hns=t&hnsd=f&perma=true&lni=4TFN-5CD0-00CV-J0VD&hv=t&csi=165641&hgn=t&secondRedirectIndicator=true

Morrow Jr., J.L., Hansen, M.H., & Pearson, A.W. (2004). The cognitive and affective antecedents of general trust within cooperative organizations. *Journal of Managerial Issues, XVI*(1), 48-64. Retrieved from Education Resource Complete.

Nakonezny, P.A. & Denton, W.H. (2008). Marital relationships: A social exchange theory perspective. *The American Journal of Family Therapy, 36,* 402-412. doi: 10.1080/01926180701647264

Noblet, A. J. &Rodwell, J.J. (2009). Integrating job stress and social exchange theories to predict employee strain in reformed public sector contexts. *Journal of Public Administration Research & Theory, 19*(3), 555-578. doi: 10.1093/jopart/mun019

Parayitam, S. & Dooley, R.S. (2009). The interplay between cognitive- and affective conflict and cognition- and affect-based trust in influencing decision outcomes. *Journal of Business Research, 62,* 789-796. doi:10.1016/j.jbusres.2008.02.006

Perriello, B. (2009). Automotive reaction. *Industrial Distribution, 98*(1), 26-26. Retrieved from http://search.proquest.com/docview/204975525?accountid=27965

Perry, R.W. (2004). The relationship of affective organizational commitment with supervisory trust. *Review of Public Personnel Administration, 24*(2), 133-149. doi: 10.1177/0734371X03262452

Pool, S.W. (2000). Organizational culture and its relationship between job tension in measuring outcomes among business executives. *Journal of Management Development, 19*(1),32-48. Retrieved from http://search.proquest.com/docview/216367844?accountid=27965

Robbins, S. (2005). Organizational culture I. In Capella University (Eds.) *OM8004: Managing and organizing people (An edited work).* Boston: Pearson Custom Publishing/Prentice Hall (483-516).

Schraeder, M., Tears, R.S., & Jordan, M.H. (2005). Organizational culture in public sector organizations: Promoting change through training and leading by example. *Leadership & Organizational Development Journal, 26*(5/6),492-502. doi: 10.1108/01437730510617681

Schultz, J.W. (2001). Tapping the best that is within: Why corporate culture matters. *Management Quarterly, 42,* 29-35. Retrieved from EBSCO*host.*

Shore, L.M., Tetrick, L.E., Lynch, P. & Barksdale, K. (2006). Social and economic exchange: Construct development and validation. *Journal of Applied Social Psychology,36*(4): 837-867.

Six, F. &Sorge, A. (2008). Creating a high-trust organization: An exploration into organization policies that stimulate interpersonal trust building. *Journal of Management Studies, 45*(5), 857-884. doi: 10.1111/j.1467-6486.2007.00763.x

Smith, E.E. (2009). *The relationship between organizational culture, societal culture, and leadership styles* (Doctoral dissertation). *ProQuest Dissertations and Theses,* Retrieved from http://www.nytimes.com/2012/03/14/opinion/why-i-am-leaving-goldman-sachs.html?_r=2

Smith, G. (2012). Why I am leaving Goldman Sachs. *The New York Times,* March 14. Retrieved from http://search.proquest.com/docview/896729225?accountid=27965

Song, J.H., Kim, H.M., & Kolb, J.A. (2009). The effect of learning organizational culture on the relationship between interpersonal trust organizational commitment. *Human Resource Development Quarterly, 20*(2), 147-167. doi: 10.1002/hrdq.20013

Tekleab, A. &Chiaburu, D. (2011). Social exchange: Empirical examination of form and focus. *Journal of Business Research, 64,* 460-466. doi:10.1016/j.jbusres.2010.03.005

Ward, C. &Berno, T. (2011). Beyond social exchange theory: Attitudes towards tourists.*Annals of Tourism Research, 38*(4), 1556-1569. doi:10.1016/j.annals.2011.02.005

Webber, S.S. (2008). Development of cognitive and affective trust in teams: A longitudinal study. *Small Group Research, 39*(6),746-769. doi: 10.1177/1046496408323569

Yang, J. &Mossholder, K.W. (2010). Examining the effects of trust in leaders: A bases-and-foci approach. *The Leadership Quarterly, 21*(1), 50-63. doi: 10.1016/j.leaqua.2009.10.004

Yang, J., Mossholder, K.W., &Peng, T.K. (2009). Supervisory procedural justice effects: The mediating roles of cognitive and affective trust. *The Leadership Quarterly, 20,* 143-154.doi:10.1016/j.leaqua.2009.01.009

Zamanou, S. & Glaser, S.R. (1994). Moving toward participation and involvement: Managing and measuring organizational culture. *Group & Organization Management, 19*(4),475-502. Retrieved from http://search.proquest.com/docview/203371774?accountid=27965

Author Biography:

Ike Udechukwu is a faculty member at Shorter University where he teaches courses in management. He is published in journals such as Human resource Development Review, Public Personnel Management, and the Journal of Management and Entrepreneurship

Celeste Machis a graduate of the Master of Leadership Studies Program at Shorter University. Her areas of research interest are leadership, spirituality, and work satisfaction.

Davida Redmond is a doctoral student at Capella University where she is pursuing her Ph.D. In Organization Management. She functions as an executive in Chrysler Corporation where she has served for over 7 years.

Bahaudin G. Mujtaba, D.B.A., is Professor of Management and Human Resources at Nova Southeastern University's H. Wayne Huizenga School of Business and Entrepreneurship. Bahaudin has served as a manager, trainer and management development specialist in the corporate world as well as a director, department chair and professor in academia for nearly three decades. His areas of research are management, training, diversity management, and cross-cultural management. Bahaudin can be reached at: mujtaba@nova.edu