Sari Häkkinen

Towards a Trust-Based Model of Leadership Within the Leader-Member Exchange Theory Framework

A Qualitative Study of Leaders’ Trustworthiness in the SME Context
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ABSTRACT
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There are two points of emphasis in this study: first, in the context of trust to find out whether the empirical findings with qualitative data analysis support the common and most often suggested phenomenon of leader’s trustworthiness as ability, benevolence and integrity, or could some new elements of leader’s trustworthy behavior be found. The second point is to link the LMX theory into the context of trust, more specifically perhaps the controversial dimension of the LMX theory, that followers are divided into in-groups and out-groups in organizations. The study presents a model of trust-based leadership within the LMX theory framework, which asserts that the LMX theory can be built effectively through mutual trust toward trustworthiness and the roles (i.e. positions) between leaders and followers in an organization.

Key words: Interpersonal trust, trustworthiness, leader-member exchange theory, authentic leadership
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ABSTRAKTI


Tällä tutkimuksella on ollut kaksi painopistettä: luottamuskontekstissa selvittää empiristien tutkimustulosten valossa, tukevatko ne niitä yleisiä näkemyksiä johtajan luottamuksenarvoisesta käyttäytymisestä, kuten kompetenssi (eli kyvykkyyys), lahjomattomuus ja hyvähtahtoisuus, vai nousisiko tuloksista joitain uusia luottamuksenarvoisuuksen ulottuvuuksia. Toiseksi, tarkastella johtajan luottamuksenarvoista käyttäytymistä ja LMX teorian osaluettua, jonka mukaan alaiset jakautuvat organisaatiossa sisä- ja ulkopiiriin, riippuen siitä millaisessa vuorovaikutussuhteessa he ovat esimiehensä kanssa. Tämän työn tuloksia esitellään mallin avulla, joka perustuu luottamukseen LMX teorian viitekehyksen kautta.

Asiasanat: luottamus, luottamuksenarvoisuus, johtajan ja alaisen välinen vaihtosuhteen teoria, autenttinen johtajuus

Acknowledgements

When finally writing this first page of my dissertation, I feel relieved that this study is eventually over, but also enthusiastic for the freedom to continue research without limitations and targeted contributions and deadlines. I also have a feeling that this is a relief for my nearest ones.

There are several people I wish to thank, who have helped me in various ways and who have lived through this challenging process with me.

First of all, I wish to thank my supervisor Professor Taina Savolainen for her guidance and encouragement during this study. I also wish to thank her for trusting and supporting me during my research process. I am deeply grateful for the reviewers of this manuscript, Professor Donald Ferrin and Professor Lars Fuglsang, for their constructive and valuable comments that evidently helped me to complete this thesis. I have been advantaged to have both of them as my Pre-examiners.

I have been fortunate to have an opportunity to have discussions with Professor Guido Möllering and Professor Pauli Juuti about my research topic. I sincerely thank both of them for their significant comments towards deeper understanding of the main theories and methodological issues in my study. My employer, Savonia University of Applied Sciences, and my nearest manager Tarja Paukkeri, and director of the department Kaija Sääski, I wish to thank for their flexibility and understanding concerning my research process. I am also grateful to the case organizations, their managers and all employees, for giving me an opportunity to collect the empirical data for my dissertation.

For financial support I wish to thank The Finnish Foundation for Economic, Technology Sciences and The Foundation for Economic Education and University of Eastern Finland.

I owe my warm thanks to all my colleagues in the research group of ‘Trust within and between organizations’ at the University of Eastern Finland, as well the researchers at the Nordic Trust Network. M.Sc. Mirjami Ikonen and M.Sc. Asko Kinnunen deserve special appreciation for their friendship and the endless, fruitful discussions about relevant and irrelevant topics during these three years. I also wish to thank my closest friends outside the research circles, especially Laura, for her unbounded friendship.
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My warmest thanks go to own my family. My father Jorma and mother Aino I wish to thank for their manifold support and encouragement. Also their practical help at the home front has been indispensable. My big brother Juha and my big sister Riitta I thank for their brother- and sisterhood. My husband Antti deserves my greatest appreciation for all his practical help and guidance in this research process. I also wish to thank him for his understanding and patience when I needed time to write this dissertation and while I have been travelling here, there and everywhere because of this study. Last, but definitely not least, my dearest thoughts are with my two sons, Aleksi and Ville. I wish them to know that whatever titles I achieve in my life, they are the most valuable and precious achievements for me. They are the sunshine of my life.

Lappeenranta, September 2012

Sari Häkkinen
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1 Introduction

Trust has been an important topic recently, not only in organizations but also in the science and business fields. However, not a lot of research has been conducted in the intra-organizational context in Finland or the Nordic countries, focusing on the leader-follower relationship. Trust research has mainly focused on extra-organizational contexts: trust between organizations, not on trust within organizations or trustworthy behavior in a relational context between individuals. Earlier research has demonstrated that trust is a key element for the success of an organization and is an important resource of leadership (e.g., Mayer et al., 1995; Lewicki et al., 2006). Trust has been seen as social capital of an organization that further enhances innovativeness and creativity (Nurmio & Turkki, 2010). Trust has also been seen as a means of facilitating organizational functioning, as well as a valuable resource for increasing organizational effectiveness through leadership (e.g., Dirks & Ferrin, 2001; Kramer, 1999). Trust in leadership increases the followers’ willingness to accept organizational goals (Dirks, 2000). Nurmio and Turkki (2010) in an annual report of SITRA1, point out that trust-based leadership has been seen as a source of vitality which strengthens the future success of Finland.

There is a distinct connection between interpersonal trust and national competitiveness (Helkama & Seppälä, 2004). Thus, trust is a burning and important research topic with practical empirical evidence not only in daily organizational behavior but also in international economic research. Economists are specifically interested in trust as a success-maker of organizations. Trust within the organization is the basic element in a working relationship between the leader and the follower, which can be increased or decreased by individual behavior (e.g., Laine, 2008; Häkkinen et al., 2010). Thus, trust building has been seen as one of the most important, albeit very challenging, parts of leadership (e.g., Graen & Uhl-Bien, 1995; Yukl, 2010).

Trust has various dimensions, which may affect either the organization or how the leader interacts with the individuals. (Serva et al., 2005) Organization-based trust means that the employee trusts the commitment of the employer. When trust is the crucial factor in interpersonal relationship between leaders and followers, it can be strengthened by open dialogue and knowledge sharing (e.g., Gillespie & Mann 2004, Bijlsma & van de Bunt 2003). Shared values and cultural similarities develop the trust process between individuals, but disappointments weaken it (Lewicki et al., 2006). For example, a leader’s unbalanced behavior, excessive openness and emotionality will decrease the followers' trust in their leader; self-control is an indicator of trustworthiness (e.g., Häkkinen et al., 2010; Righetti & 1 The Finnish Innovation Fund (SITRA) has raised `new leadership by trust` as a paradigm for the future in the report "Elinvoimainen Suomi" (Vital Finland) by Nurmio & Turkki (2010).
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¹ The Finnish Innovation Fund (SITRA) has raised ‘new leadership by trust’ as a paradigm for the future in the report “Elinvoimainen Suomi” (Vital Finland) by Nurmio & Turkki (2010).
Finkenauer, 2011). Trust building consists of individuals’ trustworthy behavior in an interactional relationship.

Even though studies of trustworthiness have increased in number lately, especially concerning a leader’s trustworthy behavior in a leader-follower relationship, there is a research gap in current research in understanding a leader’s trustworthy behavior theoretically and empirically; how leaders show their trustworthiness in daily actions in organizations (Savolainen, 2011). In the leadership context, trust is noted in many theories, but covered deeper only in a few: in the leader-member exchange theory (LMX) and in transformational leadership where trust is described as a leader’s authentic behavior, and so the theoretical approach of trust in transformational leadership is actually dealt with by the authentic leadership theory. Neither a leader’s trustworthy behavior nor how it is implemented in daily actions are expressed or discussed in either theory. The research of leadership has been taken out of the context of leadership by tradition and leadership has been approached from the perspective of the personal traits and styles of the leaders and in addition, without the context, where the leader composes a part of the organization (Stech, 1983).

Leaders are in continuous interaction with their followers. The quality of interaction depends on the relationship between them; some followers work closer to their leaders than others. According to the social exchange theory, the quality of a relationship is based on the trust between two individuals, and each relationship is unique (Graen & Uhl-Bien, 1991). The theory of leader-member exchange, LMX, has recently led the research on interdependency between managers and subordinates (Sias et al., 2002) even though the theory had its early roots in the works of Dansereau et al. (1975). In the management research field, researchers are very deeply interested in LMX for developing and creating relationships between people and co-operators (Fairhurst, 2001). Considering the situational approach to leadership, and according to the LMX theory, leadership style, employee’s motivation and the interaction between employees and managers, has a bias for managers’ behavior (Hackman & Johnson, 2004). Theoretically, the LMX theory belongs to the field of ‘making’ management and leadership. In the studies of trust and trustworthiness, the LMX theory forms a conceptual way to outline, analyze and study trust development in inter-personal contexts (Häkkinen et al., 2010a, Savolainen 2009). Crouch and Yetton (1988) define trustworthiness in hierarchical relationships as supportive and open. The LMX theory helps trust researchers to understand trust development between leaders and their subordinates better (Brower et al., 2000).

In the development of trust and distrust in the organization, organizational culture is depicted as ‘the other side of the coin of leadership’ and is largely influenced by the leaders’ actions (Schein, 2004). In the case of a very authoritarian management style, for example, employees become socialized into and adopt the way of actions of their leaders (Savolainen & Häkkinen, 2010). Theoretically, authoritarian management belongs to the post-charismatic, transformational leadership, and several commentators have noted potential danger in the influ-
Leadership, and several commentators have noted potential danger in the influence management style, for example, employees become socialized into and adopt influenced by the leaders' actions (Schein, 2004). In the case of a very authoritarian culture is depicted as 'the other side of the coin of leadership' and is largely in relationships as supportive and open. The LMX theory helps trust researchers (Savolainen 2009). Crouch and Yetton (1988) define trustworthiness in hierarchical and trustworthiness, the LMX theory forms a conceptual way to outline, analyze managers' behavior (Hackman & Johnson, 2004). Theoretically, the LMX theory motivation and the interaction between employees and managers, has a bias for people and co-operators (Fairhurst, 2001). Considering the situational approach is unique (Graen & Uhl-Bien, 1991). The theory of leader-member exchange, to their leaders than others. According to the social exchange theory, the quality organization (Stech, 1983).

Leaders are in continuous interaction with their followers. The quality of interaction in employee socialization and commitment. A subculture may be even more strongly related to commitment than the overall organizational culture (Lok & Crawford, 1999). Employees who belong to the "inside" group in the organization, are more friends with their manager and have also high quality exchange LMX (leader-member exchange) -related interaction with the manager. Employees who have low quality exchange SX (supervisory exchange theory) -related interaction with the manager, are more or less outsiders in the organization (Dainton & Zelley, 2005). They just do their daily work, but are perhaps less committed to the organization than the "insiders" (Yukl, 2002).

While trust is a multidisciplinary and multifold concept, as well as global phenomenon and target of interest, the literature and references of this study consist of scientific articles in journals of trust and leadership as well as articles collected from international science channels like 'Science Direct' and 'Academic Search Premier'. This research belongs to the international research project of the University of Eastern Finland "Trust within and between organizations "that is part of the Networks of "The First International Network on Trust Research (FINT)" and "Nordic Trust Network".

1.1 TRUST AND LEADERSHIP

"Discussion about leadership and trust has been intertwined for decades in fields as diverse as religion, philosophy, psychology, and management. In fact, leadership and trust are common themes in mythology and literature from diverse cultures representing all ages. In spite of this widespread attention, there has been very little systematic investigation of how these two constructs are differentiated, and how they are similar. Theories about leadership and trust have developed independently, although there is significant overlap in the concerns and effects of each."

(Brower et al., 2000, p. 227)
During my studies\(^2\), I have been curious to know why theories and research of leadership are so often restricted to their own science field without interdisciplinary approaches. Instead, trust has been seen very much as a psychological phenomenon. The research on trust has developed over ten years, changed and deepened (McEvily & Tortoriello, 2011); from the psychological phenomenon of interpersonal and intergroup trust toward organizational and institutional trust. Hence, it has been explored first by personality and social psychology theorists and later by sociologists and economists. McAllister (1995) expounds that trust between individuals consists of one’s own trustworthy behavior and other parties’ beliefs of his/her competence and responsibility for care and concern of other individuals. The target of McAllister’s research was managerial interpersonal trust. Curral and Judge (1995) explain that interpersonal trust within an organization may be based on the role of each individual. Thus, communication and task coordination, together with the supervisor’s (i.e. manager) surveillance is emphasized among the followers. An individual has a certain role in the organization, and trust and expectations toward them are based more on the roles than personal traits. Lewicki and Tomlinson (2003) explain that an individual’s need for trust arises from our interdependence with others; individuals often depend on other people to help them obtain the outcomes that they value.

Cummings and Bromley (1996) present that honesty and an individual’s limited opportunism emphasizes a good-faith effort within the trust between individuals. They also expand the concept of intra-organizational trust toward organizational trust. Mayer and Davis (1999) expound that trust cannot be limited only for interpersonal trust in organizations in the context of organizational trust. They express that trust, over all, is based on everyone’s trustworthy behavior, and the leaders’ trustworthiness consists of their ability, integrity and benevolence behavior. Several researchers\(^3\) (e.g. Ben-Ner & Halldorsson; Whitener, 1998; Golesorkhi, 2006; Kramer, 2006; Shoorman & Tan, 2007; Chen et al., 2011) have discussed trustworthiness and offered various descriptions of a leader’s trustworthy behavior in the intra-organizational context. Gillespie (2003) notes that trust depends on various behavioral factors and the reliability of each factor should be taken into account.

Dirks and Ferrin (2002) present that trust is a process with a temporal dimension; it consists of a person’s trustworthy behavior toward another, and during the timeframe it either develops and strengthens or diminishes and weakens. Ben-Ner and Halldorsson (2010) claim that the various facets of trusting are determined by inherited or childhood-influenced factors. Trust has also been described as an individual’s optional confiding in a good or favor to someone else, with future reciprocation expected but not guaranteed (Gunnthorsdottir et al., 2002). Möllering (2005) explains that trust and control as a managerial perspective are interconnected.

Trust has become into organizational and management research in two contexts; inter-organizational and extra-organizational trust. Inter-organizational trust

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\(^2\) Master of Science in Economy, main subject “Management and Organizations”, Lappeenranta University of Technology.

\(^3\) I have described each author’s definition of trustworthiness in chapter 3.
trust is characterized by a dyadic relationship between a leader - a member and also between followers within a team (Atkinson, 2004), and it focuses on interpersonal trust. In management and managerial leadership or leadership research, a dyadic relationship is presented most commonly as leader-member exchange theory. The LMX theory differs from other theories, which address leader behaviors, styles and traits to all followers (e.g. Yukl, 2010; Northouse, 2004). Interpersonal trust in organizations must be seen as a unique chain of events, circumstances and relationships between leaders and followers. The dyadic perspective of leadership research makes it more related to contemporary theories of interpersonal trust (Brower et al., 2000). I have explored the overlapping between leadership and trust research integrated in the LMX theory and discussion on trustworthiness discussion, aiming to examine how leaders behave when they are trustworthy trustful, more specifically what is trustworthiness behavior in dyadic leader-follower relationships in organizations, where LMX-based leadership making exists. I have developed a model of trust-based leadership within the LMX theory framework, presented in chapter 7 below.

Trust and leadership have been studied in many fields of science; social sciences, psychology, and organization and management science, just to mention a few. Kramer (1999) states that trust has been seen as a solution for different kinds of organizational problems. My research focuses on trust and leadership from the perspective of economic science, not so much as merely a psychological phenomenon. Yet trust is fundamentally and essentially a psychological state (Kramer, 1999). Although trust research is a multidisciplinary science interest, considerable attention has been paid to the problem of giving trust a universally accepted definition. The features of trust and trustworthiness are commonly described as a human capital having an impact on the economic success of an organization.

Both trust and leadership are processes that develop independently and separately, but are still emerged into each other and conceptually linked. Trust plays a crucial and constructive role in the leadership process. While it is quite a popular assertion in the multidisciplinary research literature, it is very seldom drawn from existing empirical research as an advice for a leader’s behavior in an organization, more specifically in the dyadic relationship between subordinates (Kramer, 1999). The research of dyadic leadership is more commonly represented as leader-member exchange. It is more or less related to the contemporary theories of interpersonal trust (Hardin, 1992). Finally, the LMX theory has been mentioned as a method that increases the profit and economical productivity outcomes of companies, as trust is a vital element in organizations.

When studying trust from the management perspective of organizations, based on the relationship between leaders and followers, the theory of leader-member exchange has been mostly applied. The theory of LMX describes leadership as a leadership-making process in the intra-organizational context. Hence, the role of leadership and the leader’s behavior in the trust-building process is es-

4 Trust is a three-part relation involving an individual truster, a specific trustee, and specific context of trust (Hardin, 1992).
sentential; the leadership-making process can be related to the mutual trust process between parties (i.e. leaders and followers), and the leader’s trustworthy behavior plays a pivotal role during the process. LMX theory is a three-stage process between leaders and followers, which will be developed during the timeframe within interactions, starting from an alien level towards acquaintance and finally to a partnership level (e.g. Yukl, 2010; Northouse, 2004).

1.2 BACKGROUND OF THE RESEARCH

The empirical part of my doctoral thesis consists of two different kinds of data, primary and secondary. The secondary data is rooted in my master’s thesis. A very interesting and surprising finding was that although I never asked or made questions or mentioned the words trust or trustworthiness, I received many answers where trust (more specifically: distrust) was remarked on. This confused me and raised the desire to learn and read more about that mysterious trust and distrust effect in the intra-organizational context. The leader-member exchange theory came up also from the secondary data as a distrust effect in the case organization, and that is why the theoretical framework of the present study is based on trust and the LMX theory, together with sub-theories. Authentic leadership from the perspective of a leader’s trustworthy behavior is also discussed.

I have also been interested in leadership, more specifically different kinds of leadership styles for the employees’ commitment to the organization and the effectiveness of their work. Is there a connection between leadership style and commitment and if there is, why and how does it work? Trust has often been mentioned as factor corresponding to commitment in different contexts (e.g. Rousseau et al., 1998; McAllister, 1995). Trust is a complex, multifaceted phenomenon, and different conceptualizations of the nature of trust exist in interpersonal relations (Möllering et al., 2004). As trust involves risk, there is always a risk of becoming betrayed in trust. Trust consists of different dimensions and factors of trustworthy behavior such as competence, predictability and the flow of information, intra-organizational communication and fairness, and balanced behavior by managers, as well as sincerity, honesty and transparency. There are also elements of trust which disprove each other (Häkkinen, 2007) and which have influence on inter-personal trust development in organizations. I was interested in finding the answer to what makes leaders trustworthy and whether it is always a stable and impersonally concordant way to behave in a dyadic relationship.

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5 My master’s thesis was a study of the work welfare and worsened atmosphere in the case organization. The target of that study was to find out how to develop communication and teamwork in the case company, because lack of flow of information and mutual respect caused conflicts and distrust between the employees and between the General Manager and all followers. A surprising finding was that there was good physical welfare of employees and great confidence in the continuity of work. It was notable that the followers’ distrust of the GM was mentioned several times as an element of dissatisfaction in the organization, but trust in the organization was good. Because of the limitations of the study, I did not take either trust or the LMX theory into account in the theoretical framework for the study. An LMX-based leadership style was found later while analyzing the data again.
While performing the empirical part which forms the primary data of my research I ran into the social exchange theory (SX theory)\(^6\) in role making and interaction context between leaders and followers. The LMX theory includes the social exchange viewpoint. Still, the LMX theory is not a complete and universally applicable answer to behavior in a dyadic and interpersonal relationship between two parties - the trustor and the trustee. For example, the LMX theory does not give a clear and/or comprehensive answer to the question of how leaders should behave to become trustworthy and what if there is no inside-outside group division in the organization, and what if the leadership follows neither the LMX nor the SX theory. (Häkkinen et al., 2010)

A further question is, how a leader should behave in dyadic relationship to become trustworthy, so that the followers are willing to become inside-group members and to work in close cooperation with the leader. This means that the leader is an initiator of the relation process, and during the dyadic process they are enjoy mutual trust with high-quality relationship members. Equally, how should the followers show their trustworthiness to their leaders to become chosen for the inside group (high-quality relationship member) or to get other benefits in the organization?\(^7\)

The leader-member exchange theory, which comprises the theoretical research topic, together with trust and trustworthiness, in my thesis, focuses on the relationship between the leader and follower. The central topic in LMX is that leaders develop different exchange relationships with their followers, and thus the quality of their relationship plays a pivotal role in leader-member outcomes (Avolio, et al., 2009) which have a strong effect on the followers' effectiveness and commitment to the organization (Yuki, 2010; Northouse, 2004). Some areas of LMX theory research are focused on terms of high-quality relationship versus low-quality relationship between leaders and members, and at the same time, dividing them into the in-group or the out-group (Avolio et al., 2009). When the research focus is in interpersonal relationships, like leadership in an organization or trust between the supervisor and subordinates, the two elements, trustworthiness and leadership style and the leadership making process, walk more or less hand by hand. There is no leadership without interpersonal relationship between people, nor are there relationships between people without some kind of trust.

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\(^6\) The social exchange (SX) theory is a social psychological & sociological perspective that explains social change and stability as a process of negotiated exchanges between parties. The social exchange theory posits that individuals’ relationships are formed by the use of a subjective cost-benefit analysis and the comparison of alternatives (Deluga, 1994). The theory has its roots in economics, psychology and sociology. The social exchange theory features many of the main assumptions found in the rational choice theory and structuralism.

\(^7\) The benefits may be economical (better salary or a bonus) or intellectual (better position in the organization or merit).
1.3 RESEARCH PROBLEM

In my research, the theories of trust and leader-member exchange are integrated together; I discuss trustworthiness (more specifically the leader’s trustworthy behavior in a leader-follower relationship) and the LMX theory. The target of my thesis was to find out what kind of leader behavior is trustworthy and to create a theoretical framework for a tentative model of a trust-based leadership. This model is presented below together with my empirical qualitative research study findings. The focus of the thesis is to open a theoretical discussion of trust and the LMX theory toward the integration of a theoretical framework for a leader’s trustworthy behavior in LMX-based leadership, and to refine the idea of trustworthiness in the LMX theory with empirical evidence toward a trust-based model of leadership within the LMX theory framework.

Theoretically, leadership and trust compose the main concepts in this study (see figure 1). The leader-member exchange theory is the target of leadership making in this study, because it rose up from the empirical data as a trustworthy leadership making theory. Thus, the LMX theory is a subconcept of the study. The leader’s trustworthy behavior and trust in the organization compose the subconcept of trust; the leader’s trustworthy behavior is the main research topic. As trust in the organization was found to be one dimension of the followers’ trust in their leader, trust in leadership goes hand in hand with trust in the organization.

According to Eriksson and Kovalainen (2008) it is important for a researcher to qualify his/her research problem as clearly and simply as possible. Then it is easier to analyze which empirical method should be used when collecting the data, unless the research itself and the research problem are based on empirical material collected earlier. In that case it is a question of data-based research and hence the research problem should be found in a gap in an existing theory.
Consequently, the theoretical framework of my thesis is built around the research problem. I have applied both research styles; I had secondary data where I found a lack of trust in the case-organization where the leadership was based on the LMX theory, and during my research project I found there was very much untrustworthy leader behavior in that company, because the division of followers into `in-and out-groups' was founded on the personal traits of the followers instead of position-based division, which is a more acceptable way to separate individuals in the organization, according to my empirical evidence.

My primary data is theoretical; the questions for the interviewees were made around the research question: What makes leaders trustworthy, and consequently the research question of my thesis is: How do leaders show their trustworthiness in a leader-follower relationship in the leadership making process?

A positive point is that the weaknesses of each method will counterbalance each other, which gives reliability to the research. Nevertheless, a problem may arise if there is suddenly too much collected data; then it is challenging to handle and analyze it. This demands diverse knowledge and experience in data analysis from the researcher. I did not face this kind of a problem because all my observations supported the interviews, which helped me to understand and clarify existing or non-existing trust among the leaders and followers, as well as the ideal leadership trustworthy behavior in each group in all companies.

1.4 RESEARCH OF TRUST AND LEADERSHIP

Trust has been identified as one of the most frequently examined constructs in the organizational literature lately (Burke et al., 2007), and various definitions for it exist. In the last fifteen years trust has been a growing research topic in organizational and business research (e.g. Ferrin et al., 2008; Möllering et al., 2004). There is even a special journal for trust; the Journal of Trust Research. Models of trust and trust processes have been developed and converted more into dyadic relationships between individuals within organizations (Brower et al., 2000), and this trust research has lately centered on interpersonal trust between actors (e.g. leader-followership and trust between team members) in organizations. Bachman (2011) argues that the current research and trust literature focus on mainly on the micro level of trust-building processes and therefore promotes simplifying too much to understand the phenomenon. Hence, the future trust research is suggested to put considerably more emphasis on the constitutive inherence of an actor’s behavior in an institutional environment.

Today’s leadership research focuses not only on the leader, but also on followers, peers, supervisors, work settings and contexts, as well as the culture of the organization in the leader-followership context (Avolio et al., 2009). Thus, leadership is no longer described only as an individual characteristic or difference, but more like representing and depicting various models, such as dyadic, shared, relational, strategic, global and complex social dynamic ones (e.g. Yukl, 2006; Avolio, 2007).
1.4.1 Trust research

Trust is a multifaceted research topic (e.g. Burke et al., 2007; Creed & Miles, 1996) that has been seen the key element of effectiveness in organizations (Biljsma & Koopman, 2003). According to Seretin and Mishra (1996), in the continual changes in business, the importance of trustworthy behavior is emphasized in effectiveness and work welfare in organizations. As mentioned above, trust increases cooperation and employees’ willingness to commit to the organization and take care of their duties (e.g. Tyler, 2003; Serva et al., 2005; Bijlma & Koopman, 2003). Very often trust is something unconscious, which exists as a truism, unless it breaks.

Although the role of trust in the organizational context has been popular research topic and a widely recognized phenomenon, the literature of trust theories with empirical evidence is not well integrated and lacks coherence. Most trust research leans on existing organizational theories in addition to being based on trust theories. While the concept of trust on the organizational level has received a psychological state, it is unclear what the definitions of trust and trustworthiness are in the intra- and extra- organizational context (McEvily & Tortoriello, 2011). Thus, there is a call for wide, more focused and measured trust research by different methods, in order to build up the quality of evidence and gain deeper comprehension of leaders’ trustworthy behavior. Trust might be seen as a uni-dimensional or multi-dimensional construct. The dimensions of trust and trustworthiness are numerous. McEvily and Tortoriello (2011) have listed those dimensions and found 38 different kinds of descriptions of trust. Many of these 38 dimensions were alike and similarly described, but five of them were operationalized in the trust literature and research over ten times (see figure 2); 1) integrity, 2) ability/competence, 3) benevolence, 4) affective, 5) cognitive.

The problem in trust research and the definitions of trust is the lack of replication. According to McEvily and Tortoriello (2011), those researchers who have presented noteworthy measures of trust should be used as references in the future trust research and their dimensions of trust and trustworthiness described. Noteworthy authors are: McAllister, Curral and Judge, Cummings and Bromley, Mayer and Davis, and Gillespie. Gathering their dimensions of trust up, most well-known and verifiable expositions by different kinds of measurement instruments are integrity, ability/competence and benevolence. The reason for limiting list to three is that many of the descriptions have similar meanings with these three and it is unclear whether there is a difference between the meanings of words.

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8 Managerial Interpersonal Trust (McAllister, 1995), Boundary Role Person’s Trust (Curral & Judge, 1995), Organizational Trust Inventory (Cummings & Bromiley, 1996), Organizational Trust (Mayer & Davis, 1999) and Behavioral Trust Inventory (Gillespie, 2003). Institutional (i.e. organizational ) Trust (McEvily & Tortoriello, 2011).
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Figure 2. Dimensions of trustworthiness operationalized (McEvily & Tortoriello, 2011)

McEvily and Tortoriello (2011) point out that trust should be seen as a process as Ferrin et al. (2008) present: trust is coveting of willingness and expectations. While the followers’ expectations of the leaders’ trustworthy behavior vary with the leaders’ willingness to behave in trustworthy manner and vice versa (Ferrin et al., 2008), there is a call for future research with additional evidence of the context-specific nature of trust (McEvily & Tortoriello, 2011). There is also a call and need for bigger themes of trust in a holistic manner, such as contextualization and multidimensionality (Li, 2011). As Savolainen (2011) expounds, what leader and subordinate behaviors appear related to trust? According to Savolainen and Häkkinen (2010) this question is related to studying leader trustworthiness.

Most trust research has been done by using quantitative methods and data collection. Recently, several authors have pointed out that qualitative methods for trust research, together with empirical evidence, are necessary for deepening the understanding of especially the leader-follower relationship in an organization. For example, case study methodology offers a creative and credible approach to help underpin contemporary practice (McGloin, 2008). The earlier research of trust, which has been mostly quantitative (Möllering et al., 2004), has not described the dynamic character of trust (Lewicki et al., 2006). In recent years, trust has been studied with qualitative research methods (e.g. Atkinson, 2004; Laine, 2008). Still, there are some research gaps for example in the development of trust, trustworthy behavior within individuals (especially in the leader-follower rela-
tionship) and commitment to the organization (Savolainen, 2011). I see trust as a multidimensional construct and my empirical research and description focuses on the dimensions of trust, such as ability/competence, integrity and benevolence in the leader-follower relationship, and the leader-member exchange theory in the leadership making context concerning both groups (in-group and out-group). Albeit self-evident, it is obligatory for the researcher to familiarize her/himself with trust theories in wide-ranging methodologies, measurements, literature and descriptions.

1.4.2 Leadership research
Qualitative research of leadership has offered important contributions in certain areas, like for example understanding leadership in relation to the change process and achieving strategic goals in an organization. Qualitative research has also spread out to new areas of leadership (shared leadership, e-leadership and environmental leadership) and it has been used to corroborate old theories as well. In addition, new approaches to data analysis have come up, like the grounded theory and discourse analysis in addition to well-known methods, like narrative analysis and interviews. Thus, moving forward into leadership research, it is refreshing and interesting, and mostly significant, to engage a wider variety of approaches to data collection than quantitative methods or structured interviews as a qualitative method. (Bryman, 2004)

Bryman and Johnsson (2006) also suggest that a qualitative research method widens our understanding toward new ways of thinking about leadership. Schondrick et al., (2010) note that a lot of leadership research is done by quantitative methods without articulating clarity, and thus there is call for a richer research of leadership which examines the role of embodied processes in leadership between leaders and followers. They also point out that future research of leadership should examine the role of embodied processes in complex leadership, which for example mistrust in leadership represents. Thus, research done by using qualitative methods would promote greater understanding of leadership quality and the relationship-making processes in the leader-member followership.

The history of leadership research can be rooted in historical perspective from the early 1990s to the 2000s (Juuti, 2006) from the perspective of the timeframe or different kinds of approaches; the leader’s, follower’s or situational approach (Yukl, 2010). Juuti (2006) has gathered both perspectives and approaches together, beginning from the early studies of leadership. The first studies of leadership highlighted that the leader’s traits and management skills are an endogenous streak which characterizes the leader’s behavior. The trait-based theories have been later overturned because of lack of empirical evidence of successful management. From the trait approaches, leadership research moved on to a behavioral perspective in leadership; the focus of research was to find out what kind of leadership style would be most effective. Hence, the effectiveness of organizational behavior was emphasized. The research topics concerned the leaders’ actions, behavior, values and communication skills. Furthermore, the researchers were
interested in the situations in organizations; they highlighted that different kinds of situations necessitated different kinds of leadership style. Later 1990s leadership research strived for integrating earlier studies and aspects. The leaders' competencies were emphasized and the leaders were evaluated by five different dimensions; goal oriented dimension, management competence, human resource development ability, respect to other people, and team management. The discussion on the division of management, leadership and managerial leadership began in those days and continues still (Juuti, 2006).

From the philosophical science point of view, leadership theories have developed from positivism and realism toward the interpretative perspective: an individual's social reality consists of her/his experiences, and interactional and transactional relationships with others. The interpretative perspective finds out and expresses how the meanings and impressions of individuals arise and develop and how the social reality will be built within individuals. From the perspective of positivism and realism, leadership research moved to the postmodern perspective, which focuses on understanding different kinds of narratives, discourses and associations, which the leaders expound. (Juuti, 2006)

The leadership theory research emerged in response to developments in the social cognitive theory about 40 years ago (Shondrick et al., 2010). The main presumption of the theory is that the important components of leadership perceptions and behavioral traits are provided by the knowledge held by the perceivers. The central idea and importance of the leadership theory is the segmentation of leaders into leader and non-leader categories by implicit leadership theories (Shondrick et al., 2010). Implicit leadership theories retain the central concept that leadership between the leader and the follower is based on their reciprocal social information process. Epitropaci and Martin (2005) point out that the main important phenomenon in implicit leadership theories is that they navigate leaders to lead the followers with better leader-member relations to gain better results and outcomes in organizations.

Shaw (1990) expounds that implicit theories are cognitive frameworks or categorization systems that individuals use during information processing to gather up, manage and bring back specific events and behavior. In addition, individuals have their own, and unique, thoughts and interpretations as to the nature of leadership and the leader's behavior, such as implicit leadership theory based on individual's beliefs and presumptions of the leader's natural behavior. The behavioral traits of leaders are likely to be included in the content of the follower's implicit leadership theory based on shared identity and social interactions in organizations. Institutions can shape leaders for representing the ideal leader status within the organizational culture. Hence, an institutional theory of leadership can appropriate more than any study of behavioral traits and/or situational characteristics (e.g. Nichols, 2008; Knights & Willmont, 1992). According to Nichols (2008), leadership effectiveness, which may be perceived by the leader or the follower, assists in forming implicit leadership theories.

Continued perceptions of situations where leaders are viewed as effective or ineffective may constantly reinforce or alter the contents of implicit leader-
ship theories, whereas the other antecedents are more likely to be stable over time. Perceptions of leader effectiveness have many positive organizational outcomes, including trust, organizational commitment, satisfaction and performance (Howell & Avolio, 1993). Nichols (2008) emphasizes that when the followers perceive the leader to be effective, higher levels of trust, organizational commitment, satisfaction, performance and positive organizational citizenship behaviors are engendered. In addition, followers include these leadership behaviors in their implicit leadership theory. According to that point of few, a leader’s effectiveness towards the followers is related into the leader’s trustworthy behavior and excellence to produce positive organizational outcomes. The implicit leadership theory as a guide for understanding and interpreting effective leader behavior through the leader’s trustworthy behavior in organizations is the focus of this study. Hence, authentic leadership and the theories of leader-follower exchange and trust compose the theoretical framework for this study.

The leader-member exchange theory (LMX) is based on the implicit leadership theory. The LMX theory composes the theoretical and empirical part together with trust theories in my research. Theoretically, the LMX theory belongs to the field of ‘making’ management and leadership (e.g. Graen & Uhl-Bien, 1995; Savolainen, 2011). There are some other leadership theories that have their roots in social exchange and the relations between leaders and followers: transformational leadership and authentic leadership. Actually, authentic leadership has its roots in transformational leadership and ethical leadership. Some researchers have combined authentic and transformational leadership to ‘authentic transformational leadership’ (e.g. Zhu et al., 2011). A remarkable influence on the development of the authentic leadership theory is related to post-charismatic critique of transformational leadership. As charismatic leadership, also transformational leadership focuses on a leader’s behavior and its effects in the organization. It involves numerous specific behavioral effects which are generally related to the leader’s ability to lead the followers through the future mission of the organization. Leaders generally need to justify their decisions to others frequently, but in charismatic leadership this is not necessary (e.g. Westaby et al., 2010; Kets De Vries, 1991). Hence, it is more or less a question about the leader’s ability to handle people. This is the reason why transformational leadership has been criticized; there is a risk of the followers to become manipulated by their leaders in an unethical way. In addition, the followers’ trust of their leader in the transformational context requires leadership to be grounded in morality to be truly effective (Caza & Jackson, 2011).

Morality in leadership is related to the ethical values of leaders. Ethical leadership includes several integrations of leadership theories: transformational leadership (e.g. charismatic leadership), servant leadership, spiritual leadership, and authentic leadership. All these theories highlight the importance of leader coherency between values and behavior. The focus of each theory is in positive values like honesty, altruism, kindness, compassion, empathy, fairness, gratitude, humility, courage, optimism and resilience (Yukl, 2010). To limit the scope and for the importance to concentrate on trust in a leader’s behavior, I focus on authentic
leadership in the perspective of trustworthy elements in the relational context of leader-follower ship.

Leadership theorists have proposed various definitions for authentic leadership (e.g. Avolio et al., 2009; Gardner et al., 2009), but they all stress the importance of conformity in the leader’s words, action and values. The theory also highlights positive values, self-awareness and a trusting relationship between leaders and followers. Hence, the target of authentic leadership theory is to lead the followers by great ethical values with consensus but effectively, even though the leaders do not seek leadership positions to gratify a need for status or power (Eagly, 2005). Hence, leaders do not conform to role expectations but are motivated by a desire for self-improvement and self-verification instead of materialistic desires. They wish to create a relationship with their followers, which consists of mutual trust, transparency with honest and open communication, and guidance toward the followers’ welfare and commitment (Yukl, 2010).

The efficiency of authentic leadership is based on motivation and shared values of leaders and their followers; shared values enable mutual trust. Mutual trust consists of confidence that everyone is able to accomplish appointed targets toward a mission that has been created by the leaders and followers together. Consequently, credibility and integrity in the leader’s behavior encourages the followers to commit themselves to the organization (Yukl, 2010). However, the kind of assumption that leaders increase the followers’ trust in them includes only the followers’ beliefs about the leader’s integrity and honesty. Thus, more empirical evidence is needed to support the authentic leadership theory (Caza & Jackson, 2011). Caza and Jackson also point out that all in all there are a very few empirical studies about the economical effectiveness of authentic leadership, as well as definitions about the leader’s authentic behavior within the organization, albeit inauthentic leaders are not generally advocated.

An interesting point is how different individuals indicate their authenticity and where the limit of authenticity and businesslike behavior is. It is self-evident that organizational behavior should be differentiated from civil behavior; role based behavior in organizations is more or less obligatory (e.g. doctors, teachers, lawyers, leaders). Caza and Jackson (2011) compress the idea of authentic leadership; one cannot be an authentic leader without being individually authentic, and authentic leadership is not possible without the intervention of an authentic leader.
2 Trust In The
Intraorganizational Context

2.1 Definition of Trust

The concept of trust is intangible and difficult to define. Trust has been identified as one of the most frequently examined constructs in the organizational literature (Burke et al., 2007), and various definitions exist. Although trust has been defined in numerous ways, the concept still lacks a generally accepted definition. Trust comprises a person’s beliefs and expectations on how the trustee will behave (Deutsch, 1962). Rotter (1967) defines interpersonal trust as an expectancy by an individual or a group that the word or promise (verbal or written) of another individual or group can be relied upon.

Trust can be pragmatically defined as institutional trust (e.g. Potter, 2002), impersonal trust (e.g. Vanhala, 2011), trust in government and organizations (e.g. Hardin, 2002), and self trust (e.g. Foley, 2001; Goering, 2009). Interpersonal trust has been the dominant concept in previous trust literature and various researchers have focused on it in their research (e.g. Lewicki & Tomlinson, 2003). Lately, interpersonal trust has been recognized to be too limited to describe the holistic description of trust, and thus in the purview of organizations and the aspect of management and leadership, interpersonal trust cannot be the template for the activities in business (e.g. Kramer, 1999; McEvily & Tortoriello, 2010). Huotari and Iivonen (2004) expound that individuals’ predictability and honest behavior are pivotal elements in trust development with and within organizations, and therefore interpersonal trust and trust in organizations have a distinct connection. Economists are interested in trust as a success factor of organizations. Hence, trust in organizations and interpersonal trust in the leader - follower context is the target of examination in this study. The leader-member exchange theory-based leadership with a leader and a follower will develop stepwise when mutual trust between the leaders and followers (i.e. leaders’ trustworthy behavior) and the followers’ trust in the organization (i.e. trust in the organization’s success) is linked into the leadership making process.

According to Huotari and Iivonen (2004) trust can be typecast and shared for cognitive and affective trust. Greenberg and Baron (2003) increase the list with identification-based trust. According to Möllering et al. (2004), trust comprises three dimensions: cognitive trust, affective trust and behavior trust. This study focuses on behavioral trust in the intra-organizational context. Cognitive trust represents the rational dimensions of individuals’ traits like competency, honestly,
credibility and mutual dependence. On the basis of my empirical study findings, mutual dependence may be understood and explained by the fact that the organization needs its employees to make it successful, and the employees need a successful organization where leadership is linked deeply into management. When LMX-based leadership is the way for success, it has been accepted and thus seen as a trustworthy element in the leader’s behavior.

Affective (i.e. emotional trust) is based on the individual’s behavior, like taking care of each other. Commitment can also be classified into emotional trust and is thus an interesting vantage point in my study; the followers’ commitment to the organization has two pivotal roles in the success of the company: the followers’ commitment is a trustworthy element for their leaders, and commitment to the organization represents their trust in the organization, which is the human capital of the organization. Identification-based trust represents understanding and acceptance implemented mostly in relationships within family members and friends; consequently it is not emphasized in business research, and thus not my study, either.

Lewicki and Bunker (1996) define and divide trust into three stages; deliberation-based trust, knowledge-based trust and identification-based trust. In deliberation-based trust, in organizational and professional contexts, trust is based on the individuals’ beliefs for each other’s stable behavior. Individuals are also aware of the fact that if their stability and expected behavior will fail, they will be punished for it. In the LMX theory, this ideology is highlighted and my empirical data supports it; if trust fails, interaction and co-operation will also fail, which can have harmful consequences for business. Trustworthiness and the repute in their positions are pivotal elements in this stage of trust. Consequently, trust may be related to the position that each individual represents in the organization (i.e. position-based trust).

The second stage (knowledge-based trust) is linked to the first one, because it is based on the information that individuals collect from each other and how foreseeable the other one is; stability and expected behavior are pivotal elements in this stage as well. In the timeframe and within the interactional relationship between the leader and the follower, each party will learn to understand and forecast each other’s behavior. The closer relationship the leader and the follower have, the more information they share during the co-operation, and obviously, the better they will understand each other. Last, the third stage, identification-based trust is linked into the second one, because it is based on the understanding to each other, the reasons why they behave like they do and the meanings of their words. Usually this kind of trust is emphasized in relationships out of the organizational context, like within family members and friends.

Overall, trust is a difficult notion to define and at the same time it is vital for organizations. In my study, trustworthiness is an emphasized phenomenon of trust, because by the leaders’ trustworthy behavior, the organization is able to create value by committed and effective employees. As mentioned above, trust in the organizational context is divided into intra-organizational and extra-organizational
approaches. In this thesis, I focus on intra-organizational and interpersonal trust between leaders and followers. When conceptualizing interpersonal trust in the organizational context, it cannot be discussed in isolation from psychology. Trust as a psychological state has been defined in cognitive and affective processes. The cognitive point of trust entails a state of perceived vulnerability or risk (Kramer, 2004). Trust is also willingness to be vulnerable (Rousseau et al., 1998). Trust is risky, because one’s confident expectations may not be responded to by the opponent in the expected way (Lewis & Weigert, 1985). Trust has been seen as an element which increases organizations’ welfare as human capital and economic incomes. Thus, trust is more related to the support of authority when the outcomes of the organization are relatively unfavorable (Kramer, 1999).

2.2 SIGNIFICANCE OF TRUST IN ORGANIZATIONS

Several trust researchers agree that interpersonal trust has a number of important benefits for organizations, while distrust may hinder the effects of trustworthiness (Dirks & Ferrin, 2001). The development of trust (and distrust) is seen as a relational context in my study, i.e., forming and evolving in interaction and relationships between organizational actors (Mayer et al., 1995), and specifically in leader - subordinate relations. The importance of trust in leadership in the organizational context has been recognized in the literature. Trust has been shown to have influence on such processes as communication, cooperation, and information sharing (Burke et al., 2007, cf. Shamir & Lapidot, 2003), as well encouragement and power sharing. The leaders’ support is expected and their actions are seen as most influential. Trust consists of different dimensions and factors of trustworthy behavior, such as competence, predictability and the flow of information, intra-organizational communication and fairness, balanced behavior by managers as well as sincerity, honesty and transparency (Häkkinen et al., 2010). There are also elements of trust which disprove each other (Häkkinen, 2007, cf. Kramer, 1999) and which have influence on inter-personal trust development in organizations. According to Fairholm and Fairholm (2000), distrust provides an insight into discord and disharmony in organizations.

Employees in organizations create trustworthiness by their actions (showing commitment and motivation) and behavior. Hence, trust building has been listed as one of the most essential tasks in managerial leadership (e.g. Graen & Uhl-Bien 1995, Yukl 2010). Leader traits and behavior, including styles and skills, matter in trust building and analyzing the leader’s trustworthy behavior, which implements their daily activities. Theoretically, various leader traits and leadership styles are related to trustworthiness shown in practice by the leader’s behavior in a dyadic subordinate - leader relationship, as mentioned above in the chapter “Leadership research”.

The interest in trust as a major focus of research within many sciences, especially social sciences and economic sciences over the past two decades is obvious; based on the amount of evidence, trust represents varied benefits for organizations, both
on intra-and extra-organization levels, which accrue when trust is present (Kramer, 2004). It is self-evident that when some factor raises the income of the organization, it arouses interest. Effectiveness includes trust, and behind trust there are features which develop a trust process. Trust in a leader - follower relationship is based on respect, commitment to the leader’s decisions and the organization alike, even when there are reductions in the organization which are reported clearly. Trust enhances job performance and satisfaction (Dirks & Ferrin, 2002).

Trust seems to be a current trend in organizational priorities, as well as leadership. Business leaders focus on the challenges of trust while trust is beneficial for organizational effectiveness. Trust facilitates leadership, which is based on an effective relationship between the actors (leaders and their followers) (Golesorkhi, 2006). Sometimes it is not clear whether the followers’ trust is trust in the organization, i.e. institutional trust⁹, or trust in the leader. Individuals have first trust in the organization, relying on the leaders in the organization to be trustworthy. If they lose their trust in the leader, they may lose their trust in the organization as well, but not necessarily. Distrust in the organization is based on organizational behavior in the company; what the current attitude of subcultures and atmosphere there is (Tullberg, 2007).

According to Huang et al., (2010) organizational roles (e.g. doctors, leaders, engineers, professors) can provide a basis of trust. In that case, role-based trust¹⁰ as a basis of trust development represents individuals’ knowledge and assumptions of different kinds of categories of people. Followers are ready to trust their leader without previous knowledge of who they are. Consequently, followers take a risk in their relationship with the leader. Effectiveness, total returns to shareholders, positive expectations of one another in the organization are more successful and adaptive, as well as innovative, in organizations with high trust versus low trust (e.g. Golesorkhi, 2006, and Ferres, 2004). Cohen and Prusak (2000) state that trust between leaders and their followers contribute to the development of social capital in the organization, through constructive individual relationships and connections.

Trust is important when conflicts arise in an organization or within social settings. The followers’ trust in the leader’s fairness and impartiality is important because it influences ultimately the acceptance of dispute resolution procedures and outcomes (Kramer, 2004). While trust is a person’s own choice to take a risk, there is at the same time a fear of being disappointed in trust. In spite of distrust, a person may trust another, believing that his future actions will be beneficial (Robinson, 1996) and good-willed or benevolent (Baier, 1986). Emotional responses, social relations and feelings between the actors in the organization represent affective and motivational components of trust (Chua et al., 2008).

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⁹ Institution-based trust is based on the individual’s trust in the values and norms of the organization (McKnight, et al., 1999; Bachman, 2012). Kramer (1999) identifies individuals’ trust in the norms of the organization as rule-based trust; the rules of the organization.

¹⁰ Role-based trust is based on an individual’s trust in other people even when they do not know each other beforehand. This kind of trust is common within organizations and in societies; trust toward another individual is based on the individuals’ positions and reputes; doctors, teachers, policemen etc. (Govier, 1997).
The power of distrust versus trust in an organization is eminent. Distrust and suspicion are perhaps most common problems which can destroy leader-follower relationships. Distrust has been defined in various ways by several researchers: as a lack of confidence in the other (Kramer, 1999), careless attitude about one’s welfare or intents to act harmfully (Grovier, 1994), suspicions concerning the motives or genuineness of a person’s behavior (Fein & Hilton, 1994). Trusting may vary from complete distrusting to blind trusting (Ben-Ner & Halldorsson, 2010). If blind trusting is some kind of an illusion concerning one’s character, would it be more beneficial for the organization than complete distrust? On the other hand, while trust is mutual, blindness may be less harmful, because disappointments in the trust process decrease trust, but perhaps does not destroy it completely. If the trust has been damaged, it causes and engenders negative emotions such as stress, anxiety and fear (Williams, 2007). People are often naturally negatively oriented and thus tend to pay more attention to negative than positive information when assessing a leader’s trustworthiness, especially integrity (e.g. Kim et al., 2004, Chen et al., 2011). Therefore, it is important to find out how leaders’ trustworthiness is comprised by their daily actions in the organization and what kind of relationships allow a leader’s conceivable untrustworthy behavior without violating trust between the leaders and followers, or the followers’ trust toward the organization. Hence, organizational (i.e. institutional) trust and the followers’ trust toward their leader seem to be interlocked, at least connected to each other.

2.3 MAIN FACTORS OF TRUST

Whitener et al., (1998) show in their model “Exchange Framework of Initiating Managerial Behavior” that the leaders’ managerial trustworthy behavior consists of three factors, which all have an influence on the process of trust (i.e. factors which build and/or weaken the trust between individuals). These factors are 1) organizational factors, 2) relational factors and 3) individual factors. The organizational factors are based on the culture and structure of the organization and Human Resources Management (HRM) policies and procedures in the organization. The relational factors consist of individuals’ initial factors, expectations and costs of exchange. The individual factors are based on individuals’ propensity to trust, self-efficacy and values.

The structure of the organization is based on the hierarchy set-up, leadership style, number of employees and managerial positions, like ownership. Organizations which are highly centralized, hierarchical and cost-effective, will not generate managerial trustworthy behavior (e.g. communication and delegation control) versus less formalized and hierarchical organizations, which are focused on effectiveness. Usually less hierarchical organizations have a culture

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11 Human Resources Management is focused on justice and labor law as well as individuals’ development (HRD; Human Resources Development) and physical and mental work-welfare or just the nominal position in organization, like payroll administration.

12 In SME organizations/companies it is typical that the owner of the company is in a manager position.
which is characterized by risk taking, inclusiveness and open communication. By designing organizations in ways that support and encourage the leaders to initiate a trust process by creating trusting relationships and rewarding the followers’ reciprocity, the management can establish a trusting organization. (Whitener et al., 1998)

In the organizational context, it is important to perceive why trust is needed, why it is even necessary to talk about trust in this context. According to recent trust theories, it is self-evident that trust is needed between organizations as well as between the members in the organizations, first of all between the leaders and the followers. Dirks and Ferrin (2002) present that trust in the leader is divided into two approaches: the character-based perspective and the relationship-based perspective. The first one focuses on the perceptions of effect of the leader’s character on the followers and their willingness to make themselves vulnerable conforming to the leader’s authority in the organization, which obvious has an impact on them. The second approach focuses on the social exchange in the leader-followership where the followers are able to find reasons, and be willing, for a reciprocity process with their leaders. The followers’ willingness for vulnerability and reciprocity presumes that the follower trusts his/her leader while the leader shows trustworthiness to the followers.

Bachman (2011) argues that trust is a fragile phenomenon which exists only in intimate relationships between two individuals. He presents that interpersonal trust is more or less comparable with extra-organizational trust and hence reflected in institutional trust. In this case, it may be useful to make a distinction between interaction-based trust between individuals and institutional trust; interaction requires continual face-to-face contacts, which is not very effective for business, as institutional trust in individuals is reflected in the individual’s trust in the success of the organization and the individuals’ respect of each other in the positions they take care of (Bachman, 2011). Thus, the followers trust that their leader is competent to take his/her leader position by conducting the leadership equally (i.e. with integrity and benevolence), effectively and humanely. On the other hand, the leaders trust that their followers have skills to take care of their duties as expected. In this case, I understand the leader’s competence as the ability to take care of the company’s economy and lead the people toward the future missions of the organization.

Gathering together the basic elements of trust in the intra-organizational and intra-personal approach in leader-followership, trust consists of competence, skills, benevolence, predictability, vulnerability (e.g. willingness to take a risk) (Dirks & Ferrin, 2002), trustworthiness (Ferrin & Dirks, 2003), integrity, and ability (Golesorkhi, 2006). When employees trust their co-workers and leaders, they are more likely to perceive their organization as supportive and are less likely to leave it (Golesorkhi, 2006). Thus, commitment seems to be the profit of trust in the leader and the organization.
2.4 TRUST IN LEADER-FOLLOWERSHIP

Intra-organizational trust, more specifically interpersonal trust in organizations is very much a dyadic and mutual event or chain of events between leaders and their followers. Mutual trust and perceptions of trust seem to play a crucial role in trustworthiness, in cooperation and interpersonal and inter-group relationships in organizations (Ferrin et al., 2008). In trustful leader behavior, competence (ability) is seen one of the main dimensions of trustworthiness, together with the three other factors of integrity, predictability and credibility (e.g., Möllering, 2004, Mayer et al., 1995, cf. Savolainen, 2009). Distrust has been defined as low trusting or negative expectations of the other party and with a lack of confidence in the other. Distrust involves also the belief that the other may not care about one's welfare and may act in a harmful manner (Lewicki et al., 2006, Gillespie & Dietz, 2009). Personality is also a strong facet of trusting (Ben-Ner & Halldorsson, 2007). Trust involves a willingness to be vulnerable and to take the risk that the other party may not fulfill the expectations (Whitener et al., 1998).

Trust is very vital to the leadership process. Effective leadership presuposes exerting influence over others, which obviously helps greatly if the leaders are trusted. Notable in the leader-followership is that with respect to perceived competence, trust will be high when leaders are perceived as capable of fulfilling their duties and obligations, along with their other diverse role-requirements as a leader (Kramer, 2004). The role requirements may differ casually, but generally accepted elements in trust research are competence, benevolence and predictability.

2.5 TRUST DEVELOPMENT IN DYADIC LEADER-FOLLOWERSHIP

“The development of trust research has shown individuals’ perceptions of others’ trustworthiness and their willingness to engage in trusting behavior in organization”

(Kramer, 1999, p. 576)

The development of trust is a process of trust building. Trust and distrust in the trust process usually develop hand in hand; distrust affects trust development, but the situation can be remedied by trustworthy behavior. It is also possible for trust and distrust processes to develop separately (Lewicki & Bunker, 1996). The outcome of trust building is interpersonal trust between leaders and follower (Rousseau et al., 1998). The prerequisite of trust development is the leader’s trustworthy behavior from the follower’s point of view. The trust process has been given various descriptions; according to Butler (1991) it is a cyclical and mutually reinforcing process, Zand (1972) says that it is a spiral reinforcement process, and for Whitener, Brodt, Korsgaard and Werner (1998) it is a social process. Consequently, trust may be a continuous development process but also dispatched as one go.
As mentioned above, according to Lewicki and Bunker (1996), trust is basically a three-phase process; trust gained on each level enables development toward the next level: from discretion-based trust toward identification-based trust through to knowledge-based trust.

In the first phase (i.e. strict discretion-based trust), trust is based on the repute of the other’s trustworthy behavior; an individual’s presumptions of the other’s trustworthiness. In that case, trustworthiness and the leader’s trustworthy behavior play a crucial role. In the second phase (i.e. knowledge-based trust), trust is based on the knowledge of how each individual behaves in the organization, and the knowledge depends on what kind of information each individual has collected from the other during the timeframe in various situations. Consequently, trustworthiness relies on each other’s foreseeable behavior. In addition, trust is enhanced by predictability (Lewicki & Bunker, 1996; Dirks, 2006; Connel et al., 2003). Hence, some actions or the leader’s/subordinate’s behavior may be foreseeable without breaking or violating trust. Thus, for example, the leader’s unexpected behavior or reaction may not cause disappointment among the employees. In the third phase (i.e. identification-based trust), is typical within interpersonal relationships in organizations. It is based on the willingness to understand other individuals by identifying others’ feelings and meanings of ambitions (e.g. targeted goals of work outcomes in the organization by the leaders). In addition, this last stage is manifested closely in interpersonal relationships, in which case it may be even useless to identify someone’s feelings (Lewicki & Bunker, 1996).

Trust between two or more independent actors in an organization develops during the interactions and dyadic relationship between the participants. Trust as a process is very vulnerable and will be lost much easier than built, and for this reason rebuilding seems to be even harder. Before it is possible to repair trust, if it is repairable at all (Chen et al., 2011), it is critical to understand how trust can be damaged or violated (Schoorman et al., 2007). Savolainen (2011) questions the linear models of trust development and suggests that it is a multiple phenomenon. In the recent studies of the research group of trust in organizations at UEF (University of Eastern Finland) new findings about the nature of trust development process have been found (see e.g., Ikonen & Savolainen, 2010): a complex development process appears as a wavelike motion in real life with ‘splashes and calms’.

All individuals have their own experiences of interaction with other people. Reflecting all that knowledge, they create a new trust position and grade when they face new actors in the organization. Interactional backgrounds give individuals a database that is useful in assessing others’ dispositions, intentions and motives. All this information provides a basis for drawing conclusions regarding an individual’s trustworthiness and for creating predictions about her/his future trust-related behavior. Kramer (2004) presents that individuals’ willingness to engage in spontaneous acts between each other create an uninhibited atmosphere in the organization. This kind of engagement may have an effect on an individuals’ attitude for different positions and their representatives in the organization, and
thus trust is first related into institutional trust (McKnight et al., 1998) and the disposition of trust may vary in the timeframe. In this case trust has a temporal dimension, and trust development depends on whether the trust in the leader corresponds to the trust in the organization.

Trust development depends on how individuals see others’ trustworthiness to be anchored and how their own expectations change in the trust process (Kramer, 2004). Trust as a process consists of trust boosters or confirmations and trust violations. This process is highlighted in hierarchical relationships (Kramer, 1999). Ferrin, Bligh and Kohles (2008) point out that trustworthiness builds up in consequential cooperation and trust processes. They perceive that the processes of trust, cooperation and trustworthiness are spirals, which are finally integrated together. They describe trustworthiness as a result of cooperating individuals trusting each other. In other words, if one trusts the other, he describes the other one as trustworthy. Thus, according to Ferrin, Bligh and Kohles (2008), trustworthiness in a dyadic interpersonal relationship is more like an actor of the trust building process. Hence, distinguishing between the factors that influence or determine trusting and trustworthiness is important (Ben-Ner & Halldorsson, 2010).

Chen et al., (2011) de-emphasize the coherence and balance within individuals’ trustworthiness rendering information about differential effects on trust building, trust breach and trust repair that are based on the relationships between the leaders and followers and the levels of social-emotional resources. If the relationship is real and trust exists with a positive effect, it would produce forgiving dimensions\textsuperscript{13}. It is possible to rebuild trust even though it has been harmed by the leader’s or follower’s untrustworthy behavior. Hence, according to Chen et al. (2011), there is a theoretical link between the focus of trust breach and the reparability of trust, but it requires consistent behavior in the future. However, there is unfortunately some empirical evidence that if the untrustworthy behavior was combined with dishonesty, trust was overturned and never returned to normal. Trust is a very fragile process and cannot take high drops of disappointment in a relationship between individuals (Schweitzer et al., 2006).

Trust comprises always risk taking in intra-organizational relationships, and hence it is in an individual’s free will to trust somebody. A healthy relationship between individuals requires mutual confidence based on equal behavior and mutual respect. Koeszeki (2004) marks trust and confidence off, even though both concepts refer to expectations toward future events which might come down; trust requires contingency of one’s trustworthy behavior (e.g. the trust process develops and balances out later on), but confidence does not include a future dimension.

\textsuperscript{13} On the basis of the empirical findings in my study, some distrustworthy dimensions and actions by the leaders in the case organizations did not have much bad influence to the trust in the leader-followership, when compared to trustworthy actions.
2.6 FOLLOWERS´ PERCEPTIONS OF TRUST IN ORGANIZATIONS

The reasons and motives that drive followers to take an active role in the organization may be various, but are likely based on trust in their leader and commitment to the organization where a good atmosphere holds the field. The falling of trust may arise if the leadership or the followership fails. In interpersonal trust and trust process, the power of distrust is much more harmful than low trust in the relationship between the leader and the follower. Trust is confidence in each other and thus a key element of commitment and willingness to belong to the organization. If the leaders´ trust in a follower wavers because of failed outcome of duty, they will probably not give the follower more possibilities to take care of demanding duties. Chen et al. (2011) name two attributions of trust breach: lack of the leader’s controllability and lack of stability.

Trust is valuable and vital for organizations. Some researchers have presented that interpersonal trust is actually similar to institutional trust especially in distrust; if the followers lose their trust in their leader, they probably will lose their willingness to commitment into organization (Bachman, 2011). Gathering up the most advantages, both economical and intellectual as human capital, trust entails commitment, increases the welfare of workers, reduces high turnover of workers, and enhances their effectiveness and willingness for cooperation with each other. Open dialogue and uninhibited atmosphere between co-workers and in the leader-follower relationship are basic elements in the flow of information and tacit knowledge in an organization. While trust is a fragile process, which may be attached either to a person (e.g. the leader) or the organization/institution, it is clear that it will not tolerate too many disappointments, and thus calls for stable behavior, especially of the leader and the negotiation processes to avoid misunderstandings and conflicts between individuals.

At its best, trust is spontaneous sociability (Fukuyama, 1995), which brings out social exchange naturally and helps the flow of information between leaders and their followers, as well between the followers in an organization. Kramer (2004) argues that spontaneous sociability refers to many forms of cooperative, unselfish behavior that individuals are willing to engage in and that enhance the collective well-being and further goals in the organization. Based on several findings (e.g. Carsten et al., 2010), it appears that leader-followership exists in situations where the followers are either active or passive in their positions in the organization concerning their relationship with the leader.

At the end of the day, leaders have the final responsibility of the results and future directions in companies. As leaders have the required information and knowledge about their followers, they have expertise to choose the future-makers in the organization. Hence, it is clear that they will choose followers who can form an active social construction in the organization, by giving them first an opportunity to deal with a given responsibility and task (e.g. Carsten et al., 2010). The better the followers respond to their leader’s requirements concerning work
outcomes, the more the leader will rely on them in the future. It seems to me that in that case it is a question of trust and the process of trust, trust development, in a mutual and dyadic relationship between the leader and the follower.

In the development of trust and distrust in the organization, the organizational culture is largely influenced by the leaders’ actions (Schein, 2004). For example, in the case of a very authoritarian management style the employees become socialized into and adopt the way of actions of their leaders. As managers act as role models for the followers and as brand managers of the organization, leaders who fail to behave in the expected ways limit or derail their management careers (Burke, 2006). This has consequences to the entire organization, and therefore the cultures within organizations play a role in employee socialization and commitment. As a matter of fact, according to Lok and Crawford (1999), a subculture may be even more strongly related to commitment than the overall organizational culture. (Savolainen & Häkkinen, 2010)

![Diagram of Followers' perceptions of trust in organization](image)

**Figure 3. Followers’ perceptions of trust in organization (adapted from the Exchange Framework of Initiating Managerial Trustworthy Behavior -model` of Whitener et al., 1998, p. 519).**

The followers’ perceptions of trust in organizations are depicted in figure 3 above. The followers’ trust in the organization where they work or are willing to work, and where they are ready to commit themselves and work effectively, depends on the organizational factors and the leaders’ trustworthy behavior. The organizational factors consist of organizational structures and cultures. The organizational structure and culture include many policies and behavioral rules, for instance to
the management: how different kinds of management styles and ways are accept-
ed in the organizational culture and what kind of leadership making is suitable
for the organizational structure. In my study, reflecting the empirical findings of
my research, I focus on the LMX-based leadership making process.

All in all, when the followers trust the organization, they work effectively
and are committed to the organization. This has a straight influence on organiza-
tional success, which has a meaning for the followers’ trust in the organization;
if the organization succeeds, the followers will commit to the organization and
work effectively. Hence, mutual interdependence between the organization and
its employees exists. Leaders and their trustworthy behavior, organizational fac-
tors representing the success of the organization and the followers’ trust in the
organization, together with effectiveness and commitment, are warranted ele-
ments in an organization’s development and success. The next chapter concerns
trustworthiness and leaders’ trustworthy behavior.
3 Leader's Trustworthiness

While trust involves a risk to be betrayed and hurt, it means that behind the trust there is a way to behave trustfully and find out, what kind of behavior the other party considers trustful. This view of trust is called individual trustworthiness. As trustworthiness lies at the core of trusting, assessing another individual as trustworthy leads the trustor to risk taking and making him/herself vulnerable to the actions of the trustee (e.g. Whitener et al., 1998; Schoorman et al., 1996). There is a distinction between trust and trustworthiness as concepts. Individuals’ trust on each other depends on how trustworthy the other person is from his/her viewpoint. Thus there are different bases of trust, depending of the quality of the relationship between parties and their emotions, which may change and vary in the timeframe of the relationship (Chen et al., 2011). As interpersonal trust highlights the relational exchange between individuals, it is self-evident that the exchange consists of negotiation processes and performance between the parties. Thus, flowing negotiations and reduced conflicts between individuals are outcomes of trust (Brower et al., 1998).

According to Mayer et al., (1995), the main difference between trustworthiness and trust is that trustworthiness pertains to the characteristic of the trustee. Chen et al., (2011) point out that perceived trustworthiness is a key element in the trust process, even though trust involves a risk that the other does not respond to our expectations of an individual’s trustworthy behavior. Chen et al., also present that trust propensity is a personality difference and some individuals are generally more trusting than others. It is difficult to define trustworthiness; according to Brower et al., (1998) it includes everything in the relational process between individuals and can exist before people have even met each other. This kind of like trustworthiness is based on the mental picture which one may have of other (e.g. expectations about a person’s behavior according to his/her position/role in the organization) (Atkinson, 2004). For example, followers have usually significant trust in their leaders that according to their position they set the goals for work outcomes, control that everything will be done, and make decisions which are beneficial for the organization (Dirks, 2006).

3.1 Trustworthiness in Leader-Follower Relationships

Brower et al., (2000) ask some important questions concerning trust in their article: If a leader trusts a subordinate, will the subordinate be more likely to follow? How will subordinates perceive the level of trust their leaders have on them? How will this perception affect the subordinate’s behavior? If a subordinate feels trusted
and valued, will he/she work harder and be loyal to the firm? I will ask some further questions: How are trust and commitment integrated to each other and does the way lead to play any role in trust development? The factors that influence the attributes of trustworthiness in leadership contexts have their roots in the early 1970s, but more systematic and continuous research on the topic of trust has been conducted in late 1990s. In the 21st century some researchers have been provided useful summaries and much needed conceptual integration of trustworthiness (Kramer, 2004).

A leader’s actions and behavior create the roots for trust; it is the leader’s responsibility to take the first step and initiate trust in leadership (Gillespie et al., 2004). Thus, leaders should pay attention to their behavior and engage in trust building in the leadership making process, which is actually labeled as a leaders’ trustworthy behavior. Before leaders are ready to initiate the trust process, they need to trust and see their follower as trustworthy. The more effective the follower is initially in meeting the role requirements, the more the leader will engage in trustworthy behavior; sharing control, communicating openly and showing concern (Whitener et al., 1998). Deluga (1994) stresses that a leader as an initiator in the trust process creates his/her trustworthiness with fair behavior, and thus fairness is one of the leader’s trust building activities which will initiate valuable leader-followership.

**3.2 DIMENSIONS OF TRUSTWORTHINESS**

First definitions of a leader’s trustworthy behavior, more specifically trustworthiness, were offered by Gabarro (1978): perceived integrity, motives, consistency, openness, discreteness, functional competence, interpersonal competence, and decision-making judgment appeared as attributions of the trustworthiness of vice-presidents and presidents. Butler (1991) gives the following descriptions: perceived integrity, competence, consistency, fairness, integrity, loyalty, openness, overall trust, promise, fulfillment and receptivity influence subordinates’ judgments. Trustworthiness has also been described by factors like status recognition, trust in benevolence and neutrality (Tyler & Degoey, 1996).

Siegel and Brockner (1998) emphasize that the procedures in the organization are important factors for communication and information sharing within the organization, and they name one more trustworthy factor, procedural competence. Kramer (1999) supports the argument of Siegel and Brockner, because their results are evidenced and perceived as structurally and interactionally fair, tending to increase trust, whereas a lack of perceived structural and procedural fairness tends to elicit a low level of trust. Tan and Dave (2005) point out that sometimes individuals’ trustworthiness consists of their similar behavior or visible role models, like successful leaders, politicians, actors and so forth. Gillespie (2003) presents similar results; there are some professions and positions which express trustworthiness (e.g. professors, doctors, scientists etc.). This might expound the argument
that trustworthiness within individuals can exist even before they have met each other (e.g. Atkinson, 2004; Bachmann, 2011). Trust in the leader is a motivator for the followers to achieve the goals which are set to them by the leader and the organization (Dirks, 2006); the targets of every employee in the organization are nonetheless the targets of the organization, which are the leaders’ responsibility.

Perhaps the most well-known factors of trustworthiness are included in Mayer’s (1995) model of dyadic trust elements in the trust developing process. The model determines the trustee’s trustworthy behavior towards the trustee and provides a unique perceptual lens through which the trustor can evaluate the trustee: benevolence, ability and integrity. Cummings and Bromley (1996) describe trustworthiness as an individual’s belief that another individual makes the effort to uphold commitments, is honest and does not take advantage of the other given the opportunity. Trust in a relationship means that individuals are willing to express respect to each other, going beyond humane behavior, act benevolently instead of malevolently, and feel mutual confidence in the relationship (Koeszegi, 2004).

Mayer et al., (1995) expound that trust presumes trustworthiness and is mutual. Ferrin et al., (2008) present that mutual trust is based on a spiral of trustworthiness. Thus, I presume that trustworthiness is a skill for open interaction between individuals, in other words; social skills and competences. While trustworthiness has been presented as an individuals’ action instead of a feature, Ben-Ner and Halldorsson (2010), describe it as willingness of a person to act favorably towards another person. I understand that as sincerity and benevolence.

In most situations, trust and trustworthiness, trustworthy behavior are described and understood as behaviors which are based on social norms and generally accepted. It is important to recall that the facets of trustworthiness are variable and may vary across the context and individuals (Ben-Ner & Halldorsson, 2010). However, Golesorkhi (2006) found out that there was not very much difference in the genders’ attitude towards trustworthiness in dyadic leadership. Whitener, Brodt, Korsgaard and Werner (1998) go behind the factors that merely create the perception or impression of trust to what supports or constrains actions that promote trust, by identifying and analyzing relational exchange in an organization. In their study they found that first, individual factors encourage or constrain trustworthy behavior in leader-followership, as well as in the organization in general; second organizations can create an environment which supports trustworthy behavior; and third trust in the parties’ relationship (leader-follower) is not only merely actions but an attitude toward each other as well.

As mentioned above: to most commonly accepted and perceived dimensions of trustworthiness are benevolence, integrity and ability. Benevolence is the degree to which a trustee is believed sincerely to do good to the trustor without selfish motives (Mayer et al., 1995). Benevolence is expressed in interaction between individuals in daily actions, like showing interest, consideration and sensitivity to each other’s needs and behaving equally all the time (e.g. Whitener, 1998; Golesorkhi, 2006). Benevolence has been seen as the extent to which the trustee (leader) is seen to do good for the trustor (i.e. follower). Chen et al., (2011) describe benevolence that it
based on the individuals’ expectations of others’ goodwill while understanding the constraints of the relationship. This kind of behavior describes the relationship between the mentor and protégé\(^{14}\) well (Gardner et al., 2009).

According to Ben-Ner and Halldorsson (2010), trusting is the individuals’ inclination to believe that other persons are involved to cooperate with them for their benefit without complacency and own advantage. This kind of willingness requires individuals’ ability to make small sacrifices for others. Mayer et al., (1995) define ability as the total amount of individuals’ skills, competencies and characteristic behaviors which are reflected in their work outcomes and feelings about them and about interacting and having relationships. Gardner et al., (2009) present that the posit of the leader’s perceived ability is the sum of the followers’ emotions and the way they implement the leader’s appropriate display of norms with their behavior and action. Ability is the amount of the skills, traits and competencies which enable an individual to operate as well as possible in a particular area (Mayer et al., 1995). Ability has also been described as a competence shown by individuals by managing their positions well (e.g. Butler. 1991, Sitkin & Roth. 1993). Ability refers to an individual’s skills and competencies which are related to his/her (leaders) tasks (Chen et al., 2011). Among the dimensions of emotional intelligence, ability is an individual’s intelligence to understand others’ emotions and associate them with the relationship between the leader and the follower (Côte et al., 2010).

Integrity involves the trustor’s perception that the trustee adheres to the set principles that the trustor finds acceptable. Integrity is fairness, consistency and reliability (Mayer et al., 1995). Integrity as trustworthy daily action is identified in telling the truth and keeping promises, understanding that individuals are observing each others’ words and actions. Thus, integrity is honesty and morality in daily functions. A leader who is a genuine, authentic and reliable person and keeps his/her promises, displays a high level of integrity (Gardner et al., 2005). Integrity is shown by the leader’s actions and words that are relevant and linked together (Gardner et al., 2009). In other words, the leader should behave like he/she has promised to behave and his/her behavior is permanently coherent with the commonly accepted moral values in the organization. Chen et al., (2011) describe integrity in the way that it refers to behavior and actions in adherence to a set of principles and values acceptable to the specific parties involved. They also argue that it is not necessarily perceived as acceptable in the society as a whole.

Golesorkhi (2006) suggest one more dimension for the trustworthiness list: cultural similarity. Individuals tend to be attracted by similar people. Similarities are for example age, gender, attitudes and lines. Cultural similarities between the members of the organization merge individuals and create trustworthiness.

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\(^{14}\) The mentor-protégé-relationship is one of the most effective tacit knowledge methods in organizations.
3.3 LEADER’S TRUSTWORTHY BEHAVIOR

Trustworthiness consists of presumptions and expectations that are based on individuals’ trust in each other. This is difficult to internalize, because the trust process in an organization at the individual level is multidimensional. All individuals bring their own expectations to the organization. Accordingly, it is important to find out which are most common trustworthy elements within the relationship and social exchange processes between the leaders and their followers. Generally, organizational behavior spirals downward, and that is why the leader-followership is in the spotlight in my research. The leader-member exchange provides interpersonal trust.

If the followers trust their leaders, the leaders are obviously trustworthy from the perspective of the followers. The question is, if the followers do not trust the leaders, are they untrustworthy because of distrust or low trust? It is reasonable that all kinds of relationships are based on trust, and thus untrustworthiness and low trust go hand in hand. Accordingly, distrust represents a null relationship and connotes appropriate behavior within individuals. Hence, that kind of organizational behavior is rather gnawing than constructive in the trust development process. To create a supportive and empowering atmosphere into the organization, it is necessary for leaders to encourage their followers. Tullberg (2007) recalls, that overstatement or underestimation concerning the economical situation or showing feelings run the trust process downward. Hence, the leader’s trustworthiness is more or less based on his/her stable behavior in all circumstances. It is also a disadvantage for the organization, if the leader-follower relationship is based on the followers’ false mental picture of their leaders.

Individuals are trustworthy, if they have ability (which is the same as competence), integrity and benevolence. Authenticity vs. integrity and benevolence are compared with trustworthiness according to some leadership theorists, but need more coherent empirical study evidence. To sum up trustworthiness and trustworthy behavior in an organization, more deeply in the leader-followership, trustworthiness consists of various individuals’ traits, actions and attitudes toward each other. Generally accepted dimensions of a leader’s trustworthy behavior consist of integrity, ability and benevolence. I understand integrity as: fairness, reliability, consistency, honesty and equality. Ability is overall competence in the leader’s position; intelligence to behave business-like as the position requires, competence to manage and operate business. Benevolence is doing good to the trustor (i.e. follower) and behaving with goodwill and sincerity. Authentic leader behavior means that the leader behaves naturally, without any rule of behavior based on the managerial work, in all situations while working and leading followers. Referring on previous descriptions of each trustworthy dimension, I have analyzed my empirical data material with typing the descriptions of leaders by followers such that those either are equal with descriptions in the trust literature or not.

As mentioned above, trustworthiness consists of individuals several traits. Many of them are equivalent with trust elements (McEvily & Tortoriello, 2011). Curious is, how trustworthiness is expressed as trustworthy behavior in daily
functions by leaders? For instance, while commitment is trust element in organization and thus organization related and a committed individual is trustworthy. How has commitment been measured and manifested? In my research, I am interested in implementing the daily actions of leaders and followers that are considered trustworthy behavior and raise trusting in the trust process. Like Koeszeki (2004) points out: trust is multidimensional as it contains behavior, attitudes and action, and requires individuals to make the choice of going into relationship with each other, while there is a risk to become betrayed and disappointed in trust.

When leaders believe that the chosen followers\(^{15}\) have the ability of making a positive contribution and proving it with good results and/or quality of outcomes, they have positive influence in the followers’ work engagement, organizational commitment, motivation and work welfare (Walumbwa et al., 2011). Brower et al., (2000) describe that kind of a relationship as a role-making process within leaders and followers; leaders differentiate their leadership through the interpersonal exchange which they have with every follower. Hence, the leadership making process is different with every follower and depends on the amount of negotiations and shared interaction and responsibilities.

Trust-based leadership has its roots in the trust-related relationship between interacting parties. Savolainen (2011, p. 124, 139) has defined trust-based leadership as leader’s skill to enable interaction, co-operation, and organizational performance. Spontaneous behavior requires that individuals do not have a role-based burden or strain, but still mutual respect to each other’s positions. Overall, it is interesting how it is possible to create an atmosphere in the organization, which is based on respect, honesty and the “right” kind of leadership. This issue is important, because leaders are role models for other employees in organizations; how to behave, what kind of behavioral culture is accepted in each company (Caza & Jackson, 2011). The answer may inhere in the leader’s trustworthy behavior (Savolainen & Håkkinen, 2010) and the followers’ willingness to show an active role in the organization, which makes them more trustworthy; followers who have enough competence, commitment and ability to take care of given tasks. The more they show their ability, the more the leaders will share their knowledge with them and they will be chosen for more responsible work positions in the organization. This usually means that they will be working in close relationships with their leaders. The closer the relationship is, the more the followers will negotiate with their leaders. Hence, negotiations and reduced conflicts are outcomes of trust (Zaheer et al., 1998).

### 3.4 LEADER’S TRUSTWORTHINESS IN AUTHENTIC LEADERSHIP

When talking about the dimensions of trustworthiness in the leader-follower relationship, it is important to pay attention to the leader’s trustworthy behavior. The most well-known descriptions of trustworthiness are benevolence, integrity

\(^{15}\) May also involve all followers/employees in the organization (Walumbwa et al., 2011)
and ability. As noticed above, all these three dimensions have different kinds of descriptions, which are somehow confusing because they are so similar to each other, e.g. competence vs. ability. In the leadership theory and literature, trust has been found in transformational leadership and later on in authentic leadership.

The dictionary definition of the word authentic has similar features as benevolence and integrity. Authentic leadership includes equal features and behaviors as trustworthy leader behavior. An authentic leader leads with values that are aligned with the mission of the company, they share knowledge with their followers and help them make use of their knowledge and competences with transparency and trust (e.g. Walumbwa et al., 2011; Caza & Jackson, 2011). Theoretically, when leaders are interacting with their followers with openness and trustfulness, it promotes unconditional respect and trust in the leader-follower relationship. If the leader involves the followers in the decision-making processes of the organization, they are able to build a deep and strong trust-based relationship with their followers, which brings more volume and capacity for the organization in difficult situations (Walumbwa et al., 2011). The question of authentic leadership needs practical and empirical evidence on how leaders show their trustworthy behavior in the daily actions of organizations. As Caza and Jackson (2011) mention, empirical evidence concerning authentic leadership and leadership behavior is limited.

In authentic leadership the question is about a leader’s authentic behavior in the leadership making process. Embodied authentic leadership is emphasized; embodiment of body functions, expressions, signs and gestures form a leader’s authentic behavior (e.g. Ladkin & Taylor, 2010). A leader’s truly authentic behavior (e.g. breaking down in tears) and behaving really as ‘oneself’ would create a trustworthy atmosphere in the organization, but is more like a critical determinant for challenging authenticity as effective leadership. Yet again: researchers are invited to study empirically how leaders express their authenticity somatically, which creates trustworthiness for individuals in organizations (Caza & Jackson, 2011). Zhu et al., (2011) present that authentic leadership (i.e. authentic transformational leadership) enables trusting and effective atmosphere, if leadership by nature expresses moral behavior: moral identity, moral emotions and moral action.
4 Trust in the Leader-Member Exchange Theory

4.1 LEADERSHIP DEFINED

Leadership has been defined in several ways depending on the intended outcomes and influences of leadership. “Many researchers evaluate leadership effectiveness in terms of the consequences for followers and other organization stakeholders, but the choice of outcome variables has differed considerably from researcher to researcher” (Yukl, 2010, p. 41). When evaluating the effectiveness of leadership in an organization, the interest of the research is the measurement of the economical outcomes of leadership, as well as an individual’s work efficiency, commitment and well-being. Thus, the criteria of leadership research should be focused on the surgical dimension of leadership theory.

Leadership is a complex relationship between supervisors and subordinates. As a relational term, leadership identifies a relationship between managers and subordinates. Thus managers are able to guide their subordinates to adopt new values, attitudes and goals, and the subordinates are able to guide their managers to do the same (Gardner, 2006). Leadership can also be viewed as a transactional and transformational process that involves social influence between leaders and their followers (Kramer, 2004; Nye, 2008). Transactional leadership focuses on the provision of contingent rewards and punishments, like feelings and behaviors, whereas transformational leadership entails the charismatic modes of influence, like inspiration and individualized attention, as well as intellectual challenges for both sides of the leader-member relationship (Kramer, 2004; Bass, 1984). As an overview of the history of leadership, it has been noted that leadership contains distinctions between hard power and soft power forms of influence (Kramer, 2004; Nye, 2008). Hard power forms of influence may nowadays be called management and soft power forms of influence leadership. Thus management is more or less managing by results and terms of references, while leadership is managing by people and human resources.

It has been mentioned in the literature once in a while that the effectiveness of a particular influence process is related to the nature of the specific goals that leaders aspire to achieve, including both routine and novel situations in the organization. Crises and organizational changes are examples of novel situations in organizations (Kramer, 1999; Weick, 1995). Managerial leadership consists of effective leadership. Thus the managerial leadership style is a great way to help motivate constituents and infuse deeper meaning in the work of the subordi-
nates, whereas effective leadership consists of creating and maintaining essential environmental conditions which are conductive to effective organizational performance. Kramer (2004) suggests and itemizes five conditions that leaders can influence: contributing to the composition and development of a well-functioning group, providing a compelling direction for the group’s work, providing an enabling structure that facilitates rather than impedes coordination and collaboration, providing and maintaining a supportive organizational context, and last, providing ample expert coaching when needed.

Leadership has been studied in various methodological ways, depending on the researchers’ preferences and the definitions of leadership. Many studies deal only with a narrow aspect of leadership, and hence most of the empirical studies concern restricted aspects, such as a leader’s traits, behavior, situational approaches, intra-individuality, and dyadic leadership in an organization. Fortunately there has been an increased effort to cut across and integrate several approaches (Yukl, 2010). One good example of differing theories is the focus on leader-followership, which is based on the relationship between leaders and followers, with the presumption that it is mutual and dyadic. The leader-member exchange theory embodies this tendency and responds to the emphasis on what occurs in an organization when such a leadership process prevails. As Yukl (2010) clarifies, leadership theories can be classified as prescriptive vs. descriptive according to the whether the stress is on what leaders should do and how they should behave or what happens/occurs in the organization. Brower et al., (1998) have presented a model of relational leadership which is based on the exchange process and mutual interpersonal trust between leaders and followers; the relationship between parties will be built through interpersonal exchange which evaluates each other’s ability, benevolence and integrity.

The theory of leader-member exchange, LMX, has recently led the research towards interdependency between managers and subordinates (Sias et al., 2002), even though the theory had its early roots described in the works of Dansereau, Graen and Haga (1975). In the management research field, researchers are deeply interested in LMX theory in developing and creating relationships between people and co-operators (Fairhurst, 2001). Considering the situational approach to leadership, and according to the LMX theory, the leadership style, the employees’ motivation and the interaction between employees and managers affects the managers’ behavior (Hackman & Jonhson, 2004). Theoretically, the LMX theory belongs to the field of ‘making’ management and leadership. In the studies of trust and trustworthiness, the LMX theory forms a conceptual way to outline, analyze and study trust development in inter-personal contexts (Häkkinen et al., 2010; Savolainen, 2009). The LMX theory helps trust researchers to understand trust development between leaders and their subordinates better (Brower et al., 2000).
4.2 SOCIAL EXCHANGE IN THE LEADER-FOLLOWER RELATIONSHIP

Most of the early theories and empirical research of leadership behavior have not considered a leader’s variable behavior with different followers. Lately, leadership research has shown that dyadic relationships between leaders and followers are not identical. In addition, leaders’ categorization of their followers is based on their mutual social exchange (Yukl, 2010). The theory of social exchange is grounded in an economic model of human behavior, whereby interactional processes between individuals are motivated by great value for each other and thus providing more rewards than costs to the organization. Social exchange between individuals is based on social transactions and mutual behavior (Deluga, 1994). These transactions incorporate both material and psychological benefits for both parties, like status, loyalty and approval (Yukl, 2010).

Social interaction between individuals is founded on reciprocity and mutual dependence with and within the social exchange of people. Individuals’ past behavior and experiences in their relationships with other people evoke actions and feelings when they meet new people in the organization (Uhl-Bien & Maslyn, 2002). Thus social exchange with the likelihood of mutual dependence is based on trust; the process of experiences with other people while interacting with them. Many theories of trust/trustworthiness are grounded on the social exchange theory, which assumes that trust is related to a repeated exchange of benefits between two individuals. According to that kind of theory, the trust process is based on motivational mechanisms in initiating trustworthy behavior, and recall as well as require the initiative of leaders in interaction with their followers. The relationships between individuals in an organization may be economical or social. An economical relationship is based on simplified interaction between parties, as they focus on just business. A social relationship, on the other hand, is based on all kinds of cooperation and interaction between individuals, and thus involves extrinsic benefits with economic values, like information sharing (Whitener et al., 1998). At its best, a social relationship in the organizational context includes beneficial social dimensions of interaction, like social support and advice.

Social exchange is based on interaction between individuals. In social exchange, one individual voluntarily provides benefit to another, invoking an obligation to the other party to reciprocate by providing some benefit in return (Whitener et al., 1998). According to the social exchange theory, it is challenging for the other party to prove or show trustworthiness without knowledge of the other’s expectations. Social exchange may include disagreeable experiences (e.g. opportunism and vested interest), which is risky in trust. Uhl-Bien and Maslyn (2002) have studied reciprocity and work outcomes from the point of social exchange in the manager-subordinate relationship and found that a high-level exchange relationship between a leader and a follower had more positive results with knowledge sharing and altruism than low and negative exchange between them.
The relationship (economical vs. relational vs. economy-relational) between the leader and the followers depends on their position in the organization, the job description, the size of the organization, and the willingness to act and have contact with somebody in a relationship16. My focus is on the relationship between leaders and their followers, and interaction and cooperation is obligatory in this relationship. Even then, it is important to take account of the fact that there may be no “chemistry” or cultural similarity17 between the individuals (leader-follower), and this is why the relationship will stay, perhaps after many attempts, at a businesslike level18.

In leadership research and literature, the leader-follower relationship has come up in the relational leadership context. Relational leadership is quite a new term in the leadership literature, and its meaning is open to interpretation (Uhl-Bien, 2006). Uhl-Bien describes it from two perspectives; as an entity and from the relational point of view. An entity focuses on identifying features of individuals as they engage in an interpersonal relationship. The relational perspective views leadership as a process of a social construction though certain understandings of leadership come about and are given privileged ontology (Uhl-Bien, 2006). Relational leadership is based on individuals’ relationship-oriented behavior in an organization, which means that the individuals like each other and therefore thrive in the relationship. Relational leadership is a social influence process which evolves in a social process and new behavioral changes with values, attitudes, approaches and ideologies. Its focus is on the interpersonal relationship, most often a leader-member dyad, and their relational processes which are considered relative to the parties’ characteristics and personal outcomes with and within the exchange (Uhl-Bien, 2006). Many empirical studies have found that the relationship between a leader and followers rests on a trust-based relationship between individuals (Möllering et al., 2004).

The best-known relationship-based approach in leadership and the relational leadership theory is the leader-member exchange (LMX) theory, according to which leadership occurs when leaders and followers are able to develop an effective relationship among dyad partners. The relationship is described as a development process that begins with two individuals who engage in a series of interactions (Uhl-Bien, 2006), and the leader develops an exchange relationship over time with each follower on a one-to-one basis (Yukl, 2010).

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16 If the size of the organization is big, it might mean that some individuals would not need to interact with others very often, but would still need to be in touch with them because of business. At times the job descriptions of individuals differ so much that interaction is not plausible. In spite of this, those individuals may keep in touch regularly if they already know each other or have similarities, like a hobby or line of business. Sometimes, even though individuals work close to each other in a team, they will focus on just business and thus the relationship is merely businesslike. This may arise from differences between individuals’ traits or cultural differences, and thus it is very difficult for them to find anything else to talk about than business.

17 One dimension of trustworthiness. (Golesorkhi, 2006)

18 A businesslike relationship includes discreet and qualified behavior.
4.3 LEADER-MEMBER EXCHANGE THEORY

The research of dyadic leadership has most commonly concerned the theory of leader-member exchange (LMX). This theory differs from other leadership theories which rather generalize leaders’ behavior to all followers than examine an individual leader-follower relationship. Dyadic leadership is based on the assumption that leaders differentiate between followers as relationship initiators (e.g., Brower et al., 2000; Graen & Uhl-bien, 1995), and thus the LMX theory is closely aligned with theories of interpersonal trust (Brower et al., 2000) and the social exchange theory (Deluga, 1994). According to Liden and Maslyn (1994), the importance of the leader-follower relationship inheres in the social exchange between two actors.

LMX is an exchange theory of leadership which has been seen as an event between two individuals where both parties bring something of value to the relationship (Yukl, 2010). The history of exchanges builds the relationship during the interaction between two parties (Brower et al., 2000). While they are in interaction and interrelate with each other, they will reach an equilibrium and balance with their relationship (e.g., Brower et al., 2000; Smircich & Morgan, 1982). Thus, theoretically it is possible for the followers to reach the same level relationship with their leaders than some others have got, by observing their quality of exchange (Brower et al., 2000). According to Liden et al., (1993), the quality of the relationship between a leader and a follower determines the future of the dyad for the level of their transactions and behavior, ranging the followers to lower- or higher-quality exchange with the leader.

Higher-quality exchange reflects a friendly working relationship, interpersonal attraction and loyalty, with mutual trust and support, offering promotions and valued positions in the organization for the followers. Lower-quality exchanges are characterized by very formal and routine-based leader behavior which they display to the followers and the followers receive standard organizational benefits (e.g., Liden & Graen, 1980; Graen & et al., 1990; Deluga, 1994). In return, the leaders and the organization receive different kinds of behavior from the followers: high-quality exchange followers show their job satisfaction and commitment to organization with competent and effective behavior, whereas low-quality exchange followers are not very committed and thus they will not do any sacrifices for the organization. It is possible that some individuals who have a high-quality relationship with their leader, note that this kind of classification is not fair but justified (Yukl, 2010; Deluga, 1994).

The LMX theory emphasizes the interaction and relationship between leaders and their followers. The relationship is described as a process which is revised during a timeframe and is unique with every single follower in the organization. The timeframe of the LMX theory has developed from the social exchange theory between a leader and a follower (Graen & Uhl-Bien, 1975) toward the division of followers to an in-group and out-group by their leader (Mueller & Lee, 2002). Graen and Cashman (1975) highlight the importance of interaction in the relationship development between a leader and a follower. Bauer and Green (1996) agree
with that insight and point out that the leader-followership is nothing more but a developmental learning process; each party will learn about the other during the timeframe.

The quality of relationship may vary from high-quality to low-quality, and there is a risk that low-quality relationships can express conflicts in organizations (Liden & Maslyn, 1998). Consequently, the interactions between leaders and their followers are not equal; some relationships are high-quality ones by nature, and some are lower-quality ones. High-quality followers comprise the inside-group, and low-quality followers belong to the outside-group (Muller & Lee, 2002).

Perhaps the question is not so black-and-white, at least it is a challenge to develop trust and effectiveness and commitment in the organization hand-in-hand, if some followers are left outside. According to Graen and Uhl-Bien (1991), the development of the exchange process among the leaders and their followers can be argued by “leadership making”, which develops over time in three phases from a stranger phase through an acquaintance phase to a mature partnership phase. The development process is described in chapter 4.5 below.

**4.4 IN-GROUP AND OUT-GROUP FOLLOWERSHIP IN THE LMX THEORY**

LMX-based leadership making has been presented as a theory that will increase the profit of an organization (e.g. Northouse, 2004; Yukl, 2010); theoretically, an increase in productivity depends on the quality of the relationships between leaders and their followers. High-quality relationships, together with vivid interaction between the leader and followers express high efficiency, commitment and positive outcomes in the organization, whereas low-quality relationships between leaders and followers do not embody effectiveness and commitment toward the organization, according to the theorists of LMX (e.g. Greenberg & Baron, 2003). Enabling LMX-based leadership making requires individuals’ (i.e. followers) division into in- and out-groups in the organization.

![Figure 4. Development of the definitions of LMX in prior research](image-url)
The LMX theory has its early roots in the vertical dyad linkage theory as it focuses on the reciprocal influence process within vertical dyads composed of one individual who has direct authority over another person (Yukl, 2010), and on vertical dyads which leaders form with each of their followers (Northouse, 2004). In assessing the characteristics of vertical dyads, researchers name two general types of linkages: in-group and out-group ones. Those followers who have expanded and negotiated their role for more responsibilities are called in-group members. Prior empirical research describes them for example as advisors, specialists and secretaries. As for those followers who have a formal employment contract without any extra demands, are called out-group members (Northouse, 2004).

According to the theory, leaders develop closer relationships with chosen followers and give them more negotiating latitude than for other followers, by changing their behavior toward the followers. The chosen followers are rated into the in-group and the rest of the followers belong to the out-group (Graen & Uhl-Bien, 1995). Leaders categorize their followers for in-group and out-group ones on the basis of the followers’ characteristics, usually positive ones like cooperativeness, honesty and trustworthiness, comparing them to other in/out-group members. It is also significant how well they work with the leader and how well the leader works with them. (Northouse, 2004)

The selection process, where the leader chooses some followers into the in-group, is based on the followers’ personal traits and features, as well as competence and trustworthy behavior, and begins very early in the contract. The process is continuous, and it develops during the interaction by the leader’s trustworthy behavior (e.g. sharing knowledge, sharing responsibility, and sway) and the followers’ effectiveness, enthusiasm, commitment, as well as positive outcomes in the organization (Graen et al., 1995; Liden et al., 1980). With the out-group members, who are expected to take care of just those duties they are given, but nothing extra, there exists a risk of running into conflict with the leader. That kind of risky situation arises from the followers’ dissatisfaction with leadership and the organization (Graen et al., 1995; Deluga, 1994). Later studies of LMX theory have emphasized that followers are the initiators in showing their willingness to join the in-group and thus their activity to negotiate for more demanding tasks than their formal job descriptions is expected by the leaders. Organizations are likely to have leaders who are able to create good relationships with their followers, and thus no leader should hesitate to keep the doors open for effective and enthusiastic individuals (Northouse, 2004).

4.5 THE SIGNIFICANCE OF TRUST IN LMX

Dirks and Ferrin point out (2001) that trust has a number of positive and important benefits for the organization, like positive effects on the attitudes, perceptions and behaviors. The way how leaders’ trust appears in the organization is related to their trustworthy behavior in daily actions: integrity, overall competence and benevolence, but also in the success of the organization. The success of the organi-
zation is based on the management’s competency to guide the business and the followers toward better work outcomes, and that requires a ‘right way’ of leadership making. If the followers’ effectiveness necessitates commitment and trust in the organization, it is important to find out the way to lead so that trust will appear in the organization. LMX-based trust can be the solution for the integration of trust and effectiveness.

The way how leaders see their followers as trustworthy is reciprocal with the followers’ depiction of the leader’s trustworthiness. The different positions in the organization are more or less role- and competence-based tasks, which demand certain behavior and responsibility, like leaders’ responsibility of the followers as well as the outcomes and results of work. Thus, roles and rules obligate trustworthy behavior and therefore are crucial factors in trust building.

As several studies have found, individual differences within LMX relationships between leaders and their followers exist and diverse individuals’ traits have distinct effects on the process of relationship (e.g. Brower et al., 2000). Minimizing the risk, the relationship (dealing and social exchange) between individuals should not be rushed, but composed. LMX as a process is reciprocal with strong empirical validation for the theoretical underpinnings, and according to that, reciprocity does not work without an animated relationship (high level relationship) between leaders and followers (Uhl-Bien & Maslyn, 2003).

The linkage between trust and leadership has been examined in the context of the leader-member exchange theory by several researches and authors. The measures of LMX theory and interpersonal trust have been highly correlated across numerous studies with quantitative empirical data (Uhl-Bien, 2009) without considering the qualitative aspect. Leader-member exchange theory has been shown to be related to positive attitudes, great job satisfaction, commitment and low turnover (Uhl-Bien, 2006). A model of relational trust in the dyadic context encompasses both parties of reciprocal trust: leaders’ trust in the subordinates and subordinates’ trust in the leaders (Brower et al., 2000). Mayer et al., (1995) disagree with reciprocity by pointing out that trust needs not be mutual. Referring to this idea, Brower et al., (2000) mention that theoretically it is possible for leaders to have trust their followers although the followers do not have trust them. They present that trust is not equal and balanced in leader-followership, which is not obligatory in LMX: LMX is based on reciprocity, but not equality and mutuality.

The quality of the relationship between the leaders and followers, wherein mutual interest is emphasized19, has a place for changes with the latitude of both parties (leader and follower): it may vary during the timeframe depending on the followers’ effectiveness and commitment and the leaders’ trustworthy behavior, like benevolence, integrity and ability. Liking as a dimension of trustworthiness may be named as cultural similarity, which has been mentioned in the connection of trustworthy behavior as well. Uhl-Bien et al., (2000) state that leaders’ and

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19 Mutual interest presented by Uhl-Bien & Maslyn (2003) is positively associated with the quality of the relationship. According to their research results, the quality of the manager-subordinate relationship (i.e. LMX) is negatively related to self-interest and positively related to mutual interest.
followers’ shared interest to cooperate and interact with each other deepens their relationship, and on the basis of the development of interpersonal trust, also respect and obligations to each other.

The follower behavior, which includes knowledge sharing and not abusing others’ vulnerability, delineates very often a high-quality exchange process in the leader-followership (Deluga, 1994). In connection with the high-quality exchange process and the assumption that the leader’s trustworthy behavior is the basis of trust between the leader and the follower, it is interesting which party (the leader or the follower) plays the leading role as the initiator in the trust process in leader-member followership. The leader-member exchange theory is based on high level exchange between the leader and the follower, which rests on mutual trust and the followers’ trust building behavior (Deluga, 1994; Niehof & Moorman, 1993). Even though every single relationship in the organization seems to be unique in LMX, it cannot be ignored that a leader’s prospective untrustworthy behavior against lower-quality/out-group followers escapes the inside-group members’ attention. In LMX the leaders do not have as much interaction with the outside-group members as the inside-group ones, which turns the leader’s trustworthiness downward. Hence, a close touch and interaction with the members of both groups is obligatory for leaders in the organization.

In this study, the LMX theory is studied as a personal/individual point of the in-group and out-group; what are the reasons (i.e. personal traits or position) why leaders call some of the followers to become high-quality social exchange members, as they are supposed to be the initiators in the relationship? The LMX theory corresponds to the leadership theory dimension which calls for a descriptive and significant theory of relational and communicative leadership of the leader and follower that is related to positive organizational outcomes (e.g. economical with effectiveness and commitment with a high-quality leader-follower relation, innovation and career progress). However, LMX theory has been criticized for the surface that runs counter to the basic human value of fairness.

Because the LMX theory divides individuals in the organization into an in- and out-group where the in-group members receive special attention, it gives a face for discrimination against the out-group members. It is also possible that the LMX theory makes it possible to divide individuals into privileged groups (e.g. according to gender, age, culture and position). Hence, it appears as unfair and discriminatory, even though the leaders do not consciously leave anybody out of attention and information sharing (Northouse, 2004). While the relationship between the leader and the follower is a unique process, which is based on mutual trust (i.e. leader’s trustworthy behavior and followers’ effectiveness and enthusiasm), it is not evident, which party is the initiator in their dyadic relationship; the leader or the follower, or is it after all based on the position that the follower has in the organization? This indicates a position-based relationship; the role based on trust plays a central role in the beginning of the relationship.

The social exchange in leader-followership is in my thesis discussed as an interpersonal dyadic exchange process based on mutual trust between leaders...
and their followers. I expound that the LMX process goes hand-in-hand with the trust process. As the trust might waver, also the relationship of the leader and the follower can change, and hence the division to in-group and out-group members is not necessarily definite. The presumption for the division is that it is role-based (i.e. position-based), and the initial stage of mutual trust is high in the leader and the follower in both groups. The leader’s role as an initiator in the trust process is central because typically the followers’ expectations for the leader’s behaviour (role behaviour) are high. The expectations of the leader’s trustworthy behaviour are high in both groups, but the criteria of trustworthiness may vary between the in-group and out-group members. In addition, the division to the in- and out-group can be more or less clearly defined.

The social interaction between the in-group members is more dynamic than that between the out-group members; the target is effectiveness and good economical outcomes for the organization. That kind of unidimensionality of effectiveness is biased. In effect, the ‘long-term target’ into account should be taken into account; the capacity and work welfare of the employees. According to the LMX theory, the followers’ trustworthy behaviour is expressed in their effectiveness and commitment to the organization, which is typically higher for in-group members. The leader’s trustworthiness is mainly described as competence (ability), integrity and benevolence. Cultural similarity has been seen an important element in the leader’s as well as the follower’s trustworthiness. Authenticity and unbalanced behaviour have been described as examples of a leader’s untrustworthy behaviour that decreases the trust in the leader-followership.

### 4.6 TRUSTWORTHINESS IN THE LMX THEORY

While trust is defined as a dyadic process between individuals, trustworthiness is more or less mutual. Butler (1991) describes personal traits which embody trustworthiness, such as consistency, discreetness, fairness, integrity, loyalty, and openness. Various dimensions of LMX have been presented in the literature: loyalty, respect and trust (Graen & Uhl-Bien, 1995), mutual support, liking, latitude, attention and loyalty (Schriesheim et al., 1999), affection, loyalty, contribution and professional respect (Liden & Maslyn, 1998), and effectiveness, reliability and diligence (Kramer, 2004).

According to Brewer et al., (2000), an interesting finding is that all the presented dimensions are similar and at the same time antecedents and dimensions on interpersonal trust (e.g. Mayer et al., 1995; Möllering et al, 2004; Burke et al, 2007), as well as dimensions of trustworthiness and a leader’s trustworthy behavior. Individuals’ actions in the organization always include more or less interaction and communication with each other (e.g. social exchange). In social exchange, both parties bring something valuable to the exchange, and the history these exchanges builds the relationship between them, and thus the quality of the relationship is mutually perceived with balanced reciprocity (Brower et al., 2000).
Trust and trustworthy behavior (trustworthiness) are key elements in fruitful social exchange. It does not matter how different individuals see and describe trustworthiness, as long as it is mutual and agreed-on behavior. I will focus on the leader’s (managerial) behavior and action in the leader-follower relationship, which is the most fragile, and at the same time most important relationship in the organization for several reasons. Whitener et al., (1998, p.513) define managerial trustworthy behavior “as volitional actions and interactions performed by leaders which are necessary though not sufficient to engender employees’ trust in them”. According to this description, trustworthy behavior comprises both economical and social exchange dimensions. This means that leaders initiate and build relationships by engaging in trustworthy behavior providing the employees with social rewards. Overall, trustworthiness and a leader’s trustworthy behavior\(^{20}\) in daily actions as presented by Whitener, Brodt, Korsgaard and Werner (1998) comprises behavioral consistency (i.e., reliability and predictability), behavioral integrity, sharing and delegation of control, communication (with accuracy, openness and explanations, and demonstration of concern.

In the process of trust, the roots of individuals’ experiences with disappointments and positive feelings cannot be underestimated. Nevertheless, the present and the future build up the success of the relationships between individuals in an organization. In the leader-follower relationship, it is important for the leaders to behave consistently over time and across situations, so that the followers can predict the leaders’ future behavior (Whitener et al., 1998). Consistent behavior should be shown as daily actions, not just verbal promises, like telling the truth, keeping promises (Ring & Van de Ven, 1992), taking followers into decision-making process and turning over the authority as well as responsibility (e.g. Korgaard & Roberson, 1995; Whitener et al., 1998; Häkkinen, 2007) and having conversations discussions with the followers, and consequently creating a communicative atmosphere into organization, demonstrating concern by doing good sincerely for the employees (Mayer et al., 1995), and mentoring them as much as needed (Whitener et al., 1998).

The LMX theory literature discusses trust in hierarchical leadership (Brower et al., 2000) whereas a lot of trust literature approaches interpersonal trust from the democratic point of few. However, leadership style (authoritarian versus democratic) does not appear as the most important factor for followers in their perceptions of the leader’s trustworthiness (Häkkinen et al., 2010) Instead, trustworthiness seems to be expressed in the daily actions of leaders (Savolainen 2010; Savolainen & Häkkinen, 2010; Ikonen & Savolainen, 2010; Häkkinen et al., 2010). Further, expressions of emotions (i.e. showing authentic behavior) by leaders do not appear as trustworthiness to the followers. The division of followers into different groups (i.e. in-group and out-group) in the organization and hierarchical relationships between the followers is not equal trustworthy behavior as organizational leadership behavior. Nevertheless, in the leader-member relationship, equivalency between the leader and the follower and between all followers, as group members, is negatively associated in LMX theory (Uhl-Bien & Maslyn, 2003).

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\(^{20}\) Trustworthiness in daily actions is described as trustworthy behavior. (Whitener et al., 1998)
According to the LMX theory, leaders’ behavior toward their subordinates changes according to what kind of closer relationships they have with them (Yukl, 2010). In trust theories that kind of behavior is not considered a leader’s trustworthy behavior, because it is not comparable with integrity and benevolence. Therefore, those leaders who base their leadership on the LMX theory, do not behave in equally trustworthy manner. Trustworthiness is described for example with the terms support and openness (Crouch & Yetton, 1988), and equality (Yukl, 2010). So far trust has been prescribed in the LMX theory to an “in-group” relationship (Brower et al., 2000) eclipsing “outsiders” out of trustworthy behavior (Northouse, 2004). Greguras and Ford (2006) mention that the term leader-member exchange means that the relationship between the leader and the follower is grounded in their social exchange. On the other hand, Blau (1964) presents that the results of social exchange are based on such feelings as loyalty, respect and trust. That is opposite to the economy-based exchange which the LMX theory embodies (Greguras & Ford, 2006).

In addition when trust is on high level, it tolerates more disappointments and mistakes from of each party; trustworthy elements are highlighted versus untrustworthy ones. Hence, on this level trust is not a fragile process, and as Lewicki et al., (2006) point out, trust and distrust can develop separately. Bachmann (2011) also presents that we should abandon the belief that trust is a fragile phenomenon which exists only in intimate relationship between two individuals (i.e. leader and follower), largely beyond an individual’s influence and control. We should rather focus on how trust can be built, developed and repaired in organizational context that is more or less always based on individuals’ roles (i.e. positions) and the repute of organizations (i.e. embodied organizational culture). In that case it is a question of institution-based trust, and the leader’s trustworthy behavior correlates with the success of the organization (i.e. trust toward the leader’s competency to take care of the outcomes of work).

In chapter ‘Key findings’ I explained through my empirical work how trustworthy behavior is implemented in a leader’s behavior in LMX-based leadership and how it differs within both groups through the division path; how a leader’s trustworthy behavior is implemented in the in-group and out-group members in the case companies. The followers’ trustworthy behavior is also discussed.

4.7 ROLE-BASED TRUST IN THE LMX THEORY

Individuals are very eager to involve themselves in the role-making and role-taking processes in the organization (Graen & Uhl-Bien, 1995), and personal relationships are valued in the context of political and hierarchical positions in the organization. Thus, perceived relationship values are not only outcomes and products of relational human capital, but also depend on the perceived status of the other party and received personally instrumental value (Atkisson, 2004). There is a link between organizational politics and senior management work in relationships
in the organization. Nahapiet and Ghoshal (1998) expound that organizational values are likely reflected in the leader’s behavior toward the followers. The followers’ attitudes toward leaders are in general hierarchical in the beginning of a relationship (Atkisson, 2004). This may be the reason for individuals’ role-based attitudes in the organization. In this study, the research interest is in the roles (i.e. leaders and followers) that individuals carry out in organizations from the perspective of interpersonal trust.

Role-based trust is found in organizational settings and it has special relevance to the leader-constituent relation. It composes a form of depersonalized trust which is predicated in the knowledge that the leader occupies a particular role in the organization without followers’ findings of their leaders’ personal capabilities, dispositions, motives and intentions (Kramer, 2004), or specific knowledge of the leaders’ competences. Originally the LMX theory was seen as a unidimensional construct, which was measured with the quality of the unique social relationship between the leader and the follower, but lately researchers have presented another dimension of LMX; the role-based relationship between the leaders and followers. In that perspective, the leader-follower relationship is supposed to be a result of different kinds of role-making arrangements through the individuals’ work assignments; there are role-making and role-taking expectations for the others’ behavior (e.g. Graen & Scandura, 1987; Greguras & Ford, 2006).

Very typically, individuals categorize each other into prototypes. Behind a certain title, an individual may adopt a certain kind of behavior, but it is generally considered that those hypotheses are erroneous assumptions. However, Kramer (1999) points out that trust development has its roots within those presumptions, but finally trust is predicated on shared understanding and beliefs regarding the system of rules of appropriate behavior. As the research of LMX theory has deepened and developed, the categories of in-groups and out-groups have lately dissipated, and consideration of the leader-followership has focused on the premise that each relationship is unique (Brower et al., 2000), and the roles of the leader and follower shape the mentoring process.

### 4.8 Examining Trust with the LMX Framework

The LMX theory assumes that leaders differentiate between subordinates, and change their behavior with subordinates depending on which group they belong to; whether they are insiders or outsiders, which means that the role-making process leads the development of a relationship and vice versa (Graen & Uhl-Bien, 1995). As trust is a process and individuals’ interaction between each other is an exchange process, LMX is a process as well. Trust has been described as a cyclical (Ferrin et al, 2008), mutually reinforcing process (e.g Butler, 1991; Brower et al,

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21 Mentor-actor in the mentoring process, where the leader takes a mentor’s role and offers his/her advice to the followers of how they should act in their position to become more effective and valuable for the organization.
2000), and lately as a social exchange process between individuals (Kramer, 1996; Whitener et al., 1998). Mayer et al. (1995) present that the cycle of trust is not necessarily a consistently mutual and equilibrium-increasing or downward line, but a reciprocal process in the timeline between leaders and their followers.

The LMX process is based on the assumption that the leaders pay attention to the traits, skills or competencies of their followers and assess whether they are competent and effective to take care of a certain position or work in the organization. From the followers’ perspective, the question is how much they trust their leader, or in other words, how trustworthy the leader is. Thus, the measurement of trust is not obligatory in the trust process in the leader-follower exchange (Brower et al., 2000), but is a construct which exists in the trust process (Mayer et al., 1995).

The dimensions of trust in LMX theory are more or less imprecise. Trust has been mentioned seldom as if it were self-evident in the leader-member relationship. Previous LMX theory studies have examined trust in LMX as unidimensional, and the research on LMX has yet to explore the multidimensional nature of trust (Scandura & Pellegrini, 2004). As trust already exists in the leader-follower relationship, there are expectations for each other’s future behavior, and thus equality and mutuality are not necessary in the beginning of the process of trust. Effort and commitment are key elements for organizational success in the leaders’ and organization’s side. Hence, expectations of the other’s future effortfulness has been mentioned as one dimension of trust in LMX. The perceptions of effort are significantly related to the relationship between leaders and their followers (Maslyn & Uhl-Bien, 2001). There are significant asymmetries in the content of reciprocal expectations related to perceived trustworthiness of self and others (Kramer, 2004; Kramer, 1999).

As LMX theory and trust-based relationships in organizations have their roots in individuals’ expectations for the quality of the relationship with their leader, the strength of LMX theory rests on the individuals’ prior experiences of their former leaders (Ballinger et al., 2009). LMX theory is formed through the role-making process between leaders and their followers in an organization (e.g. Graen & Uhl-Bien, 1995). The linkage between trust and leadership has been examined in the context of LMX theories by several researchers and authors. The measures of LMX and interpersonal trust have been shown to be highly correlated in numerous studies with quantitative empirical data (Uhl-Bien, 2009). According to Mayer and Davis (1999), trust between a leader and a follower is a total account of the leader’s trustworthy behavior, how much individuals are willing and/or ready to take risks in their relationship with each other what the relationship is like. Leader-member exchange has been shown to be related to positive attitudes, great job satisfaction, commitment and low turnover (Uhl-Bien 2006).

A model of relational trust in the dyadic context encompasses both parties of reciprocal trust: However, the LMX theory calls for the quality of leader-followership based on cooperation, effectiveness and commitment. Thus, how important is the measurement of trust in LMX theory? Perhaps it plays a pivotal role in the continuum (future quality) of the relationship, or by using trust-measurement questions about the leader’s trustworthiness, it is possible to find out which elements in the leader’s behavior are trustworthy.
Brower et al., (2000) have found another interesting point of view to trust instead of measurement. They suggest that the follower’s trustworthiness could be tested by the leader at an early stage of the trust process. They could share important information and/or delegate some duties or responsibilities to their follower with a little risk and observe how the follower manages with them. If the result is satisfying, the follower proves his/her trustworthiness and will doubtless be chosen to the leader’s in-group in the organization. This seems quite a relevant way to find out the personal competencies of followers, as it is a commonly used personal estimation method in the recruiting process of superior level employees in organizations.

Kramer (2004) points out that the LMX results suggest how close the constructs of LMX theory and interpersonal trust can be, as it looks like the effort might indicate trustworthiness. It is warranted that a linkage between LMX and interpersonal trust exists. According to Brower et al., (2000), a high-level LMX relationship is characterized by mutual trust, loyalty and behavior which extend beyond the employment contract. It can be understood that followers with high trust in their leaders are able to work in a close relationship with them effectively, with high motivation and commitment to the organization. A low-level LMX relationship within the bounds of the followers’ employment contract contains nothing more than the work performance.

As mentioned above, leadership making in LMX develops progressively over time in three phases; the stranger phase, the acquaintance phase and the mature partnership phase. (Northouse, 2004). I have integrated the trust development process during the timeframe in the leadership making process in LMX in figure 4: in the stranger phase the interactional relationship is rule-bound and contractual by nature; the individuals do not know each other well yet, and thus the behavior toward the other is formal. The exchange between the parties (i.e. leaders and followers) is low-quality, and hence, according to the LMX theory, all followers are positioned first in the out-group (Northouse, 2004). From the perspective of trust, mutual trust is based on each other’s position (i.e. status- based trust), which has more influence on the leader’s position; the formality in the leadership is hierarchical by nature (Northouse, 2004). Thus, authentic leadership can be ruled out, because it does not embody hierarchical statements in organizations (Yukl, 2010). As regards the followers, the trust falls perhaps on the organization (i.e. organization- based trust) and the leader’s trustworthy behavior in everyday actions.

In the acquaintance phase, the leader has the initiator role to develop the relationship by offering more responsible duties for the follower. During this testing period, the follower has an opportunity to show her/his capacity and ability to handle the given responsibility. If the outcomes of the given duties are satisfactory, the leader is more willing to provide new challenges to the follower. Nonetheless, the follower has to exhibit his/her work-related attitude and interest in career development. During the time, the interaction between the leader and the follower intensifies, but the topics of interactions and discussions are still based on the job descriptions and defined roles (Northouse, 2004). From the perspective of trust, the relationship is still based on the roles and organizational trust but have some elements of trustworthiness; from the point of the leader the followers’ trustwor-
The mature partnership, or simplified partnership stage (Savolainen, 2011), represents a high-quality relationship between the leader and the follower. The relationship experiences a high degree of mutual trust, respect and obligation toward each other (Northouse, 2004). A high degree of reciprocity exists between the leader and the follower. The relationship has been tested through phase 2 and the parties have found that they may depend on each other in their relationship (Graen & Uhl-Bien, 1995), but still, trustworthy behavior requires additional elements while the relationship deepens. The relationship between a leader and his/her follower moves from the hierarchical stage toward authentic leadership, when the behavior of each party becomes less conservative.

The move from each level to the next requires negotiations between the leaders and the follower. It needs to be noted that each relationship is unique, and mutual trust depends on the trustworthy behavior of both parties (the leader and the follower). In addition, tolerance toward distrust (i.e. distrustworthy behavior) grows. According to Eagly (2005), negotiation requires that the followers accord their leader’s legitimacy as an individual who has a right to convey and promote consensual values. She also presents that consensual values can be created within effective leader’s legitimacy as an individual who has a right to convey and promote consensual values. She also presents that consensual values can be created within effective leadership when authority is inherent in the leadership position. Hence, consensus and authentic leader behavior on the partnership level are based on hierarchical arrangement, at least on the first level in the leadership making process. However, trust in the leader’s decisions is rooted to the role of the manager (i.e. role-based trust).

![Figure 5. Process of trust development, adopted from the 'Phases in Leadership Making' (Northouse, 2004, p. 152) and Savolainen (2011).](image-url)

Trusty behavior consists of effectiveness and organizational commitment and ability (i.e. work ability and ability to work in a team), and from the point of the follower the leader’s trustworthy behavior consists of integrity, competence and equal behavior. The division into in-group and out-group evolves in this phase, and with the in-group members the leader will continue forward to a mature partnership.

Exchanges: Low
Roles: scripted
Mutual trustworthy behavior grows and becomes less conservative.
In addition, tolerance toward distrust (i.e. distrustworthy behavior) grows.
According to Eagly (2005), negotiation requires that the followers accord their leader’s legitimacy as an individual who has a right to convey and promote consensual values. She also presents that consensual values can be created within effective leadership when authority is inherent in the leadership position. Hence, consensus and authentic leader behavior on the partnership level are based on hierarchical arrangement, at least on the first level in the leadership making process. However, trust in the leader’s decisions is rooted to the role of the manager (i.e. role-based trust).

Roles: tested
Exchange: medium quality
Organizational trust
Trust: high quality and mutual. Each relationship is unique. Trustworthy elements may vary (i.e. tolerance of distrustworthy elements grows)

Roles: negotiated
Exchange: high quality
Trust: high quality and mutual. Each relationship is unique. Trustworthy elements may vary (i.e. tolerance of distrustworthy elements grows)
4.9 LMX FROM THE PERSPECTIVE OF TRUST

It is worth noting that in LMX theory, there is no explanation for how out-group members who are not willing to move on in their career and/or take more responsible duties for specific reasons, cope with being out-group members; how to increase their work welfare and commitment, which seem to be key elements for organizational success. Accordingly, the holistic picture of organizational effectiveness through commitment and knowledge sharing is still questioned in LMX. Trust is mentioned in LMX, but the other elements of trustworthiness are not integrated, even though it has been proved that trust is obligatory in relational leadership and in LMX development.

The definitions of trust, together with the LMX theory, offer positive contributions to our understanding of the leadership process with strong descriptions. It is easier to understand theories, if there are practical examples based on real life. All individuals have experience in organizational behavior which is present of in-groups and out-groups (Northouse, 2004). Somehow it is understandable that there are people who are great work-related persons and they work much more effectively than others, even in situations where it is not obligatory (e.g. take responsibility of duties out of their own area and carry them out). It is self-evident that during the timeframe, those followers will make themselves visible and are easy ones to choose for positions with higher responsibility and hence with higher interaction and close relationship with the leader. As Northouse (2004, p.154) points out “some contribute more and receive more; others contribute less and get less”. Still, there is potential for the out-group members and the division seems to be unfair.

Ever since the LMX theory was first presented, it has been a target of criticism. The LMX theory and the research of LMX have been criticized in several ways. Yukl et al., (2009) mention the lack of measurement in the LMX theory, e.g. many different measures of LMX have been developed and used before the LMX was launched. The theory and research of LMX have focused on the leader-follower relationship without noting that each dyadic relationship occurs within a system of other relationships. In other words, according to the criticism, there was a theory before it was supported with research and measurements with empirical evidence, both qualitative and quantitative data, and objective performance evidence concerning organizational behavior, not only on the individual level, but on the group level as well.

According to Northhouse (2004) the theory is not fully developed, because it fails to explain completely the way how high-quality leader-member exchange is created. In other words, how the leader chooses the in-group members in the first place. Early studies implied that they were formed by a leader who found that they had more compatible personality and interpersonal skills, and similar competencies. Obviously, clearly refined sets of definitions, concepts and propositions about the theory are needed. Kramer (2004) argues against LMX by pointing out that LMX may be complicated by significant and revealing asymmetries without a future perspective and attention paid to the relationship between leader and the
subordinate. Situations in people’s lives may change in many respects, and thus stability in certain features of the subordinates or the leaders is not guaranteed. 22

In most organizations and small enterprises, the role of management and leadership is inherently a hierarchical operation, leading from apposition of authority or discretion (Kramer, 2004). The LMX theory does not take the organizational structure and/or leadership style, or the leaders’ trustworthy behavior into account. Yet it has been found out that in flatter or less hierarchical organizations, leaders typically assert greater influence over others’ commensurate their skills, competences or decision control. Overall, leaders cannot escape their responsibility for making failed decisions by punishing their followers. Failures and decreasing effectiveness of followers may cause distrust in the leader-follower relationship, which disproves the LMX theory as an increasing profit method.

The LMX theory has been criticized for its reliance on small and narrow samples, and also for its tunnel vision (i.e. unidimensionality) (e.g. Dienesch & Liden, 1986; Scandura & Pellegrini, 2004). Greguras and Ford (2006) have studied the LMX theory in the cross-sectional dimension; the quality of social exchange and the role-based phenomenon. A high-performance relationship has been elevated for the leading perspective in organizational affective commitment, but the reciprocity of the relationship has taken the back seat; why lower level interaction between out-group members could not represent as good a quality of a relationship as a higher one, in particular, when the presumption of trust in all relationships is initially high and based on the roles and mutual respect. My thesis poses the discussion of the quality of a reciprocal relationship within both groups in the multidimensional context; social exchange and the role-based phenomenon. Three case companies have been studied by qualitative triangulation methods.

22 Empirical data finding; if there is a high-quality relationship, it tolerates instability etc. more, without endangering the mutual trust between the leader and the follower.
5 Methodology

In this chapter, I will expound my empirical study findings of trustworthiness in leader-followership. In addition, the qualitative research method in trust and the LMX theory will be discussed from the point of reliability and validity. I found trust and trustworthiness an interesting phenomenon, when I did not stereotype my empirical data by asking structured questions about trust and trustworthiness.

Trusting and trustworthiness are multifaceted concepts, and the various facets cannot be perfectly correlated. As a result of this, the measures of trusting and trustworthiness cannot capture the true extent of their meaning. The easiest way to get straight answers to questions concerning trustworthiness is to formulate the research questions so that they are well-targeted and outspoken. This method is gaining increasing credibility as a suitable methodology for business and social science studies with qualitative and quantitative data collection (Yin, 2003). In general, qualitative researchers will either support and deepen the results received by quantitative researchers or challenge them. An essential feature of qualitative research is that the research question may vary during the research process. This arises from the researcher’s interpretation and research targets’ (e.g. interviewee) liberation to express themselves without restrain. Semi-structured or open interview questions are suitable methods for wide-ranging comprehension of an individual's constructions and views (Brewerton & Millward, 2009).

5.1 PHILOSOPHY OF SCIENCE IN THE RESEARCH

It is important for the researcher to understand the relevant qualitative research approaches which can be related to the philosophy of social sciences in differing ways. It needs to be noted that most research approaches are not related to a specific tradition of the philosophy of science; different methods can be used together within philosophical traditions (Eriksson & Kovalainen, 2008). Eriksson and Kovalainen also point out that it is pivotal for the researcher to handle the theoretical background of each research topic and reflect the new knowledge into existing knowledge; how to relate the collected information to the theoretical framework. In addition, the researcher should understand that the chosen data collecting method is suitable for the research problem and research question, how fits the philosophical discussion in the research field, and how it can be analyzed.

The most essential philosophical traditions and positions which are relevant for qualitative business research are positivism, critical realism, constructionism, hermeneutics, postmodernism and poststructuralism. Most qualitative research focuses on human actions and understanding them in different situations (Eriksson
& Kovalainen, 2008). Hermeneutical and phenomenological methods are perhaps the most commonly used methods in social and economic sciences, when the focus of the research is to understand why and how individuals behave in different circumstances. These help us to understand and interpret individuals’ behavior as well as their descriptions (i.e. narratives, interview answers). In the research process, the researcher’s observations, for example of organizational behavior in daily actions, help him/her to go more deeply into the organizational culture and subcultures (Angrosino & Perez, 2003). Kovalainen and Eriksson (2008) also highlight that interpretation is an important part in all qualitative research.

A pivotal concept in hermeneutics is the hermeneutical spiral (see figure 6). It describes the process of how the researcher strives to internalize the meanings of individuals (who are the research subjects) and their behavior, reflecting them into his/her own experiences, which is important for the research process; before going forward, it is important to understand the background of the research topic. This is called the preliminary settings of the research. The research process proceeds step by step; understanding the whole picture can be reached after the smaller parts of the process have been analyzed in a dialectical way. To avoid misinterpretation, it is important for the researcher not to limit the number of methods/ways in collecting enough data to ensure the future argument or outcome of the research. Thus, the hermeneutical spiral does not enforce the researcher to stop asking, analyzing, observing and reflecting the phenomenon of the research topic, but gives the opportunity to continue the construction process until the topic is analyzed and understood (Denzin & Lincoln, 2003).

![Figure 6. Hermeneutical spiral (Koski, 1995; see also Ahtonen, 2008)](image-url)
During the research process, the researcher strives to challenge his/her own preconceptions of the research topic and to mend them. Methodologically, the preconceptions of researchers are usually based on either their own experiences or quantitative research outcomes. With qualitative research methods, it is possible to either counterpoint or to challenge the dominant perceptions. However, research done by a hermeneutical method and its outcomes cannot be replicated (e.g. Denzin & Lincoln, 2003; Juuti, 2011), which is quite overwhelming hence human behavior in similar situations in similar size and structured organizations for example are more or less conformity as well as the interpretations of researchers. It is a question of how well the method of the research is chosen and how trustable and deep the analysis of the collected data is. Eriksson and Kovalainen (2008) emphasize that while qualitative research focuses on individuals’ actions and understanding them, interpretation plays a crucial role in the data analysis process. The philosophical base of interpretative research is in hermeneutics and phenomenology (e.g. Eriksson & Kovalainen, 2008).

Qualitative research data analysis means that the documents of collected empirical data reflect the feelings and experiences of the individuals who have been the targets of research; documents are outcomes of human behavior and communication processes between individuals. Hence, content analysis is not merely a data collecting and data analysis method, but it should develop the researcher’s understanding of the meanings of communication and interaction processes between individuals (Ryan & Bernard, 2003). It is the researcher’s responsibility as well as freedom to choose which method is suitable for getting enough holistic understanding and interpretation of the research topic. I found that through phenomenological research philosophy and the triangulation (interviews and observation) method, I could get enough understanding of how trustworthiness is implemented in the daily actions of leaders and their followers in the case companies, and how the followers feel and what kind of experiences they have had in LMX-based leadership making as employees in both groups.

The phenomenological research method is based on the philosophy of phenomenology. According to Denzin and Lincoln (2003), it is a suitable method for research, which will describe and understand the experiences of individuals. It also suitable for studying a phenomenon which is difficult to define and has not been studied a lot. Trust and trustworthiness have been said to be difficult to define, and the LMX theory has not been able to give an answer to the question of how trustworthiness is implemented in different kinds of in-and out- groups. According to phenomenological philosophy, individuals have the freedom to give meanings to their observations; and the researcher is interested in those meanings. Consequently, the analysis and interpretation of collected empirical data will be navigated by the meanings, feelings and experiences of the research targets. While analyzing the empirical material, the researcher is in dynamic interaction with his/her data, and hence the outcomes and research results will arise from reflection and interpretation in the researcher’s mind (Hodder, 2003).
5.2 METHODOLOGICAL APPROACH OF THE RESEARCH

This study adopts a qualitative approach, which will be discussed next. Qualitative research methods are remarkably usable when it is important to collect information about the development of trust in the timeframe, the quality of trust, and individuals’ trustworthy behavior in a leader-follower relationship (e.g. Eriksson & Kovalainen, 2008; Koskinen, Alasuutari & Peltonen, 2005; Bryman, 2004; Yin, 2003; Alasuutari 1999). Lewicki et al., (2006) point out that the recent questionnaire researchers of trust have so far not been able to take into account the dynamic feature of trust or the meaning of observation as a strengthening element in reliability of research. Very effective, as well as emphasizing the reliability of the research, are multiple strategy approaches.

Multiple strategy methodological approaches have risen in favor in social sciences in recent years. Conventional multiple methodology is called triangulation (e.g. combined operations and mixed strategies). Triangulation means that the research topic has been approached in several ways (Cohen et al., 2002). Triangulation can be named when the empirical data has been collected in two or more different ways, and also when the data has been analyzed in different ways, in which case it is a question of multi-methodological triangulation. Triangulation can be divided into four main groups: 1) data triangulation, 2) research triangulation, 3) theory triangulation and 4) method triangulation (Tuomi & Sarajärvi, 2002).

In my research I have applied three of the above; data triangulation (which consists of one secondary and two primary sets of data; interviews, observation diaries of the researcher, and a questionnaire), theory triangulation (which consists of the theories of leadership (leader-member exchange theory and the concepts of trust and trustworthiness), and 3) method triangulation (interviews and observation diary, and a questionnaire in secondary data). Method triangulation is divided into two dimensions; internal or external (Denzin & Lincoln, 1998). Internal method triangulation is for example a combination of different data, like interviews, diaries and observations in the same study (Begley, 1996). In this study the empirical data consists of interviews, diary notes and observations by the researcher. The target case companies were chosen randomly from SME companies in different kinds of business fields (technical, information technology and food industry) to avoid one-dimensionality and a narrow view of organizational behavior.

Triangulation is a suitable method for researcher striving to improve the reliability of the research and its results; to indicate that the results and outcomes are not coincidental, but achieved with several approaches. Hence, the hypotheses and interpretations can strengthen the validity of the research (Morrow & Brown, 1994). Sometimes various methods are combinations of quantitative and qualitative data collection; distinctive features of the research topic with quantitative methods and later deeper understanding with qualitative methods. This kind of research project is demanding for one researcher, but usable for example for a research group; each researcher may approach the research topic from a different angle (Cohen et al., 2002).
5.2.1 Qualitative interviews

Qualitative interviews are the overwhelmingly most popular research method in academic research. The reason for this may be the diversity of the method; it is easy to combine with other research methods and it is quite flexible to use. Interviews can be divided into three different types; structured and standardized, semi-structured, and unstructured (i.e. informal and narrative conversation) (Bryman, 2004). Interviews can be categorized to three different kinds of typology; positivist (also called naturalist or realist), emotionalist (also called subjectivist), and constructionist. Positivists are interested in facts; they wish to find out, to get a true picture of what has happened and why. Emotionalists focus on the interviewees’ emotions; they wish to understand the individual’s feelings. A constructionist interview focuses on how meanings are produced through the interaction between parties. Positivist interviews with “why” questions are usually structured and standardized; the questions are scripted and do not have much flexibility in the wording and ordering.

Semi-structured interview questions usually give answers to questions of “what and how”, but also give a possibility for the researcher to vary the questions or change the order of the questions in each interview without harming the systematic and comprehensive nature of the research. There is also space for the interviewee to answer the questions in a narrative way, but still sticking to the topic. Semi-structured questions are often constructionist by nature. Unstructured interviews are usually quite informal conversations with open questions; the interviewee has the opportunity to answer “why and how” questions by storytelling and the conversation can flow spontaneously out of the scope of the topic. Unstructured questions are still preplanned according to the research topic, but have lot of flexibility with the order and wording and defining questions concerning the interviewee’s feelings. Hence, this method is more or less emotionalist by nature (Eriksson & Kovalainen, 2008).

As every research method, also the interview has benefits and challenges. The way to succeed with the interview depends on how much experience the researcher has. The most challenging one is the semi-structured interview. As mentioned above, the interview as a research method gives flexibility to the researcher to choose other methods beside it to strengthen the reliability and interpretation of the research topic and research subjects. It is also possible to complete empirical data during the research process with detailed research questions. Significant is that the researcher has an opportunity for interaction with the interviewee. Perhaps the most challenging factor in the interview are the interview questions; the researcher should avoid showing her/his opinion and be careful not to ask leading questions. Neutrality during the interview is important, even though the interview were a sensitive issue. It is also important to keep the questions as simple as possible to avoid misunderstandings (Hirsjärvi & Hurme, 2001).

Analyzing the interview material is not easy work; even though the number of interviews may be small, the amount of empirical data may still be great, especially with semi-structured and open interviews, because the interviewees have the
possibility to answer the questions in their own words. Hence, it is important to transcribe the interviews quite soon. There are two possibilities for transcription: to divide and analyze the answers by chosen themes, writing taped interviews down, or to write interpretations and descriptions straight into the text (Eriksson & Kovalainen, 2008). I chose writing my interpretations straight into the text as the transcription method of my semi-structures interviews.

5.2.2 Observation
The observation method is rarely used in leadership research, but it is a welcome method especially for research focusing on a leader’s behavior (Bryman & Johnsson, 2006). The observation method in qualitative business research means that the researcher collects data of individuals’ behavior and/or situations (i.e. organizational behavior) in organizations. He/she may or may not have direct contact with the observed subjects, depending on the observation method: participant or non-participant observation. If the researcher takes part in the situations (i.e. as a team member), then she/he will become a participant in the culture or context which is the target of observation. This method is usually used in ethnographic research, and it requires several weeks or months, even years of intensive work to become accepted in the target group (i.e. organization) and to understand its culture and subcultures. In non-participant observation the researcher does not take part in situations in the organization, but will rather watch and take observation notes about phenomena and individuals’ behavior, focusing typically on specific issues (Eriksson & Kovalainen, 2008).

Participant observation means that the researchers are physically present in the target organization, but even then it will probably not be guaranteed what kind of information they will have. To make their observations valid, they have to take notes of the observation targets during the observation, in real time. This is also one of the main advantages of the observation method, as well as a guarantee of its validity (Anttila, 2006). Depending on the ambitions of researcher, there are various ways of analyzing observation data. Content analysis is a valid method, when the aim of the study is to solve out and find similarities and differences between theories and empirical findings. As such, observation is a good method to enrich other collected data of the research target. Before content analysis can be made, the observations have to be transcribed (e.g. diaries) in a compact format.

The observations may concentrate on human behavior or action, or they may focus on individuals’ verbal or non-verbal expressions. The researcher’s role is to observe, analyze and document reliably. A usable way to store observation notes is to keep a research diary. It is much harder to analyze an individual’s non-verbal communication than direct words. I concentrated mainly on observing the followers’ and leaders’ words and descriptions, but also the leaders’ behavior in the case companies. My observation stood out in case company B, because I had an opportunity to join some recruiting interviews and follow the general manager’s work for a few days. Afterwards, I analyzed my observation diary like interview
data: I gathered up the adjectives of mentioned trustworthy elements and verbs of trustworthy daily actions, as well as the real actions of the leaders towards the followers.

The advantage of observation is that the researcher may record action as it takes place; description afterwards (i.e. narrative or story telling) is always second hand knowledge and carries the risk that the narrator may have remembered it wrong. Eriksson and Kovalainen (2008) also point out that it is fruitful for the researcher to observe situations within actions; this shows how the situation works in real life. This gives strength to the observation that I made in the recruiting interviews in case company B; no one could play any role, but concentrated on their own task in the process.

**5.3 THE RELIABILITY AND VALIDITY OF THE STUDY**

It has been said that if there is a need to strengthen the conjecture of the research hypothesis, triangulation is the most valid method for confirmation (e.g. Brewerton & Millward, 2009; Alasuutari, 1999). If a hypothesis is to be corroborated with research, then triangulation is the only valid method to use; without the strengthening it is possible to do the research only by one method. The more analogical the research results are, when there has been different kinds of data, methodology or theory behind, the more trustable the conclusion of the research problem is. Denzin and Lincoln (2000) propose that validity and reliability do not represent perhaps the right concept of criteria, but more like credibility, transferability, dependability and confirmability. Thus, the reliability of qualitative research methods is based on the comprehension of the research phenomenon.

According to Denzin and Lincoln (2000), the credibility of research results (e.g. analyzed data) depends on how the researcher is able to understand the field and the culture of research topic (e.g. organizational culture in a certain company). The researcher has to be trusted by the individuals who are in the spotlight of the research. It is also important that the researcher is committed to the research project, because the engagement in the research is mutual for the researcher and subjects of research. I express my credibility in my research, by the fact that all individuals in those three companies were told that I was either observing or interviewing them for the empirical part to my dissertation. I familiarized myself with all the companies - the organizational culture and structure, as well as the current economical situation and atmosphere in the companies.

I avoided to answer their questions about my opinion and attitude concerning either leaders’ or followers’ behavior; I promised to every single person in all the core companies not to mention their names when I publish my research. I also gave my word that I would not publish the names of the case companies, but just describe the information which is obligatory in the thesis (e.g. the size of the organization, the organizational structure and culture, the business field). It should be mentioned that all those three companies have been merged with other
companies because of economical recession, and thus their operation and business fields have been diversified, as well the organizational structures and cultures.

Transferability means that the results and outcomes of the research problems, together with the solutions, can be transferred to other similar situations (e.g. companies) where the research has been done, not perhaps with exact copying, but applying new methods or techniques into practical problems (Bryman, 2004). In my opinion, the results of my research and “the advice” for the leaders as initiators in relationships and trust processes with their followers can be useful at least in small industry companies. I also expound that in organizations where the leadership is based on the LMX theory, it is possible to create a trustworthy atmosphere, which is the key element of an effective and successful organization.

Koskinen et al., (2005) point out that within qualitative research there always exists the subjectivity of the researcher which might cause either miscalculation or misunderstanding, for example of the meanings of words, attitudes and opinions of other individuals. Denzin and Lincoln (2003) express that dependability as human variety; every researcher as a human being has their own attitudes and thoughts that they cannot hide completely. The question is: would another researcher get the same results as I got, or would they be very different? To minimize my subjective view, I asked the same question in several ways from the interviewees. Finally I gathered up my conclusions for them, so that they had an opportunity to correct me. Confirmability is like dependability; to avoid the researcher’s subjectivity, there should be different kinds of data to analyze. Hence, the triangulation method increases the possibility to confirm that results of the research are credible (Koskinen et al., 2005).

In qualitative content analysis it is important to take a notice of ethical questions; the researcher has a responsibility for the research result to be comparable with the empirical data and the research topic, and when publishing the results it is important to respect the research subjects’ wish to stay anonymous. To make the result outcomes and results visible, the researcher can for example present some straight quotations of the interviewees’ answers, but still avoid cause harm for any party of the research (i.e. in my research for any follower or leader) and make sure that no one will be identifiable in those straight quotations (Eriksson & Kovalainen, 2008).

Phenomenological research requires the researcher to understand the subjective meanings of human behavior and experience. It requires the data to be collected in the way that the research subjects’ (i.e. interviewees) experiences can be implemented reliably. Relevant methods are for example open and semi-structured interviews, where the interviewee has a freedom to describe her/his experiences in a narrative way (Frontana & Frey, 2003). In that case, it is the researcher’s responsibility to limit the flow of the interview to a certain topic (Ellis & Bochner, 2003). Also the researcher’s observations about the phenomenon will advance his/her understanding and interpretation of the interviewees’ experiences and meanings, as they see them.
5.4 DATA COLLECTION

In this study, the data has been collected through semi-structured interviews and observation. The observation data consists of my researcher diary during the research process. While I was conducting the interviews, I always noted my observations about trustworthy atmosphere in the organization, as well as the employee’s position in the organization and how s/he responded to my questions and me as a researcher. As I had a possibility to join as an outsider in some recruiting processes in company B, I wrote notes in my diary about the principles and bases of the choice. I found my diary keeping highly important, because it helped me to remember my observations and my own feelings concerning the interpretation, and to understand why most of the followers accepted the in-group/out-group division in the case organizations.

A semi-structured interview means that the researcher has to preplan the questions which s/he is going to ask from the interviewee, but s/he still has the freedom to choose the order of the questions and allow the interviewee to tell more about the research topic if needed. I had a few preplanned questions concerning the leadership making style and the existing or non-existing trust in the leader-followership, how the individuals would describe each other as trustworthy as leaders or followers, and how the leader’s trustworthiness was implemented in daily actions in the company. I gave the freedom for every interviewee to tell me in a narrative way if something came to their mind that they would like to tell me about the organizational structure or culture or about their welfare and feelings as employees in the company (this was usually the last question). This way I gave the interviewees a better opportunity to describe their feelings, experiences and motivation, as well as their commitment to the organization. I also received good responses to that question, because every interviewee had something to tell, as this was a way to explain more thoroughly what s/he meant with his/her answers to the earlier questions. It is noteworthy that I never used any adjectives which were said to describe trustworthiness in the trust literature, I only asked the interviewees to describe how they felt about their leaders’ trustworthiness or untrustworthiness, how the leaders showed that in the daily actions, and why they felt like that. I also avoided mentioning anything about the LMX- based leadership style, but asked the followers to describe their leader’s way to lead; leadership making, and of the leaders how they would describe their way to lead.

I transcribed the followers’ taped interviews23 so that I collected all adjectives and daily actions, where the followers described their leader’s behavior. I also divided the answers to different groups; in-group member answers and out-group

23 The data was collected during the autumn 2009 and spring 2010. All interviews were tape-recorded, and the data was systematically analyzed by the terms and adjectives that each interviewee used. However, these adjectives were not calculated, or listed by numbers, in a quantitative way, but either compared to adjectives that describe the ABI-elements, or added to the box “new descriptions”. The diary data was collected more or less systematically, when I as a researcher felt that it was important to write down and remember the received information. In Company B there were 25 employees, and in company C 22 who I interviewed; hence 47 employees altogether.
member answers. I found this division quite easy in companies B and C, because the information came straight from the followers when they first described the leadership making style by their leader; LMX -based leadership was mentioned as well (i.e. described as “the leader has some people here who belong to his/her inside group” or “I work very near my boss, because my position and duties are certain”). Finally, I gathered up how all out-group members described their leader’s behavior and I compared that to how their leader described them as followers, what makes them trustworthy, and whether they were really members of the out-group in the opinion of the leader. I did the same for the so called in-group members. In the end, I checked my diary notes and compared the results with my observations of who belonged to the out- or in-group and why. I also checked whether my holistic picture of each company and leadership making processes was relevant in the light of my research results and observation notes. I compared the mentioned actions and adjectives of the leader’s trustworthy or non-trustworthy behavior with the descriptions in trust literature in general; ability, i.e. competence, benevolence and integrity.

My primary data consists of material collected in two SME companies; company B and company C. In company B, I interviewed the general manager (the leader) and the followers with semi-structured interviews with thematic questions (i.e. how and why) about leadership and trustworthiness. I also kept a research diary throughout the process, where I wrote down my own interpretations and observation notes while conducting the interviews. I also had a possibility to join some recruiting processes as an outsider (i.e. non-participant observation). After I had analyzed the first interviews with the leader and followers, as well as my diary notes, I conducted some more interviews with the leader with straighter questions about in-group and out-group existence and the reasoning for the division (again with how and why -questions) to deepen my understanding of the followers’ perceptions of the existing way of leadership and the mutual trust process in the organization. It was interesting that even though I did not mention anything about the LMX theory and a possible in-group/out-group division, the interviewees mentioned them, which guided me to ask them more about it and how they felt about that. Finally, I had data which consisted of the answers of the followers, three different kinds of interview answers of the leader, and my own research diary with my observation notes, to analyze company B.

In company C, I collected my empirical data with a semi-structured interview of the general manager about his way to lead (how and why). On the basis of the manager’s answers, I conducted an interview with the followers, asking them with unstructured questions, which were narrative by nature, to tell me about their work, the management, and trust in the company. As in company B, the LMX-based group division arose from the answers without my questioning. I also made some observation notes for my diary, which helped me to analyze the answers and understand the organizational behavior in the company. In both companies, the leaders and all the followers had a positive attitude towards me, and during the interview they seemed to be relaxed and interested in my research. I did not mention exactly what I wanted to find out, but told them that my topic was leadership and trust in the intra-organizational context.
5.5 RESEARCH PROCESS

RESEARCH PROBLEM
How do leaders show their trustworthiness in leader-follower relationship within daily actions?

RESEARCH METHOD
Interviews
Observation
Research diary

RESEARCH SUBJECTS
Leaders and followers in the case organizations

RESEARCH QUESTIONS
Semi-structured interview questions concerning leader’s trustworthy behavior and leadership making style in the organization

RESEARCH DATA
Taped and transcribed interviews
Observation diary

DATA ANALYSIS
1) Themeatizing the meanings and descriptions of the leader’s trustworthy behavior
2) Analyzing leadership making processes in the case companies

Figure 7. Research process of the study

The research process of this study is described in figure 7. The research problem was to find out how the leaders in the case organizations show their trustworthiness to the followers. I asked the followers to describe their relationship with their leader (i.e. general manager).

“Could you describe your relationship with the General Manager?”
I also wanted to understand their relationship and attitude toward the General Manager (GM), and for that reason I asked them to describe their work and position in the organization.

“Could you tell me a little bit of this organization and your work description and position here?”

To find out how they felt about their leader’s (GM) trustworthiness, I asked them to describe what kind of a leader the GM was and further, how he/she led the organization.

“How would you describe his/her leadership way and style in this organization?”

“How does he/she behave as a leader?”

“Why do you think he/she is a good/not so good leader?”

If it was not possible to find trustworthiness in the answers to the question above, I asked

“How does he/she behave to be trustworthy?”

Finally, I gave them freedom to tell me whatever they were ready and inclined to tell by asking

“Is there something else that you would like to tell me concerning the topic of my research?”

Before I started the interviews, I told the interviewees that my research concerned management and leadership in the SME context and that I was interested in how the GMs lead these organizations. I also highlighted that each answer will be published as anonymous, and the name of the organization will not be revealed. So, their answers would not show their identity.

I asked the leaders similar questions concerning leadership.

“Could you tell me about the organizational structure and individuals’ positions here?”

To get a holistic picture of the organization, I asked them

“Could you tell me about the history of the company and what has happened here in the timeframe of five to ten years?”

To find out their own opinion about their leadership I asked them

“How do you lead this organization? What kind of leadership style do you have?”

“Why do you think it is a good way to lead?”

Thus, the research subjects of my study were the general managers and their followers in two case organizations, and my choice for solving the research problem
was to use semi-structured questions. I also kept a research diary during the research process by writing down my observation notes about interpretations concerning individuals’ behavior and matters that I noticed in the case organizations while conducting the interviews. After the taped interviews I transcribed the data and analyzed the descriptions of the leader’s trustworthy behavior (which mainly rose up from the questions: “How would you describe his/her leadership way and style in this organization?” and “How does he/she behave as a leader?”, and “Why do you think he/she is a good/not so good leader?”) by the themed method: which description went hand-in-hand with integrity, benevolence and/or ability, or whether they had other meanings/descriptions.

I made a similar analysis of the data concerning the leadership making style/way in the case companies. It is notable that I needed to make another interview with the general managers with focused questions concerning LMX-based leadership, because it came forward both their own answers and in the followers’ answers.

The questions in the follow-up interviews were

“Why do you choose some of your followers into the “in-group” and some of them belong to the “out-group?”

or

“How do you describe the division of followers to different groups here?”

or

“How do you position your followers in the organization and why?”

### 5.6 DATA ANALYSIS

The methodological approach helps the researcher to estimate how much data needs to be collected and how deeply the data should be analyzed to make the research valid and reliable. Very often it would be wise to do the research first with a qualitative method and afterwards with a quantitative method, because qualitative research methods illustrate important elements about the research topics, opening different dimensions of theoretical backgrounds, which should be understood and conceptualized in a thesis. Hence, qualitative research could be an antecedent for quantitative research, which could be a confirmer for the previous qualitative research; e.g. generalizing the research theory or research outcomes and diminishing the research gap. (Bryman, 2004)

Qualitative research methods are usable if the theme of the research is not well known, the researcher suspects that the dominant theory falls short and needs more descriptive empirical evidence (Koskinen et al., 2005). Bryman (1988) states that quantitative research can be enriched by qualitative research. Nonetheless, the chosen research method should be relevant to the research problem and hence, it is important to clarify the research questions which could be solved with the research process together with the chosen methods. I point out that a researcher should not choose to use a method that he/she is not familiar with; there is a risk that the data analysis will fail. I chose the interview method because I wanted to find out how and why individuals feel each other trustworthy in their organiza-
tions and how and why leadership styles are described LMX-based leadership making, and I have a lot of experience with interviews because of my work history in recruiting and personal estimation processes.

The advantage of using the triangulation method is its diversity, but a disadvantage may be the amount of different kinds of data, which makes it difficult to take all elements into account (e.g. a problem with prioritizing the data). I had six different sources for the analysis, together with secondary data (company A) that was analyzed for the purposes of this study; interviews with the leader and followers and my observation diary in case company B, and interviews with the leader and followers and my observation diary in case company C.

Case company B: I analyzed first the interviews with the followers and the leader. Then I analyzed my observation diary. As a result of the data analysis, I decided to have some more interviews with the leader, to help me understand the holistic picture of leadership making and trustworthy elements in the organization.

Case company C: I analyzed my diary of observations and interviews with the leader (GM) and the followers. I had certain understanding of a leader’s trustworthy behavior, as well as the LMX-based leadership style in the leadership making process in company A and C before I posed detailed questions to the followers in company B. After that I had an interview with the leader (GM) of case company C and later complementary discussions (altogether 3) with the GM.

This way I got sufficiency data and understanding and perspective for a holistic analysis process of the leader-member exchange theory and approaches of trust in the companies, which I was able to reflect into current theories of LMX and trust and trustworthiness in the leader-follower relationship context (intra-organizational trust context). Even though triangulation is a very challenging research method (e.g. great amount of data and analyzing them), it is a useful and multifaceted way to approach the research problem and the theoretical background.

The phenomenological-hermeneutical method is a challenge for the researcher; it requires that the researcher continuously considers the interpretations and deductions of the research outcomes during the research process. The process rarely develops in a straightforward and oversimplified manner without any hesitation or problems. A central research problem in the phenomenological-hermeneutical perspective is the pivotal question of how the researcher can interpret and understand the meanings of individuals’ behavior, words and actions in organizations in unbiased manner. Even though the phenomenological method is based on a person’s (i.e. researcher) own experiences, reflection toward and from other people’s actions and behavior is reality. Hence, the researcher cannot outsource him/herself of the analysis of the collected data; his/her own experiences, personality and even professional position and background will be inevitably reflected in his/her interpretations. I faced a problem during my research process with my own attitudes towards LMX-based leadership; it was difficult for me to avoid having an opinion about the categories of employees for different kinds of groups in organizations. Another question was how that kind of organizational behavior could ever be a way to increase the profit with effective outcomes, good job satisfaction and organizational commitment in general. That was the reason why I needed to interview the
GM’s several times and ask several defined questions of the followers concerning their attitudes towards leadership making in the case companies.

Our experiences are shaped with meanings, and those meanings are the main topics in phenomenological research; organizational behavior and learning are experiences which can build the meanings for individuals’ actions in an organization, as well as the roots for organizational cultures and subcultures (Mattens, 2008). During a timeframe, people will accept organizational behavior that is based on the organizational culture and its subcultures; often heard is the phrase “it has always been like this in our company”, and hence the employees either accept the “always” or will leave the organization if they do not. In the first case company (i.e. secondary data) in my research, the employees used to say that phrase and some accepted the general manager’s untrustworthy behavior and some not; some of them complained and argued with the GM, and some of them left the company. I understand their acceptance that their trust was based on the organization; the success of the company and its reputation were good because of its great success, and thus the employees had confidence with the continuity of the work. All in all, the leader’s trustworthy behavior was based on the General Manager’s competence to manage with profit. Additionally, the distrustful elements were minor compared to the trustful ones.

According to Mattens (2008), phenomenology is a theory of interpretations and meanings expressing the assumption that individuals are by nature willing to belong somewhere; in an organization, a team, a community. Consequently, their meanings are inter-subjective; individuals who work in an organization live/work in a certain kind of reality which is based on the history and organizational culture of that company. For that reason, it is easy to realize that a research done with the hermeneutical method and its outcomes cannot be replicated. I had three case companies with diverse individuals working in them, and each company had their own history. Even though individuals are in general similar by nature, every person has her/his own background when s/he joins some organization. When different people comprise the organization, they will bring their experiences and personalities with them, and organizations are built of multiple traits, actions, interpretations and meanings of human behavior.

As a researcher, I am not going to express any generalizations of individuals’ behavior in SME companies or a leader’s best way to lead to be trustworthy, but my focus and ambition is to solve out how the leader’s trustworthy behavior is implemented in the three case companies and how it is possible for the individuals in an organization to accept LMX-based leadership as an equal, satisfying way to lead, and additionally to increase the profit of the organization hand in hand with job satisfaction and organizational work welfare. So, phenomenological research is directed toward different kinds of cases and will not generalize but understand for example the organizational behavior in certain institutions or companies (Denzin & Lincoln, 2003).

Understanding different kinds of organizational behavior means that phenomenological research needs a hermeneutical method to complete it. A hermeneutical research target is the communication processes between individuals; how individuals express themselves with words, gestures and facial expressions, and how
other people will understand them. Expressions are meanings. Methodologically, there is no right answer for what kind of data collecting method is the best choice for the researcher. Every research has its own special characteristics, and thus it is always case-specific which method is suitable and will help the researcher to gather up a relevant amount of right quality data. My methodological solution consisted of interviews and an observation during the research process. Often and most typically phenomenological-hermeneutical research methods are centered on interviews, narratives and observations; especially semi- and open interviews (Fontana & Frey, 2003). Ellis and Bochner (2003) highlight that it is important for the researcher to ask him/herself: how can I widen my subjective perspective toward objectivity of the research topic and how can I develop the depth of my own subjective interpretation? This was challenging for me as well, and to avoid subjectivity and narrow-mindedness about LMX-based leadership and the relevant dimension of trustworthiness, I found my observation diary very important.

The recommended phenomenological interview situation should be as natural as possible, where the interviewees have enough space and freedom to behave and act naturally and answer the questions in a narrative and descriptive manner. Hence, open or semi-structured questions which ask the interviewee to answer questions like “describe”, “could you give some concrete examples” are suggested. I followed this advice and shaped my questions with descriptions and concrete examples. The interview situations, as I experience them and how the interviewees described them on their behalf, were natural and positive occasions. I gave freedom to all interviewees in both primary data companies to choose the time and place where they wanted me to interview them, as long as it was a peaceful place without any distractions (e.g. noise, other people around). I interviewed all the followers eventually in their work places, but usually when there were no other people present. The General Managers’ interviews were performed in their offices.

When I analyzed my diary notes and interviews I found conceptual development in my understanding process of how all those theories of trust and LMX, as well as other implicit leadership theories (e.g. authentic leadership) can be rooted in the real life and how many research gaps there still are, with lack of evidence of how LMX-based leadership works in reality and how authentic leadership, which is somehow similar with benevolence and integrity, differs from trust-based leadership. Outlining the research topic is always difficult, but obligatory. I have outlined my topic in the trust question as the leader’s trustworthy behavior in the inter-organizational context. Trust development and institutional/organization-based trust is also discussed together with trust development. From the leadership perspective, the limitations of leadership theories are focused on the LMX theory. Authentic leadership from the perspective of the trustworthy dimension has been taken into account. Data analysis with narrative answers is challenging. The target of phenomenological-hermeneutical data analysis is to solve meanings and phenomena of the research target (Denzin & Lincoln, 2003). Mine was to find the leaders’ trustworthy and untrustworthy elements in the organizations and clarify how the leader’s lead their organizations, based on their own descriptions and action examples, as well as from the point of view of their followers.
6 Leader’s Trustworthy Behavior in the Case Companies

6.1 DESCRIPTION OF THE CASE COMPANIES

The empirical data of my thesis consists of primary and secondary data. The primary data of the study was collected from case companies B and C (described below). The data consists of interview material from semi-structured questions with employees and general managers (GM). The themes of the interviews focused on trust, the leadership making process and behavior, with descriptive questions of the type “what, what kind, how and why”. These types are the most effective, widely used and well tried questions in qualitative business research (Eriksson & Kovalainen, 2008).

The secondary data used in the thesis comes from the empirical part of my Master of Science thesis. The empirical material consists of three different kinds of data: 1) A questionnaire with structured and semi-structured questions. The data was collected from employees, who answered questions anonymously. The questionnaire answers were not analyzed statistically due to the low number of responses, but were assessed qualitatively. The total number of respondents was 32. The answers were analyzed by searching key themes and words in them. This way I produced the main themes for further analysis. 2) Open interview questions with the HR (Human Resource) manager of the case company. The interview was conducted after the analysis of the questionnaires. This way I strengthened my impression and interpretation of the data received from the employees. 3) Participant observation diary and notes I wrote during the thesis process when I worked in the company. The role and the period of time were challenging for me because of the need to differentiate the task and researcher roles by ‘detaching’ myself from expressing issues related to the research data and the process. The reason why that data cannot be regarded as primary data is that the questions did not concern the leadership making process or trust in the organization but work welfare. However, distrust and the LMX-based leadership making process as distrustworthy elements came up in the structured and semi-structured questions and the HR manager interview.

All the three companies were SMEs and well recognized in their own business fields and economically successful. It should be mentioned that all the three com-
panies were later merged with other companies because of the global economical recession in the beginning of the 21st century, and thus their operations and business fields have been diversified, as have the organizational structures and cultures. It stands to reason that there have been changes among the employees in all companies. It is worth noting that employees' job descriptions and their latitude are more flexible and easier to realize in a small industry than in big organizations, which are in general very hierarchical.

Company A, the first case, manufactured and sold technical equipment for the mining and process technology industry, operating worldwide. The company's headquarters were in Finland at the time. When the research was done, 43 people worked in the company, four of whom were middle managers and one the general manager. Half of the workers worked in the manufacturing department, and the rest were office workers in marketing, purchasing, selling and financial administration. Some of the functions, such as cleaning and maintenance, were outsourced. The company had sales representatives all over the world. The in-group consisted of a select team of workers, not position-based (e.g. middle managers). Out-group members were those who were not valued by the GM due to personal traits or work outcomes. The division was very clear and there were no rules or transparency for how the GM rated the employees. The HR manager belonged to the in-group, but had no say for example in the recruiting or job description processes, but he merely took care of apparent or less important issues for the other employees (e.g. benefit coupons for sport activities and other recreation and outdoor sport activities). It should be mentioned that the employees were happy to have those kinds of benefits, and the physical welfare among them was good. To sum up: the employees expected more support from the HR manager in different situations, but his responsibilities and power to interfere in many expected situations was limited and controlled by the GM. This may have been due to the fact that he did not have competence to take care of typical HR manager's duties and the GM wanted to control everything that was happening in the organization (also by intervening in other managers' decisions which annoyed their followers).

An interesting point is that the HR manager was the contact person with the occupational healthcare professionals and hence he was well aware of the number of duvet days of the employees, which was quite high. This may be guesswork, but as the physical welfare of the employees was high, the reason for the high number of duvet days could have been heavy mental stress. This came up also in the answers to the questionnaires which all the employees (including the managers) filled. Another significant phenomenon was the employees' non-alignment with the organization, but still very high opinion of their own competence and a belief in the continuity of work. They had great trust in the economical success of the company and its brand. They obviously trusted in organization, but interpersonal trust toward the general manager was low. The industrial safety commission members did not get together regularly, and there were many employees who did not even know who the labor protection delegates were. The followers' respect of the general manager was minimal.
The leadership style was fairly authoritarian and organizational structure hierarchical. The middle managers had formal responsibility, but actually not very much; the GM made all decisions and his behavior was neither predictable nor equal toward the employees. Open dialogue between the managers and subordinates did not occur. Fear and suspicions about the GM’s attitude prevailed among the people. Cooperation could not thus develop between the employees and the management in the entire organization. The GM’s behavior was occasionally unprofessional and authentic; he showed his feelings in a straightforward manner; he used unprofessional words while describing people and could shout at them when angry.

Company B, the second case, was a food supplier; the customers were mostly professionals in food, restaurant and catering companies in Finland. The number of personnel was 25, including the general manager, one financial manager, one customer relationship manager and one marketing & sales manager. The rest of the employees worked in production. In-group members were the financial manager, the marketing and sales manager and the product development manager. The rest of the followers composed the so-called out-group. The division was not very clear; there was “an open door” for all followers to step in the in-group. The GM described this as a “class door-effect”; the door was open for everyone, who was ready to work harder and take more responsibility (e.g. for economical development).

There was no hired HR manager in the organization, because the GM took care about the supposed duties of the HR manager together with the financial manager. This solution was reasonable because of the relatively low number of employees. When there was a need for a professional HR manager, it was outsourced action in the organization, which guaranteed an impartial and objective perspective to the organization. It was a positive and less common way to behave for the GM (regularly in SME organizations) to show her willingness to ask a professional’s help when it was needed to guarantee the followers’ welfare and economical benefit in the organization. On the other hand, there was no other person to turn to, except the GM, when the employees needed it. This caused situations where the GM for example needed to listen to a follower’s worries when she was under pressure for the economical future of the company during the recession in Finland. This confused some followers, as well as the general manager. Generally all the followers were trustful for the success of the company and relied on the GM’s professional ability to act as a brand model who could keep the business going. In addition, all the followers were very impressed with the history of the company; how the GM and the financial manager had been able to create such a successful company together with other employees, beginning from selling component with very small revenue.

The industrial safety commission members got together regularly and all power tools were carefully checked once in a while. The leadership style was democratic and participative. The GM’s behavior was very authentic; she did not avoid any kind of feelings and showed them openly for everyone, except her anger.24

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24 Her anger was implemented as sadness “when I am angry, I become sad”. (General manager in the interview)
The atmosphere in the organization was open for debates. In a flat organizational structure with flexible job descriptions, authority, responsibilities and liabilities are more dispersed and shared, which leads in fact to more diverse division of daily work. Cooperation between the employees and managers was developed and found important.

Company C, the third case, focused on offering different kinds of IT-solutions for various sized organizations and branches of organizations. The number of personnel was 22, including the general manager. Four of the followers had responsibility as middle managers: human resource development (HRD), marketing and after sales, technological solutions and applications) and they belonged into the in-group. The rest of the followers belonged into the out-group, but some of them joined different kind of projects every now and then, and thus had a possibility to work as project managers. That is why the division into the in-and out-group was not very clear and the flow of information was high in the organization, because the “out-group” members also took part in important projects in the company which developed the business and raised the profit.

Getting the title of the project manager and at the same time more responsibility and decision making rights and salary bonuses depended on the follower’s competence and knowledge of the matter at hand (e.g. coding, wireless mobile solutions, user training). Usually competence develops during the working (years) and knowledge sharing. Hence, activity and willingness to learn were the key toward the in-group. All employees were informed about that possibility and way. Interesting was that they talked about each other’s career development openly and even supported each other to take part in special courses, which the HRD manager suggested them to take to develop the business (e.g. competition situations and future strategies).

The personal traits of the followers did not influence the group-division, but if there was unsatisfactory behavior towards other individuals, specially with the project manager and other project team members, the person may not be chosen another time for that position (distrust in the trust process by the GM). This was one element which made the GM a trustworthy in the eyes of the other followers; he did not accept any unfair behavior among the employees; especially not on the manager level. It was an unwritten rule in the organization that given duties had to be handled as well as possible, and the cooperation with the followers was effective. There was also another unwritten rule; if you fail in your project manager’s duty, it will not be given back very soon. The followers knew this, because the GM had said so and showed it with examples. This kind of inexcusableness was confusing to the followers and was considered inconsistent behavior by the in-and out-group members, as regards fairness and equality.

The leadership style was quite authoritarian with the out-group but in the in-group there was a room for discussion. The leadership style of the GM could not be described as democratic because the GM stepped in and took processes in his own hands, if he did not like the outcomes of situations. In addition, he had a possibility (and willingness) to keep everything under his control, because the
size of the organization was small. Open dialogue among all employees in the company was high and the structure of the organization was not hierarchical. The behavior of the GM was stable; he did not show either anger or happiness, he always behaved in a professional way toward his followers and showed his interest toward them benevolently. He also supported everyone in all situations when it was possible. Further, he commended everybody when they had managed well in their work.

The GM was very aware of the fact that unhappiness and lack of his attention would lower the followers’ commitment to the organization and their effectiveness, and thus he gave “free hands” for HRD manager to take care of her responsibilities, but called for economical success of the company. While the situations and terms of reference in the organization were as valuable as possible for all employees (e.g. comprehensive occupational healthcare and insurance, different kinds of leisure benefits, good tools for working), the GM expected a high commitment of the followers (within both groups). He also put high goals for sales profits to the inside group, which were not perhaps very realistic in the time when the empirical data was collected. That kind of ambition to raise sales and thus expand the organization, caused stress not only to the in-group members but also to the out-group members, because the atmosphere in the organization was charged; there was high turnover of workers is the sales department because of lack of sales volume versus appointed targets. To avoid misunderstanding; all salesman in the organization accepted their annual selling targets by signing an agreement, and part of their salary consisted of the sales profits (i.e. commission salesman). The worry and suspiciousness for the GM’s trustworthiness came up in a job satisfaction enquirey. A too flatly result-oriented leadership was implemented as the leader’s untrustworthy behavior among the followers, because it was too much management-oriented leadership, where an individual’s capability was challenged.

The industrial safety commission members got together regularly in the organization. Differing from the other case companies, the HRD manager carried out the industrial safety officer’s duties. The GM relied on the HRD manager’s professional skills to take care of that position better than he himself, and it formed a part of the HRD manager’s job description.

6.2 LEADER’S TRUSTWORTHY AND UNTRUSTWORTHY BEHAVIOR IN THE CASE COMPANIES

Based on the collected data analyses (interviews and observations) and analyses of existing LMX-based leadership, I have collected the dimensions of a leader’s trustworthy and untrustworthy behavior in the case companies. I will also explain the trust processes of each company in this chapter, reflecting it to the dominant conception that trust is a variable process, which may break down or grow up and develop during a timeframe in the interactional relationship between individuals
I have used the following descriptions of each trustworthy dimension to analyze the interviewees’ answers regarding how they describe and feel their leader’s trustworthy behavior as implemented in the organization;

**Integrity** as: fairness, reliability, predictability, consistency, honesty and morality.

**Ability** is overall competence in the leader’s position; intelligence to behave business-like as the position requires, competence to manage and operate business.

**Benevolence** is doing good things to the trustor (i.e. follower) and behaving with goodwill, equality and sincerity.

Authentic leader behavior means that the leader behaves naturally without any behavioral rule of behavior based on the managerial work in all situations while working and leading the followers. I have themed each description given by the followers under integrity, ability or benevolence, if they were alike each one. If there were some other descriptions that were not alike with integrity, ability and benevolence, they were put into the “other descriptions” box. Altogether 47 of the followers’ answers concerned their leader’s trustworthy behavior. The leadership making process was themed as well, and the two general managers’ answers were analyzed and themed concerning their leadership making and attitudes toward LMX. This empirical data is emphasized in my study, but also the so called secondary data with 32 questionnaires with semi-structured and structured interview answers that I themed again are taken into account, together with the interview answers of the HR manager.

**COMPANY A**

The deduction of distrust in the company came up in the interviews and my observation notes when I analyzed the data. There was an unsatisfactory atmosphere in the organization, as the employees did not trust the general manager because of his unstable (e.g. uncontrolled shouting) and inappropriate (e.g. calling individual names, willful bruising of other people) behavior toward the out-group members, but they trusted the continuity of their work and the success of the company.

Also, the employees did not respect each other and claimed that this arose from the GM’s behavior: his behavior was an example of how to act in the organization. In addition, there were no clear rules or knowledge among the employees of how the in- or out- groups were formed by the GM. It was clear that there was a deep division between those groups. The employees disclosed that the in-group members were named if their personality was satisfying to the GM and they were effective in their duties. Thus, LMX-based leadership was named as an element of distrust, because it was not based on the positions of the followers.
“The authority and responsibility have to be first earned by personal traits and then accept that there is no sway; it is more or less apparent.”

“I have a lot of managerial responsibility with my work, but no possibility to decide anything.”

“I do not trust the GM and I am very worried about what is going to happen in our company, because he (GM) gives too much work for people, but no decision power.”

“He has got his in-group, and I wonder how he choose people there...it is based on personal traits without obligatory competence and position in this organization.”

“Maybe I can express my opinion openly, but I will not be heard, because I do not belong to his in-group even though my position would require that.”

It was not easy to find the elements of the leader’s trustworthy behavior apart from trust in the organization; i.e. trust in the continuity of work and the success of the company. Instead, there were several examples of the leader’s untrustworthy behavior:

a) arbitrary and personality- based choices for the in-group (which is opposite to integrity and ability to behave intelligently in business)

“Physically the work is safe, but I have heard and seen how the GM has shouted and bashed people here, even threatened. That is neither grown-up nor business-like behavior. How can I trust him?”

b) instability and inappropriateness with outbursts of feelings (which is opposite to integrity and behavioral competence to behave in a business-like manner)

“The treatment of all people should, has to be, fair. We are adults working in a real organization. In addition, it is part of civilized behavior.”

“I wonder about his way to speak and treat people here; the words he uses toward us...it is not appropriate.”

c) lack of respect to other people (which is opposite to benevolence)

“I do not feel that I am respected.”

“The GM respects those people who belong to his in-group. I do not belong to it and I am not respected.”

“Mutual respect does not exist here. That kind behavioral model comes from above; if the GM does not respect his followers, they do not respect him and each other.”
d) unfairness (which is opposite to integrity)

“He is not fair toward us; some of us get more freedom, more salary and more benefits than others. That kind of behavior causes envy between the employees.”

“There are no rules and fairness here, the law of the jungle exists. The GM makes his decisions with weird whims without fairness.”

The trust process was difficult to find out, because that was not the research topic and distrust was the dominant atmosphere in the organization. Many of the distrust elements in the GM’s behavior were opposite to business-like behavior.

COMPANY B

“As a leader, I want to have my management team. They belong to my in-group because of their job descriptions are certain.” (General Manager)

“I do not know how much disagreement she has with the in-group workers, but with us, who work further away from her, she is very democratic; she does not have any “favorites” here but we all are in the same line. I know that the management team members work very hard and I respect their work a lot; our company is successful.” (out-group member)

“She listens to everybody’s opinion, but still makes the final decision herself; sometimes the decisions may not satisfy all our in-group members; it is difficult to please everybody. I still trust that concerning her knowledge, she is the one who knows what we should do and we talk about things openly.” (in-group member)

“I just like that I can do my work here, which I enjoy and am good at.” (out-group member)

On the basis of the straight quotations above it is quite obvious that the leadership in case company B is based on the leader-member exchange theory; both parties (the leader and the followers) said that an in-group and out-group division existed in the organization. In addition, position-based LMX division and LMX-based leadership were described as element of trustworthiness. The followers trusted that the general manager had management competency to lead the organization so that it would succeed, and hence the division for the in-group and out-group based on positions was accepted. As the GM herself mentioned, her attitude towards the in-and out-group was a particularly position-based division, and behind the positioning there was role-based trust in the followers; they were chosen to the organization and position because of their competency and various skills (i.e. technical and personal skills to manage a given position).

Also the followers had noticed that and they were aware of the expectations concerning their responsibilities. Overall, the division for different kinds of
groups (i.e. LMX-based leadership) was mentioned as trustworthy behavior in the leadership making process, and the followers trusted the organization and its management for developing the business that way. Hence, ability (i.e. competence) to manage and develop the business together with the in-group members was integrated into the leader’s trustworthiness in LMX-based leadership.

Ability and competence in the leader’s trustworthy behavior was implemented in various ways:

a) ability (i.e. competence) to manage and develop the business
b) business-like behavior,
which are shown in the direct quotations below:

“The General Manager should behave business-like; she behaves like that outside the company when negotiating with our customers.” (in-group member)

“I respect her (GM) competence as a brand-manager of the company; she has done great work to build this company together with her managing team as a successful one. She has a lot knowledge in the food industry and I think she is able to raise our sales and product development increasingly.” (out-group member)

“I think her knowledge and competence concerning food industry has helped her to survive and build this company a such a recognized company during these years.” (out-group member)

“She is also very open minded for the management team members’ ideas, she respects us and shares her knowledge and advice with us, and she wants to interact with her in-group members constantly. Perhaps it is the answer to our success.” (in-group member)

Other elements of the leader’s trustworthy behavior were found in integrity:

a) respect to all followers despite the group they belong to (i.e. integrity)

“She works as a leader quite fairly at least she does not behave badly toward anyone.” (in-group member)

“I trust that she (GM) knows who is able to take care of different duties here and I know that if I want to develop myself to take care of more demanding duties, the organization will support it. She is a very supportive and equal leader in that way.” (out-group member)

b) honesty (which could be named as integrity)

“I respect her benevolence and honesty to treat every follower equally and as a person, no matter which position they are in.” (in-group member)

“She is a genuine and honest person.” (in-group member)
“She does not hide the truth; she always tells us how things are going with the business.” (in-group member)
“She is reliable: if I tell or ask her something she listens and keeps her promises, at least has done so thus far.” (out-group member)

“She does make promises she cannot keep.” (in-group member)

Benevolent behavior rose up in the following descriptions:

a) goodwill
“She always wants just good to us. She is very interested in our welfare at work and she tries to realize our wishes and hopes, for example concerning holiday lists.” (out-group member)

“She has got lot of goodwill toward us; is it because she is a woman? Anyway, she always brings another way to think with ‘soft’ values.” (in-group member)

b) genuine
“She is a very accessible and genuine person, which is important in our relationship; we can talk about anything openly.” (in-group member)

“Her sympathy toward us is always genuine.” (in-group member)

“She is genuine with her feelings.” (out-group member)

Even though authenticity and genuine behavior were named as trustworthy behavior by some in-group followers, there were some followers in both groups who named it as untrustworthy behavior, because it made them either confused or suspicious of the GM’s ability and integrity to work as the general manager of the company; they mentioned that the leader should not show her feelings toward the followers (e.g. crying or showing insecurity), as shown in the following quotations:

“Once she started to cry in front of us, which confused me a lot; I am not used to a general manager behaving like that; I think that it is obligatory for the GM to be strong enough to handle rough times in business.” (out-group member)

“I do not like to talk about my private life at work, but sometimes she talks and behaves too openly here in the office; I would not do that as a leader.” (out-group member)

Hence, authenticity and outbursts of feelings were named as untrustworthy behavior mostly in the out-group, because it diminished the credibility of their ability and integrity.

The reason why some in-group members named authenticity as untrustworthy behavior in general was that they knew what kind of influence it had to the
out-group followers; on their own behalf it was acceptable to show feelings but not in front of all followers.

“She shows her emotions quite openly. For me this is ok, but I know that there are some employees who do not like that; they challenge her ability to lead this company. And to be honest, she should get a grip of herself when she needs to tell the followers unpleasant news.” (in-group member)

“Sometimes I feel sorry for her, because she takes everything very hard; she should harden her heart concerning the business, otherwise she will burn out.” (in-group member)

“As a manager she is probably too soft, but I respect her willingness to educate herself as a manager with consultants.” (out-group member)

“She has educated herself with consultants, that is good; perhaps she will learn to harden herself a bit more to avoid outbursts of emotional feelings.” (in-group member)

It can be inferred of the above that the out-group followers have different kind of expectations of the leader’s emotional behavior, and the leader should avoid authenticity in front of the followers and focus on their integrity and ability, but with benevolence.

The trust process in leader-followership in the company was based on the followers’ competence; they were recruited to the organization on the basis of their work experience, education and personal skills, which should be suitable for the position they were recruited to (e.g. team-work readiness and ability, sometimes even toughness to handle the stress with sales processes). Shortly; the leader as an initiator in the trust process is reflected to the LMX process and it starts at a high level, because the recruited individuals are very carefully selected, and trust is based on the competence. The followers named the leader’s competence (i.e. ability), because of the great success of the company, as an initiating element in the trust process.

The leader (GM) named elements which might harm her trust in a follower: disappointment of the outcomes of work and bad behavior with other team members; she as a person could stand irrelevant behavior towards herself, but not to other people in the organization. So, if the employee was a team member, like almost all the out-group followers were, she did not accept inappropriate behavior among the team members. Hence, social and skilful incompetency was mentioned as a trust violator by the leader. In the trust process, this meant that usually such behavioral traits were seen in the course of time, whereas success at work deepened and strengthened the leader’s trust in her followers in both groups. In addition, the GM mentioned that if somebody betrayed her, she would perhaps not forgive that kind of behavior, but luckily there had not been that kind of situations in the organization.
“While we recruit new employees, I always focus on their competencies to take care of given tasks, but also how they could manage as persons in our company; for me it is important that everyone can co-operate with each other.” (GM)

“Sometimes, luckily seldom, we have had employees here, in both groups (in-group and out-group) who were very talented with the needed competences, but difficult ones as co-workers with other team members. I take care that there is no teasing or mean behavior in our organization.” (GM)

“I wish them to know that there is a glass-door in my office; it is always open for my followers. Sometimes we, or I, have been incorrect about a recruited follower’s competence; it has been the reason for dismissal. That kinds of processes are extremely heavy for me, but I have to think about our company’s success.” (GM)

According to the followers the trust violations were opposite to the leader’s trustworthy behavior, but the out-group members disagreed with the authenticity; the outbursts of feelings in the leader’s behavior violated their trust in her and they were not convinced of her ability to work as the general manager of the company, although they respected everything she had done for the success of the company, and in addition, how great a brand manager she was for the company. So, her work outcomes and efficiency were respected overall, but discontent with authentic behavior by showing the feelings were described as not business-like behavior. Also the GM knew that she had that kind of a trait in her behavior:

“I think, at least I trust, that I am such an accessible person, that my all followers, no matter which position they are in, could feel free to contact me in any situation.”

“I have tried to harden myself, but there is a limit as to how much I am ready to do it, because somehow I think that if I have managed as a GM by now, I will manage another fifteen years.”

As a trust process, the above means that the followers trusted in the success of the company; which can be interpreted as organizational (i.e. institution-based) trust. Trust in the leader failed when she behaved in an untrustworthy manner, but did not have a harmful influence as long as the success of the company was good. The trust process was not unsteady (i.e. increasing or descending), but stable; the brand of the organization in the food industry was, and still is noteworthy. Dividing the followers into an in-group and an out-group did not violate the trust between the leader and the follower, because it was based on the positions of the followers and the knowledge of a possibility for everyone to move on in their career.
COMPANY C

The leader’s trustworthy behavior was found in the following elements:

a) LMX- and position-based leadership style and knowledge about the reasons for division, as well as the rules of how to get into the in-group, i.e. openness and fairness, and integrity are described in the following quotations:

“I trust him (GM) to take care of the development and success of the company; that is why he needs a management team next to him.” (out-group member)

“He is ok as a manager; he really knows our business. His in-group management team does a lot of work.” (out-group member)

“They all in the management team are under pressure with result-orientation; luckily my duties are not tied to income. I know that some of us feel stressed about the number of future customers, but I trust that there is always enough work with coding in this company. That is enough for me.” (out-group member)

“Well, no-one can be forced to take on extra work or responsibility. For me it is clear that I want to develop myself in this company and learn more. I have learned a lot from him (GM,) different things.” (in-group member)

“We all know that every one of us could have the position of a project manager, if we want to get that kind of possibility. Unfortunately, some of us do not want to advance even though they have the knowledge needed in some projects.” (in-group member)

“I have tried to share responsibility between them; we always need new project managers when we get new projects with our clients. Unfortunately there are always a few, usually the same persons, who are not able or willing to accept duties. Funny, because that is one way they could earn more money and participate in a responsibility group during a project.” (General Manager)

“I have said to all my followers that it is just up to them, how much they want to develop themselves here, but I am not going to accept that they choose to go to some courses which do not develop them for the needs of the company.” (General Manager)

“Well, I trust that they (the GM and other managers) handle the business so that we get enough projects.” (out-group member)

“I trust that he will take care of other sales persons, so that we will get new customers in the future.” (out-group member)
Untrustworthy leader behavior was understood and named as follows:

a) result-oriented leadership (e.g. more alike managing things and forgetting humanity) and absoluteness (fair to get firing sales group employees, which reflected in the whole organization as regards fairness in the continuity of work) i.e. opposite to integrity

“His result-oriented way to think makes him untrustworthy; I do not trust that he would care for us, if the business did not run well. It has been seen; there have been some dismissals here in the sales department. It scares me; will my work continue? Well, I trust that they (GM and other managers) handle the business so that we will get enough projects.” (out-group member)

b) equality and consistency (i.e. integrity); mistakes or unprofessional behavior toward other people was not accepted. Everyone would be “punished” for irrelevant organizational behavior. This was named as integrity.

“I like his way to lead. He is equal toward all of us.” (out-group member)

“He is a very fair guy; he does not mean to be tough, but as a manager he has to be tough, because business is business and without business we would not have work anymore.” (out-group member)

“He does not accept any inequality here; not even with managers.” (in-group member)

“It does not matter which position a person has here, if he/she cannot handle that, the GM will step in.” (out-group member)

c) ability and competence to manage business with businesslike behavior (i.e. behavioral competence)

“He is educated in management; it can be seen. He knows about our core business a lot but he also knows how to share his responsibility.” (in-group member)

“I think that the HRD manager has quite a lot of freedom to take care of her duties as do other managers here. So, I think he (GM) is the manager of business and the HRD manager is the leader of people’s work welfare here. Perhaps it is his way to show his benevolence.” (out-group member)

d) benevolence

“Even though he seems to be a very tough manager, he understands people.” (out-group member)

“I had hard times in my private life when I started to work here and I told him about it. He took it well and encouraged me to do my work well and turn straight to him, if I needed days off. I will always remember that, and sometimes he still keeps asking me how I feel and so on.” (out-group member)

Untrustworthy leader behavior was understood and named as follows:

b) equality and consistency (i.e. integrity); mistakes or unprofessional behavior toward other people was not accepted. Everyone would be “punished” for irrelevant organizational behavior. This was named as integrity.

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c) ability and competence to manage business with businesslike behavior (i.e. behavioral competence)

“He is educated in management; it can be seen. He knows about our core business a lot but he also knows how to share his responsibility.” (in-group member)

“I think that the HRD manager has quite a lot of freedom to take care of her duties as do other managers here. So, I think he (GM) is the manager of business and the HRD manager is the leader of people’s work welfare here. Perhaps it is his way to show his benevolence.” (out-group member)

d) benevolence

“Even though he seems to be a very tough manager, he understands people.” (out-group member)

“I had hard times in my private life when I started to work here and I told him about it. He took it well and encouraged me to do my work well and turn straight to him, if I needed days off. I will always remember that, and sometimes he still keeps asking me how I feel and so on.” (out-group member)
Untrustworthy leader behavior was understood and named as follows:

a) result-oriented leadership (e.g. more alike managing things and forget-

d) benevolence

c) ability and competence to manage business with businesslike behavior

b) equality and consistency (i.e. integrity); mistakes or unprofessional behav-

iors, which reflected in the whole organization as regards fairness in the

-continuity of work) i.e. opposite to integrity

you was not accepted. Everyone would be “punished”

or toward other people was not accepted. Everyone would be “punished”

work continue? Well, I trust that they (GM and other managers) handle the

he would care for us, if the business did not run well. It has been seen; there

straight to him, if I needed days off. I will always remember that, and sometimes

“I had hard times in my private life when I started to work here and I told

(“out-group member)”

“Even though he seems to be a very tough manager, he understands people.”

and the HRD manager is the leader of people´s work welfare here. Perhaps it is

duties as do other managers here. So, I think he (GM) is the manager of business

“I think that the HRD manager has quite a lot of freedom to take care of her

member)

“He is educated in management; it can be seen. He knows about our core busi-

member)

It does not matter which position a person has here, if he/she cannot handle

member)

“He is a very fair guy; he does not mean to be tough, but as a manager he has

“He is a very fair guy; he does not mean to be tough, but as a manager he has

company; the expenses of labor were so high that everyone in the organization should

understand what their salary consisted of: there should be more incomes than
costs for the company to survive and all the employees to keep their positions in
the organization. Some followers understood this, but some felt is as threatening.
There was strain among the followers in both groups for various reasons; besides
there was a stress to raise the yield. The General Manager’s benevolence divided
the followers’ opinions; some described him a benevolent, but some of the follow-
ers wondered about his motivation toward followers. All in all, benevolence in the
General Manager’s behavior could not be generalized because only a few of the
followers described him that way or felt confident with his sincerity when money
versus an individual were side by side. Nevertheless, his honesty was marked. In
trust literature, honesty goes hand in hand with integrity.

From the perspective of the trust process, trust is based on the continuity of
work and the leader’s (GM’s) competence to increase the sales. Trust is fastened
on the organization and the leader’s ability, and it was an existing phenomenon in
the company without violation of the GM’s untrustworthy behavior; the followers
trusted that the GM together with the in-group members composed a good team
they could rely on. If some of the members of the organization behaved in an
indiscreet manner, it would not be allowed by the General Manager. Hence, trust
did not waver but was rather stable.

“The general manager made it very clear that his trust in the followers was based
on their competence and ability to take care of the duties they were given. So, the
trust process went hand in hand with the LMX process, but the division was not
self- evident, and all followers had a possibility to join the in-group; on behalf of
the leader, trust was an existing element in the organization as long as it was not
violated by either social or skill incompetency among the followers. According
to the followers (both in- and out-group), however, the trust was shaken always
when there was restlessness in the sales department or the GM announced his
dissatisfaction with the economical results of the company.

On the other hand, the followers respected the GM’s consistency (i.e. integrity),
but considered odd his coldness when there was money against an individual;usually the money won. The GM justified his solutions with the best for the com-
pany; the expenses of labor were so high that everyone in the organization should
understand what their salary consisted of: there should be more incomes than
costs for the company to survive and all the employees to keep their positions in
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6.3 SUMMARY OF KEY FINDINGS

In my empirical findings up (see figure 8) I found that the leaders’ trustworthy behavior in the case companies was implemented with their integrity, competence and benevolent behavior. The empirical findings proved that followers trusted the organization because it was successful and hence LMX-based leadership was named as a trustworthy element in the leadership making. The LMX leadership making was based on the leaders’ trust in their followers in their positions and the roles they had in the organizations. Also the followers’ trust in their leader was based on the leader’s position in the organization; trust that he/she had the overall competence for the general manager’s position and for leading the organization to success.

On the other hand, authentic leadership with authentic behavior (showing authentic feelings, speaking directly to all followers and being emotional) was named as untrustworthy behavior by the followers in all case companies, with a few exceptions (some in-group members’ answers). In this case, on the basis of my empirical findings, authentic leadership is not trustworthy behavior of leaders; a leader’s trustworthiness is not implemented with authentic leadership making, as LMX-based leadership is. So, the assertion of authentic leadership that enables a trusting and effective atmosphere with an authentic (behaving without any position requirement roles) leadership making process (see e.g. Walumbwa et al., 2011), was not validated in my empirical study findings. Instead the view of Zhu et al., (2011), my empirical findings may show similarity in benevolence and authenticity; moral behavior, moral identity, moral actions, and moral emotions. It is worth noting that it is important for the leaders to hide moral and authentic emotions, because showing feelings and emotions were described as untrustworthy elements in the leader’s behavior by the followers in the case companies of my study. For lack of richer empirical evidence, I cannot emphasize that authentic leadership behavior could be described as a trustworthy element or that authenticity and benevolence or integrity go hand in hand in terms of trustworthiness, as has been claimed (e.g. Eagly, 2005).

Overall, the elements of distrust in the case companies (i.e. leader’s untrustworthy behavior) did not have eminent influence on the followers’ trust in their leader (i.e. distrust versus trust), because the organizations succeeded and were highly recognized in their target business fields.
While the LMX theory leadership model can be described as a `leadership making` process, it is clear that interaction between the leaders and followers is needed. Hence, the highlight of LMX theory is the development of a relationship between a leader and a follower that requires communication and mutual trust between the actors (e.g. Graen & Uhl Bien, 1995; Yukl, 2010; e.g. Savolainen, 2011). The LMX development is a three-stage process; during the timeframe it develops from an alien stage towards acquaintance and finally to partnership. According to my empirical data, in companies B and C, the recruiting process represented the “alien” level; each employee was recruited into a certain position according to their competence and the general manager’s trust in their ability to take care of given duties. Hence, the alien stage represented high quality of trust in general, but was more centered on in-group members; the in-group members worked in a close relationship with the leader and their positions were demanding by nature. However, the division for in- or out-group was not an `enclosed circle`; every employee in both companies was aware of the possibilities to become an in-group member but also of how much more work and sacrifices it would require. Hence, openness and transparency (e.g. predictability) of the existing division and its rules were mentioned as trustworthiness and the leader’s trustworthy behavior in the organization, as well as the LMX-based leadership style; it was mentioned as an effective and profitable way to lead the company, which actually raised the trust in the future success of the organization (i.e. institutional trust).

The trust between leaders and followers was alike in both companies; it developed during time if neither party behaved in an untrustworthy manner. Despite untrustworthy behavior, trustworthy elements were usually more important than untrustworthy ones; mutual trust highlighted each other’s competence, and as far as the outcomes of work were satisfying and beneficial for the organization, trustworthy elements were rated higher than untrustworthy elements. It is no-
table that according to the out-group members, the leader’s untrustworthy behavior was more remarkable than according to the in-group members. It can be expounded that the relationship between the leader and the in-group members deepened on the partnership-level, where trust is not so fragile; it tolerates each other’s personality better, because unavoidably individuals get to know each other as persons when they work in close interaction with each other. A challenge is that it is possible for out-group members to reach the partnership-level, which requires continuous communication and close interaction between the leaders and followers. In that case, is it not a question of an in-group leader-member relationship? On the basis of my empirical results concerning the out-group members, it is not necessary or even desirable to build such a deep relationship with the leader; the acquaintance level is adequate.

Cooperation, confidence and predictability (i.e. integrity) have been used as synonymous with trust (Savolainen, 2011). In both companies, the follower’s inability (versus ability) for cooperation with other followers were called untrustworthy behavior by the leaders and caused actions. By the followers, the leader’s integrity to take care of equality and avert teasing in the organization was named as trustworthy behavior. In addition, every follower, especially in company C, was aware that it concerned employees in both groups. That kind of leader behavior raised confidence and work welfare in both companies, which reflected their commitment and effectiveness in the organization; the turnover of workers in company B and C was low.

Interpersonal trust between leaders and followers requires trustworthy behavior from both parties. In the leadership context it should emerge with leadership making; leaders should concentrate on the trustworthy elements in their behavior within the leadership process. In other words, leader’s and follower’s behavior in leader-followership is related to the leader’s trustworthy behavior (Savolainen & Häkkinen, 2010). Bachmann (2011) disagrees with this, but expounds that the followers’ trust in the leader may actually be based on the employees’ trust in the institution (i.e. trust in the organization). Several elements of trustworthiness are mentioned in the trust literature, but only some of them are generally accepted in the science field: ability, i.e. competence, benevolence and integrity. My empirical data confirms competence (= overall competence, intelligence of business behavior), integrity (= fairness, predictability, reliability, honesty, consistency, morality and telling the truth), and benevolence (= goodwill and sincerity). There were some further elements of leader’s trustworthiness, which were named as more likely untrustworthy than trustworthy: the leader’s authentic behavior toward all followers; among the in-group followers it was approved behavior. Management-oriented leadership without benevolent leader behavior was mentioned as untrustworthiness, albeit trust in the organization’s success and the leader’s integrity, as well as LMX with position-based group divisions were highlighted as the leader’s trustworthy behavior by the followers in all case companies.

According to Bachmann (2011) it is not obvious that the followers’ commitment and effectiveness is related only to trust in the leader, but there may be a distinct
connection with institutional and interpersonal trust in organizations. Hence, the leader’s trustworthiness is a pivotal element in leadership making and trust development processes that will increase the profit of the organization with effective and committed followers. My empirical findings support that perception of trust. In addition, the leader’s competence, integrity and benevolence were highlighted as trustworthy elements by the followers in the case organizations. Finally, the mentioned distrust elements of distrust were not emphasized a lot in comparison to trustworthy elements. Overall, the leaders’ trustworthiness consisted of their competence, integrity, and benevolence integrated into LMX-based leadership making; LMX was mentioned as one trustworthy dimension in the case organizations, but not separately from overall competence, integrity and benevolence.

Role-based trust was expressed in my study related to the idea of the division of followers into an in-group and an out-group in the organization. Surprising and at the same time interesting is how common that kind of division is and how the followers tolerate it; the division in the case companies was accepted if it was based on the roles and positions that each follower had in the organizations. Actually, the division in LMX-based leadership making was named as a trustworthy element by the leaders because it represented the effectiveness and success of the organization. The leaders (general managers) of case companies B and C mentioned that the division was based on the positions and roles that each follower represented in the organization. Consequently, the leaders’ trust in their followers was based on roles and positions, and that trust had been tested during the timeframe of the leadership making process; from the alien stage level through the acquaintance level toward the partnership level.

Awareness of the reasons and grounds of how and why the division had been made and how each follower could be chosen in the in-group or out-group prevailed among the followers in both companies. Instead of that, in case company A the division into the in- and out-group seemed to be based on each follower’s personal traits and there were no rules or explanations for it. Hence, LMX-based leadership making was named as distrust toward the General Manager.

According to the empirical findings of my study, the employees’ division to in- and out-group members by their leaders in the case organizations is in two of the three organizations based on the formal roles and positions of the followers. In one organization, the differentiation was based on the personal relations between the leader and the followers. It is worth noting that the division has been made in the early stage of employment. Grouping the followers into different groups on the basis of their positions implicated leader’s trustworthy behavior among the followers. This kind of behavior was related to the leader’s formal behavior toward his/her followers in the business environment. Hence, the leader’s businesslike behavior, which is opposite to authentic behavior, and formal relationships together with LMX-based leadership, if the in-group/out-group division was based on the followers’ positions, was named as the leader’s trustworthy behavior. Other trustworthy elements in the leader’s behavior were mentioned to be competence (i.e. ability), benevolence and integrity. In that case, the LMX theory as a tool (i.e.
making management) in the organization may implicate trustworthiness, but the development of typical informal processes of relationships that the LMX theory describes, does not necessarily follow either the common insight of an interactive, step-by-step vertical development relationship process within the leader-followership or trust development in the leader-follower context. Consequently, and because of the obligatory limitations of the research, trust-building as an exchange process and the dynamics of the reciprocal nature of trust development between leaders and their followers lacks in-depth analyses and is given only cursory examination in this study.

However, this does not mean that personal relations can be ruled out between leaders and their followers in the position-based groups. Rather, the relationships in the case organizations, as well as supposedly in various other Finnish organizations, are centered in the work context with formal relations instead of informal relationships between individuals in organizations in the business environment. Still, when a leader and a follower work together in an interactive relationship (e.g. leader and in-group member), the relationship an avoidably develops from formal toward informal behavior. In that case, the common insight or slant of the LMX theory, that the relationship between the leader and follower will develop step by step from the first phase through the second toward the third one, and the next level cannot be reached before the previous one, is not supported by the empirical findings of my study. Rather, the division based on the follower’s position takes place first, and during the timeframe the relationship moves forward from formal to informal level among the in-group members.

Smircich and Morgan (1982) present that the relationship between two parties will reach an equilibrium and balance, and Brower et al., (2000) suggest that the quality of the relationship is a mutually perceived and balanced reciprocity. I agree that trust is needed in the leader-member relationship, thus and thus the leader`s trustworthy behavior is the key element in the trust development process within leader-followership. Wasti et al., (2007) note that when leaders are seen as trustworthy, the followers are motivated to increase their performance, demonstrate satisfaction and stay with the organization. As mentioned above; trust is needed in an organization to reduce employees´ turnover and sick leaves. It has also been studied that knowledge creation in an organization requires adequate relevant resources to establish new information, as ability is essential human capital in an organization (Chung & Jackson, 2011). My empirical study findings confirm this; the ability of followers and leaders represents mutual trustworthy behavior in an organization. The leaders´ ability is implemented as their competence to manage the business, behave in a businesslike manner and divide the followers into different kinds of effectiveness groups according to their positions and competence. The followers´ ability is reflected straight in their positions they are recruited. Thus, integration of ability as a trustworthy element represents human capital in organizations. The followers´ trust in the organization is based on the belief that the organization's culture does not accept the leader´s untrustworthy behavior at all, and in my empirical findings ability/competence was highlighted.

While trust is needed in the leader-follower relationship, there are some questions concerning its necessity to be mutual. Mayer (1995) for example argues that it does not need to be a two-way experience. Thus, it is likely that the leader´s trust in the follower may not be in balance with the follower´s trust in the leader, and hence the trust is different from LMX. This does not assert reciprocity as mutual or balanced. When trust has been studied outside the LMX theory construct, trustworthiness and trust elements have had similar outcomes (Brower et al., 2000). Referring to my empirical study findings, I expound that trust in LMX-based leadership is a multifold process that necessitates mutuality in the leader-followership, even though trust may differ between each party. Equality is one the core elements of interpersonal trust; there is no equality without trustworthiness.
7 Trust-Based Leadership in the LMX Theory

Smircich and Morgan (1982) present that the relationship between two parties will reach an equilibrium and balance, and Brower et al., (2000) suggest that the quality of the relationship is a mutually perceived and balanced reciprocity. I agree that trust is needed in the leader-member relationship, thus and thus the leader’s trustworthy behavior is the key element in the trust development process within leader-followership. Wasti et al., (2007) note that when leaders are seen as trustworthy, the followers are motivated to increase their performance, demonstrate satisfaction and stay with the organization. As mentioned above; trust is needed in an organization to reduce employees’ turnover and sick leaves. It has also been studied that knowledge creation in an organization requires adequate relevant resources to establish new information, as ability is essential human capital in an organization (Chung & Jackson, 2011). My empirical study findings confirm this; the ability of followers and leaders represents mutual trustworthy behavior in an organization. The leaders’ ability is implemented as their competence to manage the business, behave in a businesslike manner and divide the followers into different kinds of effectiveness groups according to their positions and competence. The followers’ ability is reflected straight in their positions they are recruited. Thus, integration of ability as a trustworthy element represents human capital in organizations. The followers’ trust in the organization is based on the belief that the organization’s culture does not accept the leader’s untrustworthy behavior at all, and in my empirical findings ability/competence was highlighted.

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On the leader’s side trustworthiness means that the follower/subordinate

1) carries out the assignments at work as effectively as he/she can (i.e. competence)
2) behaves in a business-like manner and discreetly toward other people in the organization (behavioral competence)
3) abides by agreements
4) has engagement and commitment to his/her position and the company

Summing up, a follower’s trustworthiness consists of integrity and overall competence (work outcomes and behavior), effectiveness and commitment to the organization.

From the followers/subordinate’s perspective the leader’s trustworthiness is showed in

1) abiding by agreements and promises, honesty and equality, i.e. integrity
2) behaving in a stable and businesslike manner, i.e. competence
3) not dividing employees into groups as insiders and outsiders on the basis of their personality, i.e. equal behavior toward every follower25 (integrity)
4) listening and taking notice of followers’ opinions with open communication and flow of information, i.e. benevolence
5) taking responsibility for the company image, i.e. competence for management
6) humane treatment of followers, i.e. benevolence

There are three actors in the LMX theory: the supervisor, the subordinate and the exchange relationship (Brower et al., 2000). This refined model of LMX (see figure 9) with trust based leadership is grounded on the challenges and agreements of the LMX theory. In this model the leader is the supervisor, the subordinate is the follower, and the relationship between the parties represents both the leadership making process in LMX and the trust process, where trustworthiness plays a crucial role.

The trust process is based on the trust in the organization through the leader’s trustworthy behavior toward all followers in the organization. Dividing the followers to different kinds of efficiency groups in the organization goes hand in hand with LMX-based leadership. Indicating that ideology, the division rests on the positions in the organization (i.e. position-based division); the in-group members are typically middle managers, project managers, GMs’ assistants, specialists, secretaries, and consultants. While efficiency is pivotal in business life, the empirical findings of my study confirm with the argument that the followers’ trust toward the leader actually depends on the success of the organization. For the followers, the success of the organization goes hand in hand with the leader’s overall competence to take care of the General Manager’s duty in the role of the manager. The followers rely on the manager’s ability and competence to lead the

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25 Benefits, rights and duties; if friendships exists, it should not been shown at work, if responsibility is given, it should be taken. Compare with power versus responsibility in the duty.
company profitably, with other trustworthy elements: integrity and benevolence. The followers’ division into an in-group and out-group was mentioned as trustworthy behavior, when it was based on the followers’ positions and roles in the organization, because with the in-group members the leader was able to lead and manage the company effectively. The role of the so-called out-group members cannot be underestimated. Typically, the out-group followers’ job descriptions consist of practical work, and therefore various experts are needed in an organization.

![Figure 9. Trust in LMX; Dimensions of trust in the leadership making process.](image)

Trust in the leadership making process can be illustrated by a circle, as shown in Figure 9: the dimensions of trust in the organizational context are described as interpersonal trust, role-based trust, leader’s trustworthy behavior, and organization-based trust. Interpersonal trust between the leader and the followers in the leadership making process requires that mutual trust exists in the organization. If the followers are divided into different kinds of groups (i.e. in-group and out-group) on the basis of their duties, mutual trust is based on each person’s trust in the other party: the follower’s trust in the leader’s ability to behave in a trustworthy manner (integrity and benevolence) when dividing the followers into groups, and the leader’s trust in the follower’s ability to take care of given duties. Hence, mutual trust goes hand in hand with the roles that each individual has in the organization. The followers have trust in the organization, if the organizational culture is such that untrustworthiness of the leader’s behavior is not accepted.
Instead, part of the organizational culture is that the leader’s responsibility is to manage the business in a way that makes the company successful. This enables, as well as requires, effectiveness and individuals’ commitment to the organization on all organization levels. As shown in figure 8, as long as the leaders behave in a trustworthy manner and the followers have trust in the organization, and each individual is situated in a position they can take care of, the distrust elements are not emphasized in the organization.

Intra-organizational trust implicates trust between individuals in an organization (e.g. Rousseau et al., 1998; Mayer et al., 1995; Dirks & Ferrin, 2002), and it is also a process between individuals. The leadership making process can be understood as the way the leader builds his/her leadership in a timeframe. I suggest that the leadership making process begins from the position of the leader. The leader has some kind of a relationship with the followers in the very beginning of employment (i.e. interpersonal trust). If the leader’s way of leading is based on the LMX theory, he/she will divide the followers into different effective groups; an in-group and an out-group. I expound that this division should be based on the positions and roles the individuals have in the organization. The division should be done in mutual understanding; the leader has trust in the followers’ competence to belong into the in-group or the out-group, and the followers the role-based trust is based on their trust in the leader’s competence to manage the business and lead them in a trustworthy manner. Otherwise the followers will probably not be willing to create a deeper professional relationship with their leader and step into more demanding positions in the organization.

The in- and out-group division was mentioned as a trustworthy function of the leader in my empirical findings. The leader’s trustworthy behavior consisted of the competence to manage business that required group division. It was a guarantee for the leaders as well as the followers that the company will be successful, and each follower worked effectively in his/her position no matter which group they belonged to. Among the followers it was known how much more work and sacrifice in-group membership called for, but also how much more benefits and sway they had the possibility to have. In addition, the rules for the division were known and open for each party in the organization. Some followers were happy to belong into the in-group and some of the out-group members did not even consider moving on in their career. Thus, in-group membership was not reason to be jealous of one’s workmates. The situation was different in case company A, where the division was based on arbitrary decision making by the general manager and depended obviously on the personal traits of the followers, not on the roles and positions.

Other elements of trustworthiness cannot be underestimated, either, as integrity and benevolent behavior or lack of them were mentioned as very important elements in the followers’ trust in the organization. Overall, the followers’ trust in their leader went hand in hand with their trust in the organization (i.e. organization-based trust). I agree with Bachmann (2011) that instead of a common attitude where intra-organizational trust correlates with interpersonal relationships, trust
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In total, it is difficult to qualify, which section in the leadership making process affects each dimension of trust in the intra-organizational context, because the interviewees (all followers) described their trust in their leader (i.e. how their leader showed his/her trustworthiness in daily actions) formed a coherent whole: the leader’s trustworthiness was expressed as LMX-based leadership making because it was a guarantee for the success of the organization, and included competence/ability to lead and manage the business, integrity and a benevolent attitude toward each follower. If the organizational culture was built like this kind of leadership making process, each follower showed his/her effectiveness and commitment to the organization. If the organizational culture was built like this kind of leadership making process, each follower showed his/her effectiveness and commitment to the organization. Thus I express that trust is obligatory in LMX. With my dimensional trust model in the leadership making process I take a step toward a trust-based model of leadership within the LMX theory framework. More empirical data evidence is certainly needed, both quantitative and qualitative, before the trust-based leadership model can be launched in leadership literature and the leader-member exchange theory refined.
### 8 Discussion

Trust research has strong roots in the field of psychology, but it is important to research trust in the organizational context of the phenomenon when the relationships between individuals (i.e. leaders and followers in this study) begins from scratch, with the leader and follower not knowing each other beforehand as persons and thus not being able to understand each other’s behavior as reflecting the individual’s past, upbringing, education or nationality. Consequently, how trust can be developed (so that commitment and effectiveness among employees will be reached) and how leaders should behave to lead their followers equally, should be advice to them when confronting various individuals. In addition, work welfare cannot be achieved without trust within organizations. Trust building consists of trustworthiness. Different kinds of leadership styles and ways to lead (i.e. leadership making) are related to the development of trustworthiness (how it arises, develops and is destroyed) (Häkkinen & Savolainen, 2010). Thus, a leader’s trustworthy behavior should consist of daily actions and related to strategic thinking (Iivonen, 2004).

In the theories on leadership, the LMX theory perceives trust as a concept and concerns leadership making through the situational approach. As Hackman and Johnson (2004) note, the situation, leadership style, motivation and interaction between the leader and the follower are directly related to the leader’s behavior toward his/her followers. In that case, the LMX theory describes the process of how leaders create relationships with their followers. According to the LMX theory, the relationships are different with each follower, but the main idea and advice in the name of effectiveness and productivity is to divide the followers to so-called in- and out-groups (Sias et al., 2002). The division for various effective groups arises in the very beginning of employment, and according to the empirical findings of this study, is based on the leader’s impression of each follower’s competence to take care the job in question. Hence, the recruiting process, together with potential test of competence and personal traits, are highlighted in organizations, especially for pivotal positions (i.e. management and specialist positions); such as in-group members.

According the LMX theory, the leader’s leadership style toward in- and out-group members is different; in-group members are led in a more democratic manner and out-group members in a more authoritarian manner, when work performance is emphasized (e.g. Greenberg & Baron, 2003). It is interesting, how authentic leadership and authoritarian leadership can be understood as similar concepts of leadership, albeit that they both belong to transformational leadership in the field of leadership theories. On the basis of the empirical findings of my study, neither authentic leadership nor authoritarian leadership implement-
ed trustworthiness, but rather untrustworthiness together with dissatisfaction among followers. It can be deduced that any kind of emotive behavior may reduce trust in the interpersonal context in organizations, particularly as leaders are role models for their followers in how they behave and work. More theoretical and empirical research is definitely needed for this argument.

As figures 8 and 9 show, a leader’s trustworthy behavior is emphasized in the context of interpersonal trust. Role-based trust demands behavior that inhere in the expectations of organizational roles; the followers’ trust that the leader will act in a competent and trustworthy manner with integrity and benevolence. The leaders, instead, expect that each follower will respond to the expectations concerning the duties they have been given; in-group followership duties and/or out-group followership duties. Overall, interpersonal trust within organizations seems to be a too narrow approach in the leadership making process.

The research of trust in the organizational context has been strong in the last decade, which has increased our understanding of the trust process between individuals (e.g. Rousseau et al., 1998; Mayer et al., 1995; Dirks & Ferrin, 2002). Interpersonal trust as a psychological state is a social process that requires mutual trustworthy behavior in a dyadic relationship between individuals (Brower et al., 2000; Whitener et al., 1998). Mayer et al., (1995) have developed a widely accepted model of trust concerning the interpersonal relationship between leaders and followers. In the model, mutual trust is described with the following terms: vulnerability to take a risk and turn into a trust process which may cause disappointment, ability (which is the same as competence), integrity and benevolence. Other researchers have expressed trust with similar definitions (e.g. Dirks & Ferrin, 2002; Golesorkhi, 2006; Kim et al., 2004; Chen et al., 2011). I see that vulnerability to take a risk and turn into the trust process means that an individual takes a risk when he/she steps into a new working place or position in an organization. I see risk taking a strong depiction in that context, because the step into new challenges in the career development is normal in business life. In my empirical study, none of the individuals mentioned their working in the case organizations as risk taking. Instead, the leader’s trustworthy features or lack of them rose in the interviews as essential elements of the leader in their trust and willingness to commit oneself to the organization.

Trustworthiness in the leader-followership is reflected in mutual trust between individuals in the organizational context. As an indication of trustworthiness, a trustful atmosphere and spontaneous sociality emerge between the members of an organization (Fairholm & Fairholm, 1999). In the opposite case, a distrustful atmosphere prevails, which hinders communication and interaction. Poor leadership underestimates the employees’ competences, leaving them as “outsiders” in the organization (e.g. case company A). That kind of dividing individuals into an inside or outside group cannot be expressed or compared with the idea of the leader-member exchange theory to divide employees into an in-group or/and out-group based on their competence and affectivity. In case companies B and C, the leadership making process expressed LMX-based leadership and was mentioned.
as one expression of the leader’s competence to manage the business and lead the followers.

Trust and leader-member exchange (LMX) are both shaped through the social exchange process. Brower et al., (2000) have developed a model of relational leadership by integrating those two theories together and figure out that trust is a motivational engine for leaders, and leaders’ trustworthy behavior is obligatory within the mutual trust process from the followers’ perspective. Their integrated model of relational leadership widens the common understanding about the LMX theory and trust and provides insights into the dynamics of the leader-follower relationships, and resolves some inconsistencies in the LMX theory. At the same time they call for and suggest deeper research in relational leadership and the LMX theory as a leaders’ trustworthy behavior. On the basis of my qualitative study findings, interpersonal trust with the relational phenomenon of trust cannot express the holistic picture of the followers’ trust in the intra-organizational context. As Bachman (2011) expounds, intra-organizational trust should be widened to concern the institutional perspective of trust. Putting together the assertions of Brower et al., (2000) and Bachman: more research of relational leadership and leaders’ trustworthy behavior is needed and required, and intra-organizational trust should be widened toward institutional trust.

Within my empirical findings, I expound the dimensional model of trust in the leadership making process (see figure 9): the followers’ trust in the leader is based on the leader’s trustworthy behavior (i.e. integrity, ability/competence and benevolence), and LMX-based leadership is one dimension of competency of leadership. In addition, in the background of trust in leadership, trust in the organization is highlighted, and actually, trust in leadership goes hand in hand with the success of the organization. Consequently, the organization’s success is base on the way of leadership and the leader’s trustworthy behavior. The relational phenomenon and direction in the LMX theory was not emphasized in my empirical data collection, because the LMX theory was not the primary target of my study. In future, this perspective of LMX could be an interesting target for qualitative study. The history of the LMX theory research and theory has been approached from the subordinate’s perspective, like trust theories. Leader-followership, as well as the interpersonal trust process, is dyadic and confidential. The relationships between the leader and follower in an organization are always mutual, and thus it has been important to perceive elements that have impacts on it. The spotlight of my research has been interpersonal trust between those two parties, and each trustworthy behavior. Therefore I represent that it needs two individuals into relationship whereas interaction by daily deeds are important and trustworthiness consists of daily actions.

As Ferrin et al., (2008) point out, spiral of trustworthiness in trust process does not rise up without close cooperation between individuals. Instead, there has to be a “bond” in the leader-follower relationship, and the relationship and the bond cannot be distant from each other. Thus the followers’ division to in-program and out-groups seems to be obligatory in an organization. This supports also the
assertion that LMX–based leadership increases the productivity and the yield of the organization. Referring to my study findings, co-operation between the leader and his/her followers depends on the position each follower has in the organization. In addition, leaders divide their followers into an in-group or out-group depending on the amount of interaction they have with the leader and the duty they perform in the organization. Usually the in-group members are middle managers and other management team members. The “bond” between the in-group members is obviously stronger and permissive; in-group members forgive some untrustworthy elements in the leader’s behavior, which the out-group members do not do (e.g. showing emotional feelings, disappointments with recruitment, business-oriented and money-valuing attitude).

Philips and Bedeian (1994) expound that LMX is an interpersonal social exchange process and depends on the characteristics that each individual brings into the relationship, including a physical and psychological whole, which remains stable and takes into account that interpersonal situations might change during the exchange process. Hence, the LMX theory can be fragile in three ways: 1) changes that may happen in the organization, 2) changes that may happen in the individual’s life, and 3) if the LMX does not have a future dimension of trustworthiness. According to my empirical findings, the “characteristics” are tested in the recruiting processes, and each individual has a possibility to move on in their career forward if they just express their willingness. For example in case company C, the GM mentioned that he would be happy if more of his followers showed willingness and interest to take on project manager’s responsibilities.

It is worth noting that several of the followers mentioned that the situation in private life had an influence for the possibility of accepting demanding duties. In the case companies of my study, LMX-based leadership did not fail because of the fragility with individuals, because each individual had a position; any positions should not based or depend on an individual, or otherwise the organization would not survive if someone left the organization. The general managers of case companies B and C told that they had had some failed recruitments, but luckily they had found new employees. The GM of case company B mentioned that dismissals are a heavy process, but because of business, it has to be done sometimes. The GM in case company C did not see dismissals as a very heavy process, because he was quite a result-oriented person (as he himself also mentioned). The lack of future dimensions of trustworthiness concerns mainly the leader’s behavior; without continuous integrity and benevolent behavior and with lack of competence, the follower’s trust in their leader will likely fail. The follower’s trustworthy behavior toward the leader and the organization is implemented in their effectiveness and commitment to the organization. Nonetheless, it is important for leaders to understand that each follower has different circumstances in his/her private life, which may have influence on the working life.

While the trust is a process that may weaken and break or strengthen and develop, there is no doubt that both parties’ (leader and follower) role is to show trustworthiness. As mentioned above, the leader is the main initiator in the be-
ginning of the process. My empirical data indicates that the leader is the initiator, but the initiating is based on the position the follower has been recruited to (e.g. consultant, middle level manager, like the marketing manager, human resource manager, or sales manager). Thus, the leader takes a risk when recruiting followers. If the leader is not disappointed in trusting the follower in the early stage of the relationship (usually during the trial period), he/she is likely to show trustworthiness toward the follower. The risk is not as high with employees who have less responsible duties (i.e. out-group members), as the expectations of work outcomes and effectiveness are not so demanding, and thus mutual disappointment with trust is not so serious.

According to my empirical data, the so called out-group members have different kinds of expectations for the leader’s trustworthy behavior than the in-group members. The members of both groups stressed that leader is trustworthy, when s/he has got competence /ability and integrity (e.g. keeping promises) and makes clear to every member of the organization that the in-group door is open for all followers, who show their willingness to work in duties entailing responsibility and if they have enough competence to manage the position. In addition, several out-group members called the leader as trustworthy, when his/her behavior is stable (e.g. avoiding showing extreme feelings, sadness and crying or extreme happiness), he/she shows his/her authority by behaving business-like and keeping a distance to the followers. If the leader behaves in an instable manner, it weakens the trust. Hence, closeness, not even professional, was not trustworthy behavior according to the followers, and many of them enjoyed belonging to the out-group, because of the amount of responsibility versus the pay. Still, the followers emphasized that division is understandable when it is based on the position, not personal assets.

The in-group members respected belonging to the in-group and were eager to create a high-quality relationship with their leader (e.g. sharing knowledge, committing to the organization, developing the business, working effectively, and taking care of outcomes that were named in the strategy). Economical bonus systems were also important incentives. The in-group members were also inclined to know their leader better, so that they could understand him/her better as a leader and as a person behind the decision maker. Understanding helped them to ignore occasional disagreements in the organization and avoid breaking the trust toward their leader.

According to the leader-member theory, the closer to their leaders the employees work, the more they get to know them and hence learn to understand many things the leaders are enforced to do, and how and why the leaders behave in different situations. Consequently, there is more space and tolerance for unexpected behavior of the leaders without violating the trust and leadership making process. In other words, the leader’s trustworthy behavior toward the followers depends on the positions and duties the followers have in the organization and in how close a relationship they have with the leader. Very typically, middle level managers, the research and development staff, specialists, consultants and secretaries and
assistants of the leader, are typed as inside-workers and therefore invited to become in-group members. A democratic leadership style increases effectiveness in those positions (e.g. Yukl, 2010; Northouse, 2004). It is hard to create trust between the leader and the follower if the leadership style and organizational structure are very hierarchical. Interpersonal trust and elements of trustworthy behavior arise easier in democracy (Brower et al., 2000). Despite this, there are people who like a more authoritarian leadership style and feel safe at work when a hierarchical order and clear job descriptions exist (Häkkinen, 2007).

LMX theory based leadership has been found to be a method that helps organizations to increase their profit, but not without interpersonal trust between the leaders and their followers. In this case, profit increasing has two dimensions: effectiveness in production and employees’ outcomes, and decreasing the social expenditures of duvet days and employee turnover of unsatisfied employees. However, the original meaning of the LMX theory was not to make a clear casting of employees as individuals, but rather based on their positions. My empirical data supports that ideology in the LMX theory: the division is more allocation of the organization’s resources than casting people into the in-group or out-group as individuals according to their personal traits. Thus, the expressions “in-group” and “out-group” do not present the right validity of the trust-based LMX theory. A division to efficiency groups would be less confusing.

All in all, a leader’s trustworthy behavior is based on whom the leader has a relationship with (e.g. which position the follower has in the organization). Consequently, the leader should consider how to show trustworthiness toward the followers in all situations, and how to sustain authentic leadership, which seems to be very much like benevolence and integrity in the leader’s behavior (e.g. Yukl, 2010). Perhaps authenticity has to be reflected in the leader’s competence (ability), so that he/she will behave in a businesslike and effective manner. It is possible to be authentic as a manager, but it is challenging to avoid personal authentic traits while leading people in the organization.

The authentic leadership style expresses the honesty, sincerity and reliable behavior of the leader. Authenticity as the leader’s trustworthy behavior is slightly inconsistent with the literature as well as my empirical data; if the leader is authentic, he/she behaves sincerely in all situations without covering his/her feelings (e.g. anger, disappointment, sadness vs. joy, delight, and enthusiasm). The followers in out-group, mostly disagreed that authenticity was trustworthy leader behavior. Most of the in-group followers mentioned that authenticity as the leader’s behavior did not disturb them or violated the mutual trust between them in the trust and leadership making process. Summing up, authenticity calls for straightforward speaking, honest feelings and other similar features of the leader. The further away the followers work from their leader, the more stable behavior they expect from him/her. Those who work in close interaction with the leader expect straightforward speaking and sincerity from the leader. Thus, authenticity as the leader’s trustworthy behavior dimension got support from the in-group members, but was rejected by the out-group members.
While authentic leadership is defined through the four required behaviors, it can be defined in terms of the consequences of each behavior as 1) fostering greater self-awareness, 2) internalized moral perspective, 3) balanced processing of information, and 4) relational transparency on the part of leaders working with followers (Walumbwa et al., 2008). Authentic leadership has been claimed to be the root construct of all positive and effective forms of leadership (Caza & Jackson, 2011, cf., Avolio et al., 2005). If so, it is interesting whether it is possible for authentic leadership as a balanced processing together with balanced behavior fail, as it obviously did (on the basis of the empirical findings of this study) in case organizations A and C. As this study has focused on the relational perspective of leader-follower-ship, this perspective of authentic leadership has not been considered here.
9 Summary and Conclusions

9.1 SUMMARY OF THE STUDY

The aim of the study was to solve with qualitative research methods how leaders show their trustworthiness in case companies; how the leader’s trustworthy behavior is described and implemented in their daily actions. In addition, it was studied whether the dimensions of trustworthiness identified by the interviewees would be similar to the generally accepted definitions of trustworthiness from the perspective of science in trust literature: ability/competence, benevolence and integrity, or would some new for trustworthy elements of leaders appear. The empirical results of my study confirmed that a leader’s trustworthiness consists of integrity, competence and benevolent behavior.

Even though the target of this study was not to research how the LMX-based leadership making process could be implemented in the trust process in organizations, the theory of LMX composed an important part of the theoretical framework of this study, because of empirical data findings of the element of a leader’s trustworthiness in connection to competence. LMX-based leadership making arose as an element of trustworthiness in the case organizations, but not unconditionally; the division of followers into efficiency groups (i.e. the in-group and out-group have to be based on the roles and positions of the followers). Authentic leadership came up during the research process, both in the empirical findings as a trustworthy and untrustworthy element in the leaders’ behavior and the literature of leadership theory that discusses trust in leadership. Trust in leadership is also discussed in the LMX theory. Consequently, two theoretical approaches were conjoined in this study; trust and trustworthiness in the intra-organizational context together with the leader-member exchange theory. The authentic leadership theory was also discussed from the perspective of trustworthy leader behavior in leadership making.

Methodologically, and from the perspective of philosophy of science, this qualitative study was based on the constructionist paradigm and multi-source data. Interviews with open and semi-structured questionnaires and observations were combined in the study. Qualitative research methods have challenged the studying of the development of trustworthiness and leadership as influence on subordinates and organizations (Cho & Ringquist, 2007). This research was done by using qualitative research methods; interviews and observation. Thus triangulation criteria were realized. The traditional research methods, like questionnaires, have not been able to pay attention to the dynamic nature of trustworthiness or the role of observation as a part of reliability in business research (Lewicki et al., 2006). Interview in qualitative research is one of the top-rated information collecting methods (Eriksson & Kovalainen, 2008).
Finally, my contribution to the business life and for leaders in SME organizations is the model of trust-based leadership in the LMX theory framework, as it is clear that trust is necessary for an organization’s success, and with LMX-based leadership, trust and efficiency can be achieved.

9.2 CONCLUSIONS

In the intra-organizational context of trust, there is a plain and distinct connection between trust, effectiveness and commitment to the organization. Trust in the intra-organizational context is understood as individuals’ willingness to be vulnerable and to pose expectations towards others’ behavior (Rousseau et al., 1998). The follower’s trust in the leader is based on the leader’s trustworthy behavior (Savolainen & Hakkinen, 2010). Theoretically, trustworthiness is an attribute of the trustee, implying that he/she is worthy of being trusted (e.g. Chen et al., 2011; Barney & Hansen, 1994; McEvily et al., 2003), and worthy of being trusted expresses trustworthiness, such as integrity, ability and benevolent behavior (Mayer et al., 1995).

According to my empirical data findings, the followers’ trust in the leader’s behavior requires trustworthiness (integrity and ability/competence), but it is also fastened to the organization’s success (i.e. organization-based trust) and the leader’s competence to manage with results. However, LMX-based leadership and group division were described as trustworthy leader behavior, as long as they had the information and account on the factors of the reasons how each follower was situated in the organization. In addition, the followers’ division into in- and out-groups should be based on their positions and competence in the organization, not their personal traits. Mutual role-based trust went hand in hand with position-based trust in the case organizations in my study. Thus, LMX-based leadership may integrate both trust and efficiency, but through the leader’s trustworthy behavior.

The empirical findings of this study identified authenticated integrity, benevolence and ability as elements of a leader’s trustworthy behavior. In the literature of leadership, transformational authentic leadership has been linked to a leader’s integrity and benevolent behavior (e.g. Gardner et al., 2009). In my empirical findings, integrity and benevolence were understood and perceived as separate phenomena of the leader’s behavior. So, there is no distinct connection between benevolence and integrity, either in the theories of trust or the empirical findings of my study.

The research of dyadic leadership has been represented most commonly as leader-member exchange. The LMX theory differs from other leadership theories in that it addresses generalized leaders behavior toward all followers rather than examines an individual leader-follower relationship. Dyadic leadership is based on the assumption that leaders differentiate between followers as relationship initiators (e.g. Brower et al., 2000; Graen & Uhl-Bien, 1995), and thus the LMX theory is closely aligned with theories of interpersonal trust (Brower et al., 2000).
LMX-based leadership making has been presented as a theory that will increase the profit of the organization (e.g. Northouse, 2004; Yukl, 2010); theoretically the increase in productivity depends on the quality of the relationship between the leaders and their followers. High quality relationships, together with active interaction between the leader and the followers express high efficiency, commitment and positive outcomes in the organization, whereas lower quality relationships between leaders and followers do not embody effectiveness and commitment toward the organization according to the theorists of LMX (e.g. Greenberg & Baron, 2003). The LMX theorists also expound that the quality of a relationship is based on the followers’ competence and cultural similarity. In my empirical study, the followers in case organizations B and C accepted and even highlighted the importance of the fact that each follower was positioned in different kinds of efficiency groups, but only if the division was based on the roles and positions of the followers.

If the division was based on the personal traits of the followers without any clear rules and conformity, it was mentioned as a trustworthy element in case company A. Consequently, the followers’ trust in the leader’s trustworthy behavior was linked into trust in the leader’s competence to lead as his position required: to make sure that the organization will succeed, but with integrity and in a benevolent manner. An interesting and important finding was that the out-group members in each case company did not express lack of efficiency or commitment to the organization but were committed and took care of their positions as required. Some followers in the case companies mentioned their unwillingness to become in-group members, because they knew how much more work it would require and because they had various reasons for staying in the out-group. They also stressed that this did not mean that they would be less committed to the organization. Instead, they were committed and satisfied with their work. Thus, mutual trust in everyone’s ability to take care of their positions and duties well had a distinct connection with the role of trust in the organization.

LMX is formed through the role-making process in an organization between leaders and their followers (e.g. Graen & Uhl-Bien, 1995). The linkage between trust and leadership has been examined in the context of leader-member exchange theories by several researchers and authors. Enabling LMX-based leadership making requires individuals’ (i.e. followers) division into in- and out-groups in the organization, but the roles and know-how cannot be underestimated; all employees are necessary for organizations. When integrating a trust-based model of leadership into the theory of LMX, trust between the leaders and followers is obligatory in the relationship making process, and the leader’s trustworthy behavior is emphasized. From the point of view of the followers, leaders’ trustworthy behavior may differ between in-group and out-group members. In my empirical study, members of both groups named leader’s competence to manage the organization toward productivity in the future as a reason for accepting the group division. My deduction is that commitment to the organization and work satisfaction are not based on the membership of the in-group, but rather on the leader’s trustworthy
behavior and the followers’ trust in the organization. Continuity of work and success of company were pivotal elements in the trust toward the organization in all three case companies. The leader’s management competence (i.e. ability to carry out the responsibility of management by results) was not underestimated among the followers.

The trust in the organization and the leader did not depend on the quality of the relationship between the leaders and followers, if quality is measured by the amount of interaction between them. On the basis of my empirical findings it depended on how strong the followers’ trust in the leader’s trustworthy behavior was; how the leaders showed their trustworthiness to the followers, as the relationship between the leader and the follower is always unique. I found that for the followers in the case companies, the leader’s trustworthy behavior differed among the in-group and out-group members. Both group members named competence and integrity as elements of the leader’s trustworthy behavior. The success of the organization in the future, together with the vision of an economically stable position, were emphasized in connection with competence. Stable and business-like behavior was related to the ability to behave in the way the leader’s position requires. Equality and avoidance of any kind of teasing in the organization were described as the leader’s integrity. LMX-based leadership was named as a trustworthy way to lead the organization. In total, work efficiency, commitment and trust in each role and position in the organization, as well as each trustworthy element are combined in the trust-based model of leadership in the context of the LMX theory. Consequently, the trust process in the leadership making process expresses trust in the LMX theory (see figure 9).

Authenticity in the leader’s behavior, when authenticity means truly authentic behavior, ‘being authentic’, was not mentioned as trustworthy behavior by the out-group members, it was regarded as untrustworthy behavior among them. Role- and position-based behavior requires businesslike behavior and stability. Some in-group members named authentic leader behavior as benevolence and they respected that in their relationship. However, they also mentioned that authentic leader behavior in all followers in the company would not be acceptable, but could rather increase distrust between the leaders and out-group members. Consequently, the relationship between the leader and in-group members was much more permissive and tolerant of the distrustworthiness of leaders. Authentic leadership has been linked to a leader’s integrity and benevolent behavior (e.g. Gardner et al., 2009). In my study, integrity and benevolence were understood and perceived as separate phenomena in the leader’s behavior. Thus, there is no distinct connection between benevolence and integrity, either in the theories of trust or the empirical findings of my study.

Even though the leadership and trust literature sees authentic leader behavior comparable with integrity and benevolence, I argue, resting on my empirical findings, that integrity and benevolence are dissimilar: integrity represents equality, honesty and fair-mindedness, whereas benevolence was described as someone’s willingness to behave with goodwill and humane behavior also in business life.
Consequently, benevolence was found as authenticity and the leader’s authentic behavior, and only a few of the followers demanded that for the leader’s trustworthiness. As Chen et al., (2011) point out: trusting a leader can occur without full and complete assurance of all dimensions of trustworthiness, such as ability, integrity and benevolence.

9.3 CONTRIBUTION OF THE STUDY

The lack of the qualitative dimension of leaders’ trustworthiness led my study forward and toward deeper understanding of how leaders show their trustworthiness by their daily actions in organizations to increase the followers’ willingness to trust them. Consequently, my ambition was to approach the theories of LMX and trust that are still dominated by quantitative research with a qualitative approach. The key contribution of the study is creating and suggesting a tentative conceptual model of trust-based leadership within the LMX theory framework. Another target of the study was to widen the existing facet of trust in LMX as a unidimensional phenomenon toward multidimensionality; trustworthiness and individuals’ trust in the organization.

Trust research in the organizational context has expanded widely in recent years with the topic of trust in and between organizations. Trust research in the intra-organizational context has concentrated mostly on the relationship between actors in organizations. It has been expounded that trust between leaders and their followers has a distinct connection to the leader’s trustworthy behavior. Several definitions of trustworthy elements exist, and lack of coherence with definitions versus empirical findings dominates the field (e.g. McEvily & Tortoriello, 2011; Li, 2011). Commonly accepted definitions of the elements of a leader’s trustworthy behavior have been presented only recently (McEvily & Tortoriello, 2011); a leader’s trustworthy behavior consists of three elements: integrity, competence and benevolence. Quantitative methods have been dominated the research of trust, and hence, there is a call for empirical evidence with qualitative research methods to deepen and expand the insights of trust between leaders and followers, as well the definitions of leader’s trustworthiness. Li (2011, p.17) emphasizes that “it is the policy of Journal of Trust Research to encourage qualitative methods without the prevailing bias toward quantitative methods” and thus there is a need to balance quantitative methods of theory-testing with qualitative methods for theory building toward a proper rigor-relevance balance.

Bachman (2011) presents that intra-organizational trust is actually linked to institutional trust from the perspective of followers, and in the future, interpersonal factors should not be emphasized in the research of trust. My study takes this phenomenon into account theoretically and empirically, as the findings of the empirical data revealed that the follower’s trust toward their leader had also another dimension of the leader’s ability: competence to manage the business so that the organization will succeed. Thus, the followers trust in the organization had a distinct connection to their trust in their leader’s ability.
In the leader-member exchange theory, the leader’s trustworthiness has been taken theoretically into account in the context of relational leadership (Brower et al., 2000), but the lack of empirical studies still exists. The authors of the model of relational leadership, where trust has been integrated into the LMX theory, have suggested a number of propositions for empirical studies in future research. Previous LMX studies have examined trust in LMX as unidimensional; according to previous studies of LMX, interpersonal trust is related to high level social exchange between leaders and followers (Scandura & Pellegrini, 2008). My study embodies the assumption that there is a distinct connection with the LMX theory based on leadership making and the leader’s trustworthy behavior toward all followers. Also the followers’ trust in the organization, where various roles of individuals, like in-group and out-group membership in organizations (i.e. role-based trust toward positions) are highlighted in the question of mutual trust, organizational commitment and effectiveness. Hence, trust in LMX is not unidimensional, but multidimensional.

In the literature of leadership, transformational and authentic leadership has been linked to a leader’s authentic behavior alike with integrity and benevolence. In the literature of trust, integrity and benevolence as trustworthy behavior have been separated from each other and defined differently. Thus, incoherence with integrity, benevolence and authentic leader behavior prevails. Also a lack on empirical (both quantitative and qualitative) evidence exists. In my empirical findings, neither authentic leadership as a trustworthy element in leadership behavior nor the leader’s integrity and benevolent behavior as same meanings supported the earlier presumptions in the leadership literature. The data of the study supported LMX, and transformational authentic leadership was found in the theory of leadership where trust and trustworthiness are mentioned, and thus there was no reason to ignore it.

Even though authentic leadership and the relevant issues in that topic were not the research focus of this study, the distinct gap in the authentic leadership process implies that it is still in the process of defining itself, because most of the authentic leadership studies have not explicitly focused on authenticity. Hence, according to Caza and Jackson (2011), several effects of authentic leadership are only hypothesized with lack of empirical evidence. This study fills the empirical evidence gap for a small part and confirms the insight and/or hypothesis, as authentic leadership has been seen as a distinction between three levels of authenticity; an individual’s authenticity; a leader’s authenticity as a leader; and authentic leadership as a phenomenon in itself. Thus, “one cannot be an authentic leader without being individually authentic, and authentic leadership is not possible without the intervention of an authentic leader” (Caza & Jackson, 2005, p. 353, cf. Garder et al., 2005). However, authentic leadership as a trust creator within organizations does not get confirmation in the empirical data of my study, but it can be affirmed that authentic leadership affects on these three levels.
9.4 LIMITATIONS AND EVALUATION OF THE STUDY

Trustworthiness in leader-followership has been described by various actions and adjectives in the literature of trust. The challenge in trust research is that individuals may describe trustworthy behavior in different ways, depending on their own insight and impressions of trustworthiness. It needs to be noted that the researcher’s own interpretations will increase the bias of meanings of trust elements, especially within qualitative research. Words have various meanings, and thus it is difficult to capture only one meaning of behavior. The generally accepted dimensions of trust and trustworthiness in the science field are ability/competence, integrity and benevolence. As authenticity in leader behavior has been mentioned as one dimension in a leader’s trustworthy behavior, it is interesting how integrity and benevolence could be widely understood as authenticity by the followers; do integrity and benevolence have several meanings in a leader’s trustworthy behavior and how is this implemented in daily actions in organizations? It is thus interesting how emotions in leadership can occur in the leadership making process.

There has also been a call for trust researchers to study the three trust dimensions by qualitative research methods. I found qualitative research data analysis very challenging, because each individual has his/her own way to describe others’ behavior; would I understand it similarly without any misunderstandings? An easier way may have been to ask about trustworthy behavior with a questionnaire, where the respondents have the opportunity to choose adjectives that describe their leader best. On the other hand, could the researcher then guarantee that the measurement of trustworthy elements would be valid and reliable concerning the meanings of the adjectives? In addition, is the follower’s trust in the leader based only on the leader’s trustworthy behavior or could there be some other factors within interpersonal trust in organizations? The “Journal of Trust Research” published recently the article “At the crossroads: Future directions in trust research” (Bachmann, 2011), where trust in the interpersonal relationship context in organizations is called to be deepened to research in organizations and named as institution-based trust. Thus, trust should no longer be studied in the interpersonal context, but in the organizational context. I found that trust in the leader was emphasized as the leader’s trustworthy behavior as well as trust in the vitality of the organization, which was based on various competencies of the leader; competence highlighted in the leader’s trustworthy behavior. In future studies, it would be interesting to investigate how benevolence in the leader’s behavior and organizational effectiveness could go hand in hand, because effectiveness is pivotal for the future vitality of organizations.

Quintessential for qualitative research is that the empirical findings may navigate the research process so that the theoretical framework of the study may change during the process (Denzin & Lincoln, 2003). This happened in my study as well, because the leader-member exchange theory was found as the leadership making style in all the case companies. Authentic leadership came up as a
trustworthy element in the trust and leadership literature. This kind of unforeseen development in qualitative research makes the research interesting and fruitful.

I have limited my study to interpersonal definitions of the intra-organizational dimension in the context of trust, even though the empirical data of my research would have enabled deeper application for the dynamics and reciprocal nature of trust development instead of specific behavioral predictors of trust. The reason for the limitation was the topic of my study that focused on the leader-follower membership from the perspective of the leader’s trustworthy behavior; the behavioral dimension of trust. Consequently, more research about the reciprocal nature of trust development in the LMX theory context would be a fruitful target of research. In the context of trust in leadership, I have limited my study to the LMX theory, but discussed transformational leadership as well. For the future, transformational authentic leadership research in the context of trust-based leadership could be an interesting and important research topic, together with emotions in leadership. Also, as Caza and Jackson disclose (2011); more explicitly study on authentic leadership overall is needed.

9.5 FINAL REMARKS

Studies concerning the LMX theory and multifold trust dimensions have been published in various psychological journals. This thesis brings a new phenomenon to management literature; the LMX-based leadership style may be a useful way to lead organizations, but only through the leader’s trustworthy behavior. According to my empirical findings, followers trust their leaders’ decisions to recruit new employees to the organization, to both in- and out- groups, in order to advance future vitality. Accordingly, the question of trust is based on the follower’s trust in the leaders’ actions to guarantee the success of the company (i.e. durability of work). The trust in the leader relies on trust in the organization, as well as trust in the leader’s trustworthy behavior, which consists of integrity and overall competency to lead individuals and to manage the business. Therefore, authenticity in the leader’s behavior (i.e. emotionally displayed) may be regarded as a too soft value in business life where effectiveness and businesslike behavior is highlighted.
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9.5 Final Remarks

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Sari Häkkinen
Towards a Trust-Based Model of Leadership Within the Leader-Member Exchange Theory Framework

This thesis focuses on trust in leadership within intra-organizational context. Specifically, how a leader’s trustworthy behavior is implemented in daily actions in organizations and how it is perceived by their followers. The leader-member exchange theory (LMX), which proposes that an organization’s productivity is increased through the employees’ effectiveness and commitment, has been presented in the literature. The thesis explores the overlap between the LMX and trust research from both theoretical and empirical perspectives. Authentic leadership is also examined as a leader’s trustworthy behavior.