The Confidence in a Manager-Employee-Relationship

Giuseppe Santagada

Abstract. The initial point of this paper work is the presumption, that confidence in a manager-employee-relationship plays a major role. The importance of confidence is always mentioned as very important but nearly never put into practice. Part of this paper work is to learn, what effect does confidence show on the manager-employee-relationship? The objective is to analyze the influence of confidence. Six parameters and processes affect the confidence. To necessitate confidence, there must be a situation, where the uncertainty and the risk are given. The business culture does influence the decision of confidence. This decision has to be made by the person, who needs to have self-confidence as a basic requirement. The decision will be made on the basis of emotion and strategy. The person, to whom you trust, must be able to meet the confidence but finally, it is the action, that imparts confidence and this demands abandonment of control, as well as vulnerability of the granter. An agreement always has an explicit and an implicit part. The implicit part of the agreement has to expand at the request of the explicit part. This enables to develop confidence. Mankind is engaged to live in a balance between taking and giving. Person will try to attain the confidence. An employee, to whom you have confidence, will make all efforts to follow your demands as if you force him with rules. Confidence enables economical business operations because confidence reduces control. Control generates high costs without an additional benefit and in addition, this control embarrasses the employees and their motivation. The scope of creativity is given, if the complexity is reduced. This increased creativity motivates the employees for more innovation and this finally reflects onto business figures.

Keywords: change management, company culture, relationship management, confidence management

1. Introduction

Is trust even playing a role in the todays and the tomorrow business world? Or is trust only necessary with incompetent managers who do not have the necessary methodical knowledge? Are 600 pages extensive instruction around the topic 'leading of employees' the solution of all guiding questions? Why is the importance of the relation between employee and manager pointed out in the working world but rarely implemented or approached concretely?. Such questions are the starting point of this work, which has the aim to examine the relevance of trust in the manager-employee-relationship. I have the deep conviction that especially values like honesty and trust are a very important component in the working world and that the consideration of them leads to more efficient business processes within companies. The definition of the theme arose while reading the works *"Change Management – Den Unternehmenswandel gestalten"* [1]. The authors pointed out the importance of the interpersonal level between managers and employees in companies today. However not by a concrete method. A further work picking up this theme more strongly is *"Vertrauen führt – Worauf es in Unternehmen wirklich* ankommt" [2]. It shows in a challenging way how trust in the relation between employees and their managers can be approached concretely. As the theoretical part by sense of the author of this work gets a raw deal a further work has been called in: *"Vertrauensmanagement in Unternehmen - Eine empirische Studie über Vertrauen zwischen Angestellten und ihren Führungskräften"* [3]. In the theoretical part of this work the from Sprenger worked out trust model is shown. As although strong parallels exist between the trust model of Sprenger and that of Meifert, approaches of both authors flow together. For a better understanding although a stronger importance has been putted on Sprengers executions, completed by Meifert's model in certain sections.

2. Theoretical fundamentals – The trust model

The following graphic of Sprenger as theoretic basic model helps. By this model-like presentation it is possible to structure the trust process into particular steps and to elaborate influencing factors. There should be noted that trust is specific situation and that this model has to be passed anew at every decision. Trust is understood at this point as conscious decision requiring no advance of the other. Carolyn Dyer, Senior Analyst of the Gallup- Organization (Venture Capital Company), notes:

"The best manager trust in their people from the first day. From the inner conviction they dare them giving their best and deliver good performance. Only cynical managers think the employees first have to earn the trust.

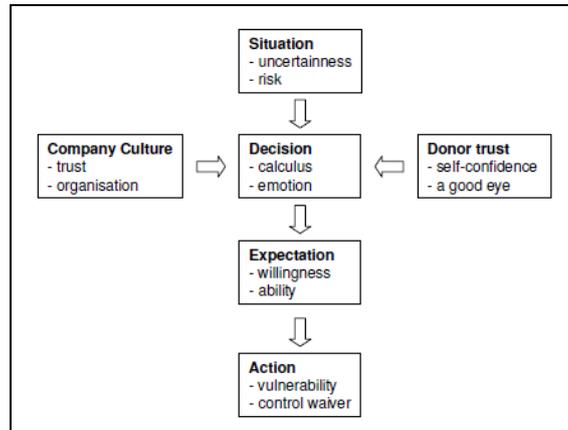The single phases of the in Fig. 1 shown trust model are explained in the next chapters.

Fig. 1: Trust model. Source: (Sprenger, 2004)

Situation: "It depends on the situation" same as with the treatment of trust. A demand on trust arises "only in an uncertain and risky situation" [4]. Such situations are daily at work, even by trying to reduce the risk and the uncertainty to a minimum with control mechanisms. Sprenger says that, especially for managers, the placement of trust towards their employees is first risky. This risk situation is assumption for even coming to the act of trust. Without a particular uncertainty and a certainly risk no trust is needed as the ending of a scenario can be predetermined. In a situation needing trust it is not like that. It gets more clearly by looking concretely to situations demanding trust. "I trust in you!" the parachuting newcomer says to his guide briefly before he jumps out of the plane. Therewith the uncertainty lays in if the guide really packed the chute right and there exists the risk, that the chute does not open and so the jump ends deadly. An example for the operating routine is the mechanic trusting in the preparation programmer who hopefully programmed right the milling work. The uncertainty is that the programmer made mistakes which cannot be proofed in advance. The risk is a "Crash" of the machine and the therewith connected costs.

Company culture: A further influence factor on the decision process is the company culture, characterized by the employees of the company. Does the company culture allow a support of trust or does only exist general mistrust towards managers or employees. Trusting in trust means to trust in the mechanism of trust. Are scopes and flexibilities on the organizational level granted or exists an enormous regulation concentration and every acting is controlled.

Furthermore the regulation of working time on organizational level reflects if the employee enjoys trust or not. Does the manager require on Monday a justification for the early office leaving at 2 p.m. on Friday from the employee in leading position or does he trust in that the employee knows when he can leave earlier or not.

Decision: Trust is always a ruling of "rational calculation mixed with emotional processes" [5]. In the style of Meifert the trust giver will do a rough estimate considering the potential gain, respective loss as well as the possibility of eventuation. This rough estimate is called calculation. Sprenger complements: "Trust is no moral acting. It necessarily does not consist of the belief in the good intentions of the other. It is quite assigned to the rational sphere. There exists a sanity guided benefit maximization of an advantage calculating intelligence" [6]. Nevertheless the feeling at the decision of trust plays an important role. Does the manager decide to leave the employee alone at the first customer pitch or does he still want to stay? Firstly the manager will classify the employee, examine possible scenarios and balance advantages and disadvantages. But at least the feeling decides.

Trust giver: The trust giver has to have a healthy self-confidence. Sprenger emphasizes that by his thesis: "Only those who trust in themselves can trust others". The further thoughts support this thesis. "Trust only one creates who dares, that means who performs vulnerability. "But you only go really vulnerable if feeling

secure insight and therewith have self-confidence". The trust giver additionally needs a good sense of proportion. But what is the right sense of proportion? Sprenger describes it as follows: "The [right sense of proportion] is the ability to make relaxed judgments about the relative importance of this or that. A good eye makes it possible to differ between extreme and proper, balancing and to decide"

Expectation: If the decision is made giving trust to the other, it is assumed that this person has the willingness and the necessary ability to properly execute the task entrusted to him. As a manager for sure does not dare his trainee to lead short-term the company, as he with big certainty still does not have the necessary abilities for that. However he dares this task to his long-time representative as he assumes that he possesses the necessary ability and willingness to lead the company.

Action: "Vulnerability starts trust". Only those who make themselves vulnerable are creating the precondition for trust. If the vulnerability is not given, no trust is needed. Make yourself vulnerable means to lay the success of an issue or a task into the hands of an employee. Or in short to delegate works. To go aware vulnerable means also under circumstances "degrade control systems. That does not have to be a ‚either-or', it can expand the scope of discretion a bit, change the type and quantity of the entrusted tasks" (Sprenger, 2004). By this renunciation of control it gets visible as a first act that it is really meant seriously with the trust. It especially is this renunciation of control which is often very difficult for most managers and which they possibly therefore do not see as useful. But exactly that is content of the development of trust. As the manager does not call his representative 3 times a day in the holidays, asking him for the work, explaining him what he still has to do. No, the manager hands over the reins and leaves the leadership fully his representative. He fully consciously renounces the control and therewith gives the employee the possibility to unfold in the new task. On the one hand side with the risk that the employee does a better work and the manager may has to reckon to lose his job and on the other hand side with the danger to choose the wrong person and thereby may to be called to account. So the manager goes vulnerable.

The trust model shows the process of trust divided into six components: situation, corporate culture, trust giver, decision, expectation and action. All these components are part of the decision for or against trust. All of these factors play a role in each trust action. This fact should be considered for the rest of the work so that no false conclusion can be drawn.

3. Analysis of Research

Chapter 2 dealt explicitly with the trust model. It explains the foundation that should be there, so that it comes to an action in the trust action. The following part examines whether the trust in the "manager employee relationship" is relevant at all and which consequences trust has on the operational procedure. So the following theses were listed:

1. If a manager trusts their employees, they are strongly striving not to disappoint the superior as if he/she controls them constantly.
2. If manager trust their employees, they are creating best possible requirements for efficient work.

The implicit contract: Each contract consists of an explicit and an implicit part. The explicit part of a contract contains particularly services and regulations. However, all contracts are not complete, so each contract also contains latitude, the so-called implicit part of a contract. The cooperation between superior and employee is based on an employee contract and on conditions made in daily life. These elements, the employment contract and the conditions, also contain an implicit part after previous thinking. Both employee and superior have mutual expectations, which have not been defined in the contract explicitly but they are existing nevertheless. These can for instance be good learning opportunities, a promotion, good climate and fair ways of behaving on the employee side. Expectations appear on the part of the superior towards the employees like high commitment, willingness to learn, innovation and loyalty. All of these expectations contain a certain uncertainty and it is also uncertain if these can be met. The explicit contract tries to arrange with regulations, which services are to fulfill and which sanctions arise if these services are not fulfilled. So it is strongly distrust oriented. So the implicit part of a contract is trust, the explicit part is distrust.

Trust bonds: According the above statement, the explicit part of the contract forms all regulations that can be controlled and monitored. Regulations that should tie up the staff. Examples in the employee contract

are the ancillary covenant or the cancellations periods. Conditions made beyond the employee contract, for instance in a project order, are the agreed bonus for reaching the goal as well as a supplementary premium for not reaching the goal. These regulations all have the goal to control the behaviour of the employee and to tie him/her up to conditions. The trust part of a contract, the implicit part, corresponds to the scope in a contract. The title "trust bonds" seems to be a contradiction in consideration of the above mentioned explanations. So the central question is, whether certain contents do really belong to explicit part of the contract? Is the required obligation achieved by controls and regulations or is it achieved by granted trust, the expansion of the implicit part of the contract?

Sprengers opinion: „We people are looking for balance. The give-and-take should be in equation if we want to feel relaxed. This is the law of the reciprocity. It tells us: "Balance out a gift!". The other invested something in us. Therefore our relation became unbalanced. We feel obliged to the giver.

In practical terms, that means „trust bonds". To free up space, i.e. to expand the implicit part of a contract, leads to a strong bonding between superior and employee than controls and regulations. The real example acts as visualization of what has been mentioned.

„As Andrew Grove and Gordon Moore founded Intel at that time they neither had a product nor a business plan. Later, Grove pointed out over and over again, that the fact, that the venture-capital-company (Venture capital company) gave him the money just out of trust in his person [emphasis added], obliged him more than a contract had ever done emphasis added.

So if the implicit contract is expanded at explicit expense the employee meets with more trust. According to the above mentioned deliberations the bond between superior and employee increases.

The thesis after the following argumentation is: *If a manager trusts their employees, they are strongly striving not to disappoint the superior as if he/she controls them constantly*

Efficiency increase by trust: Trust reduces complexity: The procedures in bureaucratic enterprises are hard to understand, even for long-term employees. There are instructions and rules for each action. Apparently easy work procedures are ruled and these rules impede the efficient cooperation, the whole enterprise becomes inscrutable, complex. Those complex major agreements often lead to major conflicts than easier ones. Trust leads to a reduction of those rules and that the implicit part of a contract can be expanded on explicit expense. Rules and controls are reduced and therefore the complexity in daily enterprise is reduced and the flexibility increased. A good example for that it is not valid for the relation between superior and employee only, is "Only the four-sided contract document, which the star-alliance founds their cooperation. A package of trust. Not only the contracted regulations but rather the interconnected processes in the intern enterprise make the easy work procedures complex and inefficient. Assumed that in an industrial company the rule applies, that the department manager can only effect orders until 500 Euro. Investments with higher amount must be sighted and approved by the company director. So the department manager is forced to contact the company director for an order of an 800 Euro tool for a special order. But he/she is not available at the moment. But the order is under a high time pressure and has to be done as soon as possible. The department manager has now the opportunity to act unauthorized, but then he/she has to expect certain sanctions, or he can release the order and leave the handling of the work to the creativity of the employees. Those would have an additional expenditure of time of several hours for the execution of the order by the non-optimal working conditions. In addition to that a tool worth 500 Euro is changed in a way so that it cannot be used for other orders any more. The regulation about the maximum order value leads, in this case, to a complicated work procedure that causes additional charges. So if you put trust into the department managers' decision-making ability it would lead to less complex working procedures.

Trust motivates: A huge problem superiors often complain about is the lack of motivation of the employees. With huge efforts they try to motivate their employees. There are additional programs, employees of the month are elicited and much more. The UBS, a Swiss high street bank, paid over 10 billion Euro profit-sharing in form of bonus payments to the employees in 2006 . An immense investment into the motivation of the employees. All these incentives are of extrinsic nature, i.e. "incited from outside (extrinsic), paid modest" . Nevertheless, Sprenger noticed in his book myth motivation, that an employee delivers a high performance if the employee is interested in the work itself (intrinsic). Long-term motivation for the

employee must therefore be of intrinsic nature. It requires latitude to make the work interesting and to support the intrinsic motivation of the employee, so that the employee can "flourish in his/her work". It requires trust to show up some latitude to the employee.

Trust saves costs: „Shiv Nadar, the CEO of HCL (one of the biggest IT company) says, that bureaucracies are always a sign of companies that have lack in mutual dignity and respect. It does not work to look over somebody's shoulder constantly. So it is merely introduced a factor of costs, that has no value at all [17]. Sprenger recons "the half pool of costs of most companies is distrust induced. As a warning signal of a development into this unproductive direction is that the administrative costs are growing much faster than the sales. Many workings are just done as a result of distrust, working which cause costs and no benefits. A Swiss SME with 60 employees, the secretary controls, a long-term employee, the monthly time cards and gets to the bottom of possible deviations at all time. After work is done the secretary hands the cards to the manager and owner, who checks all 60 cards again. Control of the control, plainly distrust. On the other hand it can be claimed: "these controls show up fraud cases and we can therefore save some costs!" The following quotation can be held against this statement: "Many sociological discoveries point out that the costs of a security system can even exceed the costs of a common fraud model." In other words: "95 % of the people are restricted in their movement abilities, because 5 % could abuse them". So that means that costs for 100 % of the personnel are introduced, due to the 5 %, which cause additional charges by abuse of confidence. If you consider this computation it can be concluded that you could save the costs for controls. Because of you accept the five percent fraud cases, you still are more favorable.

Trust supports creativity and innovation: Innovation is essential for surviving in the fast moving world of today. Each company adorns themselves with the word "innovative". Annually hundreds of the most innovative companies are elected and do even receive prizes for their excellent innovative ability. There are companies just existing because of generating ideas and being creative and by selling this creativity and ideas as products to other companies. Creativity and innovation are inquired, innovative production procedures are requested. But what are the requirements for creativity and innovation? There are places where you can express your ideas without being booed or being derided. The creativity technique "brainstorming" has an elementary rule which says that all ideas and key words are written down in the first phase. Criticism or derogatory remarks are not allowed. This has a good reason to do, because "ideas must be developed, suggested, tested, defended or taken back. You can only do that if you feel in good hands in an atmosphere of trust, respect and well-meaning." Creative people are so-called "risk taker", because being creative means to risk, to try something new in the first place. You can only try new things in a company, which concedes certain latitude

Trust allows successful leading: "Bosses often don't understand the tasks of their employees anymore." In a working world where specialist fields also have specialist fields it is not possible for the superior to understand every single task of the staff. Especially an industrial engineer already has a huge and interdisciplinary knowledge of the matter but this knowledge just scratches the surface. The complexity does not allow being a specialist in all fields. "So how do you lead employees whose output is quantifiable [measurable] poorly and you don't even "see"? By trusting them." . Instead of trying the impossible, being better than all employees in their specialist fields, you better attempt to provide a work environment that allows optimum working. Trust creates efficient courses of business: The advantages of a relationship based on trust between manager and employee were explained in the previous chapters. The following points can be listed:
- trust reduces complexity
- trust motivates
- trust saves costs
- trust supports creativity and innovation
- trust allows a successful leading

4. Conclusion

From the financial management we know that a high yield is always connected with high risks. The same main premise is also adaptable on trust. The one who trusts always accepts the risk of loss but knows

nevertheless that potentials can be developed, too. A deliberately decision of the superior is necessary to trust. The corporate culture acts supportive or inhibiting to this process. The trust giver has to have the necessary confidence to meet others with trust. He finally comes to his decision through calculation and emotion. He expects from the person that he meets with trust, that he/she is willing and able to do the transferred work. But the actual action that requires trust gets the trust giver into a sticky situation in which he is vulnerable and has to do without control. Every single situation that requires trust has this characteristic.

Since the people are always looking for a balance trust bonds the employee much stronger than controls does. An employee that has been met with trust is willing to accomplish the expectation of trust. This is the binding component of trust. To make this binding effect possible in daily work the implicit contract has to be expanded to explicit expense. Trust allows more efficiently working because the complexity is reduced and motivated. The employee is motivated much stronger so his/her creativity is increasing and therefore the entire company gets more innovative. Due to disappearing control mechanisms and unnecessary working processes, trust saves costs and therefore sets free potentials. It also allows a successful leading, i.e. an optimum working environment is created by trust for the employees.

A question that inevitably arises when thinking of trust is the question of the right dosage of trust and if I should trust a person again that already disappointed me. A possible answer to this offers the "Tit for Tat" strategy. It provides a helpful approach in daily situations. "Tit for Tat" is a strategy that is based on the „ethics of a second chance". This strategy has been discovered from games theoreticians in connection with the repeated prisoner's dilemma and can be applied as a strategy for dealing with trust. The basic idea of "Tit for Tat" is that an opponent is met with cooperation and trust at first. The trust is confirmed and in a next step the confirmed trust is met again with trust. A common higher usage can be achieved when acting like this in the game, as if one player strives for a profit maximization on the team-mates' expense. If the given trust is abused by the opponent, the player who gave trust will cancel the cooperation and punishes him/her hard. That means the trust is derived from the opponent. However, this trust deprivation must not be final but for a certain period of time. Then you will meet the opponent again with trust. Because the opponent had the possibility to learn from his previous situation he will get a second chance. If this second chance will also be abused the opponent cannot be met with trust a third time.

This strategy is based on rules that can also be used in daily work. According to Sprenger (2004) these are the following:

- Cooperation is always offered in a first step. If this cooperation is accepted in a next step, trust is given to the opponent on the other hand.
- If this trust is broken nevertheless, it will be sanctioned hard.
- After an uncertain time a new trust offer is made to the opponent.

"Tit for Tat" provides the biggest common benefit for both parties. The repeated cooperation is the requirement of these parties. This requirement is given for the relation between manager and employee. The essential thing in that strategy is that trust is given without an input and that a second chance is granted when breaking the trust. So the employee has been given the opportunity to learn out of the situation.

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