

TRUST AND MANAGEMENT-TO-EMPLOYEE COMMUNICATION IN SLOVENIAN COMPANIES: SOME EVIDENCE FROM THE CURRENT ECONOMIC CRISIS

POVJERENJE I KOMUNIKACIJA IZMEĐU RUKOVODSTVA I ZAPOSLENIKA U SLOVENSKIM PODUZEĆIMA: NEKI DOKAZI IZ SADAŠNJE GOSPODARSKE KRIZE

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Matevž Raškovič, Ph. D. candidate

Research and teaching assistant
Faculty of Economics, University of Ljubljana
Kardeljeva pl. 17, 1000 Ljubljana, SLOVENIA
Phone: ++386 31 307 049
E-mail: matevz.raskovic@ef.uni-lj.si

Barbara Moerec, Ph. D.

Research and teaching assistant
Faculty of Economics, University of Ljubljana
Kardeljeva pl. 17, 1000 Ljubljana, SLOVENIA

Maja Makovec Brenčič, Ph. D.

Associate Professor, Vice dean for development,
President of the Slovenian Marketing Association
Faculty of Economics, University of Ljubljana
Kardeljeva pl. 17, 1000 Ljubljana, SLOVENIA

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SAŽETAK

U ovome se radu analizira važnost povjerenja i komunikacije između rukovodstva i zaposlenika kod vodećih slovenskih poslodavaca uključenih u istraživanje Zlatna nit. Isto se tako analizira kako promjena i pogoršanje gospodarskog stanja u zemlji utječu na (a) povjerenje u

ABSTRACT

This paper analyzes the importance of *trust* and *management-to-employee communication* among top Slovenian employers from the *Golden Thread Survey*. The paper analyzes the changes and impact of the deteriorating external economic situation on (a) *company-em-*

odnosu poduzeće-zaposlenik te na (b) percepciju važnosti „povjerenja i dugoročnih odnosa s poduzećem sa stajališta kupca/klijenta“ od strane ispitanika rukovoditelja. Osim toga, analizom smo obuhvatili utjecaj komunikacije između rukovodstva i zaposlenika na oba vida povjerenja. Rezultati pokazuju da je razina povjerenja u odnosu poduzeće-zaposlenik stabilna i u gospodarskoj krizi, i to unatoč visokoj razini percipiranih promjena organizacijskih procesa te znatno slabijih finansijskih rezultata. S druge strane, percepcija važnosti „povjerenja i dugoročnih odnosa s poduzećem sa stajališta kupca/klijenta“ s produbljenjem krize znatno se povećala, čime podržava našu tvrdnju da u doba krize raste važnost odnosa i orijentacije na vanjske odnose. Postoji i čvrsta poveznica između stupnja otvorenosti i učestalosti komunikacije između rukovodstva i zaposlenika, kao i oba vida povjerenja izmjenjenoga među vodećim poslodavcima u Republici Sloveniji.

ployee relational trust, and on the (b) perceived importance of “trust and long-term relationships with the company in the eyes of the customer” by respondent managers. Furthermore, our analysis also looks at the impact of management-to-employee communication on both trust perspectives. The results show a stable level of company-employee relational trust in the face of the current economic crisis, despite a high level of perceived organizational process changes and a sharp decline in financial performance. On the other hand, the perceived importance of “trust and long-term relationships with the company in the eyes of the customer” has increased substantially as the crisis has deepened, supporting our claim that relationships and the external relationship orientation gain importance in the time of crisis. There is also a strong link between the degree of open and frequent management-to-employee communication, and both perspectives of measured trust among top Slovenian employers.

1. INTRODUCTION

The current economic downturn has put organizations and organizational relationships to a severe test. This has happened not only in Slovenia but on a world-wide scale. Quite a few Slovenian companies have gone bankrupt; others had to lay off employees and restructure substantially to stay afloat. On the other hand, some companies (too few unfortunately) are actually thriving in such circumstances, and have been able to transform a crisis into an opportunity. This poses an interesting question of how companies are coping organizationally with the current economic crisis, and why some are better at it than others.

Despite their unpredictability and a low probability of occurrence, crisis situations need to be studied more systematically due to the gravity of their organizational consequences.¹ It is precisely because of this that Beebe² calls for a greater need to understand the managerial implications and challenges of severe crisis contexts while Melé & Sanchez-Runde³ point to a need for a more holistic understanding of contemporary *management science* and *business practices* in light of the current economic crisis. Furthermore, Rahaman⁴ calls for a comprehensive cross-validation of existing theories and models due to the far-reaching impact this crisis might have in general and, especially, due to the saliency of its consequences in emerging markets.⁵

Evidence by Lee et al.⁶ also shows that disruptive and unforeseen organizational changes underlying a crisis are not just threats to organizations but can actually prove to be beneficial to them, thus presenting opportunities. This is especially true of companies that already have or can develop *flexible* and *adaptive dynamic capabilities*. These enable them to “renew, reconfigure, and adapt existing firm-specific resources in response to the fast changing environment”.⁷ Building on the resource-based view (RBV) of the firm,⁸ *human resources* are seen as a fundamental resource in the competitive advantage-building process⁹

and are crucial to crisis survival.¹⁰ In the modern day of hyper-availability of resources, human resources are one of the few remaining resources which satisfy the criteria of *value*, *rareness*, *uniqueness* and *non-substitutability*.¹¹ Ivens et al.¹² emphasize *relationship keyness* among these resources, where *flexible relational dynamic capabilities* are seen not only as a source of sustainable competitive advantage¹³ but also as a *real option* to better survive an unpredictable crisis situation in the future.¹⁴ In this context, it is relationships rather than resource or actor attributes that serve as actual vehicles in the configuration process involving resources, capabilities and competitive advantage.¹⁵

Building on the *relationship paradigm* within management,¹⁶ increasing integration of the *social exchange theory* into the study of organizational contexts¹⁷ and a recent focus on internal organizational antecedents for successful implementation of *relationship marketing*,¹⁸ this paper focuses on the importance of *trust* and the *management-to-employee communication* in internal and external organizational relationships. On the one hand, we focus on *trust*, which is seen “as a significant, if not pivotal, aspect” of any relationship.¹⁹ Similarly, Starr-Glass²⁰ positions trust as a “significant aspect of any marketing relationships” and, furthermore, points to a significant impact of the current economic crisis on trust at all levels and in all dimensions of marketing relationships. Therefore, several leading marketing authorities have called for a revived focus on trust research and analysis in marketing in light of the current economic crisis.²¹

On the other hand, Grönroos²² has positioned *communication* not only as an antecedent and facilitator of relational trust but as a *central relationship marketing process*. Nevertheless, research on *trust* and *communication* has so far focused mainly on external market contexts in the (relationship) marketing literature, neglecting the internal market of a company – i.e. its employees. The earlier work by Ballantyne²³ and the recent work by Iglesias, Sauquet & Montana²⁴ mark a departure from this *external* dominance in the

relationship marketing literature and, hopefully, give rise to an increase of academic interest in a more *internally-externally balanced* research approach.

The general purpose of our paper is to analyze the impact of the current economic crisis in Slovenia across the 2008-2010 period on the (a) internal *company-employee relational trust*, as well on the (b) externally perceived importance of *trust and long-term relationships with the company "in the eyes of the customer"* by focal companies. Furthermore, the paper also analyzes the impact of *management-to-employee communication* on internal employee-company relationships, and the perceived importance of *trust and long-term relationships with the company "in the eyes of the customer"* by respondent managers of focal companies. A common motivation for these two points of research may be found in the recent work by Vanhala & Ahteela²⁵ on the role of HRM practices – communication, in particular – in the process of building *impersonal organizational trust*.

2. TRUST AND COMMUNICATION IN ORGANIZATIONS

The importance of *trust* has been particularly emphasized in organizational settings and relationships,²⁶ where it has often been seen as a key "*organizing principle*".²⁷ If trust is a pivotal aspect of organizational relationships, the scope of the organizational relationships needs to be clearly defined first.

2.1. Relationships in an organizational setting

Morgan & Hunt²⁸ have outlined the relationships paradigm in the context of all activities directed towards the establishment, development and

maintenance of successful, long-term and value-adding relational exchanges. Within the relationship paradigm, an organizational relationship can be defined as a link between at least *two sides* (organizational actors)²⁹ in an *organizational context*³⁰ with the intent to *create value* for all sides.³¹ Despite this quite generic definition of an organizational relationship, Veludo, Macbeth & Purchase³² stress that organizational relationships in general, and the networks consisting of these relationships too, are "*as diverse and complex as the individuals who participate in them*".

Håkansson & Snehota³³ outline a two-level approach to understanding business relationships. On an *organizational level* these relationships should be seen as links between two organizations. The second level represents links between individuals within and between organizations which are named *interpersonal relationships*. While inter-organizational relationships are crucial to the understanding of e.g. supplier-buyer dynamics, individual interpersonal relationships shape and influence the whole organizational relationship context.³⁴

Organizational relationships are defined by two important dimensions: *content* and *function*.³⁵ Content pertains to all the aspects affected by such relations on both/all sides of the relationship. In general, three levels of content can be identified, namely: (a) *activity links*, (b) *resource ties* and (c) *actor bonds*, and they have come to be known as the so-called ARA model.³⁶ Activity links are all the activities which can, in the course of a relationship, be linked to the activities of another organization (i.e. purchase activities, administrative activities etc.). Resource ties, on the other hand, refer to all resource connections with other organizations (i.e. financial resources, technology, know-how, human resources etc.). Actor bonds link both organizations and individuals (two levels) and affect both the perception of actors and their identity.³⁷

The functional dimension refers to the effect a business relationship on the actors. Håkansson & Snehota³⁸ again define three different relation-

ship functions: (a) *dyadic function*, (b) *function for the individual actor* and (c) *function for other actors*. The dyadic function stems from a two-way, dyadic link between two actors, their resources and activities. On the other hand, the function for the individual actor relates to the impact a relationship has on the individual actor, its own internal relationships and the external relationships to other actors. The function for other actors represents the opposite view from the function for the individual actor. As each actor is embedded in a myriad of other networks, individual actors shape the network context for other actors while the network also shapes them at the same time. In turn, this can be linked directly to the view of economic sociology and the concepts of *embeddedness*, where social structures consisting of relationships are thought to shape and constrain actor behavior.³⁹

Having provided a very broad framework for organizational relationships, the remainder of our paper focuses solely on the general *company-employee* organizational relationship between an organization and a person employed in it. This internal perspective is further complemented by an external *company-customer* relationship or, rather, its perception by the respondent organizational managers. Thus, our examination and analysis of *trust* is applied only to these two organizational relational contexts. With regard to *communication*, the only communication studied in the paper is the basic *management-to-employee communication* between senior organizational management and the employees in the organization (at all organizational levels).

2.2. Trust and effects of trust in organizational relationships

In its most general view trust can be defined as the *"willingness to accept vulnerability based on positive expectations about another's intentions or behaviors"*.⁴⁰ In organizational relationships Ganesan⁴¹ links trust to joint action and collabora-

tion, and understands trust in a relationship as a *lubricant* that binds actors together, facilitating joint actions. It also has a profound impact on actors' future intentions in the relationship. According to Gadde & Snehota,⁴² trust as manifested through closeness affects the degree of integration and involvement. Furthermore, trust also implies an *"important role of reciprocity in relationships"*, which means that individual actors in a relationship extend the benefits of repetitive joint actions and collaboration.⁴³ Importantly, trust has been closely linked to both *commitment*⁴⁴ and *trustworthiness*⁴⁵ in organizational relationships.

Generally speaking, the principal effects of trust in an organizational context include *positive attitudes, increased cooperation* and other types of *"workplace behavior"*, as well as *"superior performance"*.⁴⁶ Additionally, and particularly important to organizational team dynamics, it has been shown trust leads to *"better team processes and performance"*, which makes it an important managerial tool.⁴⁷ According to Kramer⁴⁸, there is *"accumulating evidence that trust has a number of important benefits for organizations and their members."* In this respect, Dirks & Ferrin⁴⁹ outline both (a) *direct effects* of trust on organizational processes (e.g. communication, managing conflicts, negotiating, satisfaction, and individual and unit performance), and (b) *indirect or enabling effects* of trust. With regard to the latter, *"trust creates or enhances the conditions, such as positive interpretations of another's behavior, that are conducive to obtaining organizational outcomes like cooperation and high performance"*.⁵⁰

Looking more specifically at organizational behavior, trust has been shown to positively and directly affect *organizational citizenship*,⁵¹ *expended effort* within a team,⁵² *involvement in decision-making processes*,⁵³ mediation of *'psychological contracts'* and employee retention,⁵⁴ *goal acceptance*⁵⁵ and *decision acceptance*⁵⁶. It negatively affects certain types of *distributive*⁵⁷ and positively affects *integrative behavior*⁵⁸. Moreover, Earley⁵⁹ has found trust to mediate *praise and criticism* with regard to the job performance

evaluation. Similarly, trust has been established to positively affect *job satisfaction*⁶⁰, *satisfaction with meetings*⁶¹, *satisfaction with communication*⁶² and *work group satisfaction*.⁶³ Interestingly, trust has been shown even to positively affect *fairness and accuracy of job performance appraisal*.⁶⁴ More specifically related to the scope of our paper, Vanhala & Ahteela⁶⁵ have recently also shown HRM as an important vehicle for building *impersonal organizational trust*, where *communication* has been established as one of the most important HRM practices in this trust-building organizational process.

When it comes to the individual (employee) performance aspect, trust has been shown to positively affect *leader task performance*⁶⁶ and *sales performance*⁶⁷ while also *mediating* the relationship between violation of psychological contracts and company performance in general.⁶⁸ In terms of the organizational unit performance, trust has been found to positively affect *business unit performance*,⁶⁹ overall *group performance*,⁷⁰ *dyadic performance*⁷¹ and *inter-organizational performance*.⁷²

McEvily, Perrone & Zaheer⁷³ also outline two *causal pathways* through which trust influences organizational processes, namely: *structuring* and *mobilizing*. While "*trust shapes the relatively stable and enduring interaction patterns in and between organizations*" from a structuring perspective, from a mobilizing perspective it "*motivates actors to contribute, combine and coordinate resources toward collective endeavor*".⁷⁴ According to the authors, structuring refers to the "*development, maintenance, and modification of a system of relative positions and links among actors situated in a social space*".⁷⁵ Structuring can take place through either *transferability*, *generative capacity*, *delayed reciprocity* or *role specialization*, and can result in different formal and informal *patterns of density*, *multiplexity*, *stability* or *non-redundancy*. On the other hand, mobilizing refers to "*the process of converting resources into finalized activities performed by interdependent actors*".⁷⁶ Such resources can be either material and/or non-material. Mobilizing can take place either through *dis-*

closure and screening, *identification* or *suspended judgment*, and can result in different formal and informal *processes of knowledge sharing*, *committing* or *safeguarding*.⁷⁷

Specifically related to turbulent and crisis situations, Morgan & Hunt⁷⁸ outline how trusting relationships are characterized by higher levels of flexibility and tolerance, compared to relationships with lower degrees of trust. According to Claro⁷⁹, trusting relationships also mitigate external ambiguity and uncertainty. Sezen & Yilmaz⁸⁰ and Kumar, Scheer & Steenkamp⁸¹ link the importance of trust-based flexibility in uncertain and turbulent organizational contexts. Anderson & Narus⁸² further link trust to the creation of a supportive atmosphere⁸³, which encourages adjustment to changing circumstances. More recently, and building on the perspective of trust as an "*organizing principle*"⁸⁴, trust has in the current economic crisis begun to be understood as a key *transformational crisis governance mechanism*.⁸⁵

2.3. Role and effect of communication in organizational relationships

Anderson & Narus⁸⁶ define communication as the provision of relevant and timely information between actors. On the other hand, Mohr & Nevin⁸⁷ emphasize the *message (content)*, *channel (means)*, *feedback (two way communication)* and *communication impact/effect* as the main elements of the communication process. Kotler⁸⁸ adds to this the concept of *transmitters* and *receivers*, *coding* and *decoding of information* as well as *responses* and possible *disturbances* in the communication process itself. Selnes⁸⁹ believes that open and timely communication and information exchange have a positive influence not only on trust but also on level of satisfaction of all actors involved in the relationship. This may be directly linked to *communication* being un-

derstood as a central process within *relationship marketing* – which can be focused both externally and internally.⁹⁰ The direct link between information and trust can also be established through one of the measures of evaluating trust, namely *trust based on information exchange*.

Linking information and communication to the organizational network context, improving communication and sharing of information among network actors enables better *process* and *action coordination*.⁹¹ In addition, better communication and information sharing lower information asymmetries in the network, reducing *opportunistic behavior* and (transaction) costs⁹² while increasing relationship *flexibility*⁹³ at the same time. According to Dabholkar, Johnston & Cathey⁹⁴ and Williams⁹⁵, information sharing in organizational relationships and networks facilitates better understanding of the other side's position, needs and challenges. In this context, Dore⁹⁶ and Romo & Schwartz⁹⁷ believe that such *“embedded actors satisfy rather than maximize [...] and shift their focus from the narrow economically rational goal of winning immediate gain and exploiting dependency to cultivating long-term, cooperative ties”*.⁹⁸

Addressing the issue of *management-to-employee communication* in organizational settings more specifically, Jo & Shim⁹⁹ outline the importance of *“supportive”* and *“favorable”* communication of the organization's management with its employees as a building block of trust, greater job satisfaction and better employee performance¹⁰⁰ which, in turn, leads to increased organizational success.¹⁰¹ The empirical findings of Jo & Shim¹⁰² show that *“supportive oral communication relates positively to individuals' perceptions of management's supportiveness and friendliness. [This] perceived support creates trust that the organization will fulfill its exchange obligations by rewarding employee effort”*. Solomon¹⁰³ adds *communication* and *workplace trust* as two essential management tools. In this regard, Mackenzie¹⁰⁴ stresses the importance of *“relationship-building communication”* of management with employees which can act as a powerful motivational

tool, helping to build a favorable organizational climate and culture.¹⁰⁵

Related more closely to the current crisis situation, the very recent work by Mazzei & Ravazani¹⁰⁶ delineates the *“missing link”* of *“manager-employee communication during a crisis”* most holistically and explicitly perhaps. In their research the authors have shown how poor internal communication in a sample of Italian companies has severely aggravated the current crisis situation. Concerning the specific practices of crisis management, Coombs & Holladay¹⁰⁷ stress the importance of *communication*, which can either minimize or multiply the negative effects of a crisis situation. The latter was especially emphasized by Goodman & Hirsch.¹⁰⁸ Thus, according to Frandsen & Johansen¹⁰⁹ crisis situations cause both a polarization of *“voices”* in organizations and their *multiple interpretations* by employees.¹¹⁰

In a special two-by-two typology of various types of crises McDonald, Sparks & Glendon¹¹¹ analyze the current economic crisis through dimensions of *controllability* (controllable vs. non-controllable) and *locus* (internal vs. external). According to the authors, the current economic crisis has exposed most (if not all) organizations to the most severe type of a crisis situation, namely the uncontrollable external kind. The role of communication in trust and flexibility building can be extended to *credibility* building and *uncertainty reduction* in a crisis situation, according to Shenker-Wiki, Inauen & Olivares.¹¹² Furthermore, the issue of credibility relates directly to the perception of *fairness, transparency, and information consistency*.¹¹³

3. RESEARCH HYPOTHESES

Based on the review of the relevant literature presented above as well as in view of the purpose and scope of our research, we have outlined

three research hypotheses to be tested within the empirical part of our research, namely:

Hypothesis 1: *As the economic crisis worsens, the importance of trust increases both in internal company-employee relationships and in perceived external company-customer relationships among top Slovenian employers.*

This hypothesis is built on the assumption of a greater importance of relationships as the sources of *flexible dynamic capabilities* which companies can tap into in order to better weather the storm of the crisis. Having said this, based on available macroeconomic data the economic crisis reached its peak in Slovenia in 2009 before stabilizing slowly in 2010. Thus, the bulk of the expected increase in the importance of trust is posited to have occurred in the 2009/2008 period, with a fairly steady situation in the 2010/2009 period that followed (compared to 2009/2008).

Hypothesis 2: *In the economic crisis higher levels of open management-to-employee communication in Slovenian employers are positively linked to a better overall company-employee relationship.*

This hypothesis builds directly on the very recent work on the importance of manager-employee communication in a crisis by Mazzei & Ravazzani.¹¹⁴

4. DATA

4.1. The Golden Thread Survey

Data for our analyses is based on the *Golden Thread Survey* (Slovene; "Zlata nit"), which has been conducted annually since 2007. As the questionnaire was modified after the first year (2007), our analysis includes data for the period between 2008 and 2010. The main purpose of The Golden Thread Survey (hereinafter: GTS) is to promote and share the best management practices related to HRM, marketing and busi-

ness innovations of the top Slovenian employers (companies). The research project also provides an important link between the business world and academia in Slovenia, and is seen as the most extensive of its kind in South-East Europe.

The GTS is conducted on the basis of a public call for participation in one of Slovenia's leading daily newspapers (*Dnevnik*) and other media. It has attracted an increasing number of participating companies every year, ranging between 130 and 170 companies annually. Out of these companies, a 101 best Slovenian employer is selected every year, and provides the empirical baseline of the GTS – i.e. the company-level sample of the GTS (n=101). Table 1 summarizes the overall sampling process.

Table 1: Summary of the GTS sampling process

	2008	2009	2010
Total number of companies applying to the open call for participation in the media	130+	150+	170+
Number of selected best employers	101	101	101
Number of respondent employees	7,500	8,014	7,357
Number of identical respondent companies in all three years	37		
Cumulative number of sample companies in all three years	220*		

Source: The GTS, 2008-2010. * Represented as the sum of both the panel of 37 companies in all three years and other companies taking part once or twice in the research over the period of 2008-2010.

As we can see from data in Table 1, more than 130 companies answered the open call for participation published in the media in 2008 and their

number rose to 177 by 2010. Out of all the applications received, a ranking of 101 best Slovenian employers was compiled each year according to a selection of HRM, marketing, innovation and financial performance indicators. Only 37 of the best Slovenian employers between 2008 and 2010 maintained their ranking among the top 101 in all three years. Because of this, our data set corresponds to a mixture of a *partial cross-section* and a *partial unbalanced panel* data set. In total, 220 one-time best-ranking companies comprise the data set for our analysis between 2008 and 2010; 37 companies remained constant throughout the whole three-year period, and an additional 46 companies took part in the research in other annual pairs¹¹⁵ between 2008 and 2010.¹¹⁶

The GTS project is conceptually based on the Balanced Scorecard approach and consists of

two structured questionnaires. The first questionnaire employs the widely accepted Hackman & Oldham¹¹⁷ Job Diagnostic tool to measure 6 different HRM dimensions of the company-to-employee relationship, as one of the most widely used survey instruments in the management and organizational literature nowadays. This questionnaire is distributed among all of the respondent companies' employees (on all organizational levels). The second questionnaire includes a series of selected *marketing performance* and *business innovation performance* indicators, as well as the *perceived level of various organizational process changes* within the last three years and the rankings of the *perceived importance of selected marketing offer elements* in the "eyes of the customer". Table 2 provides a summary of the operationalized variables from the second questionnaire which are included in the analysis in this paper.¹¹⁸

Table 2: Operationalization of selected variables from the GTS employed in analysis

Indicator	Variable operationalization	Brief comment
Perceived organizational process changes	<i>Please indicate your perception of the level of changes in the specified organizational processes within the last three years</i>	Evaluated on a 5-point Likert scale. Selected organizational processes include: <i>marketing, HRM, production, other org. processes</i>
Customer loyalty	<i>Please indicate the average share of retained customers in the last three years in your main product group</i>	6 pre-specified answer groups: (1) 91-100%; (2) 71-90%; (3) 61-70%; (4) 51-60%; (5) 50% or less; (6) Don't know
Perceived importance of value elements "in the eyes of the customer" (by respondent company managers)	<i>How important, in your opinion, are the following value offer elements in the "eyes of your customers"? (Please rank order them according to importance)</i>	Respondent managers had to rank order 6 pre-specified value offer elements: (1) <i>product and service quality</i> , (2) <i>brands</i> , (3) <i>price and payment terms</i> , (4) <i>R&D related to products and services</i> , (5) <i>additional services linked to products and services</i> and (6) <i>trust and long-term relationships with the company</i>
Management-to-employee communication	<i>Communication of top management with employees is frequent and open</i>	Evaluated on a 5-point Likert scale by individual employees.

Source: The GTS, 2008-2010.

While the first *Job diagnostic* questionnaire was filled-out on an individual employee level, the second “*performance*” indicator was filled-out on the company level by respondent companies’ top managers. This data is further complemented by secondary financial data obtained from the Agency of the Republic of Slovenia for Public Legal Records and Related Services (AJPES), to which all Slovenian companies are required to report by law.

4.2. Data collection and sample properties

Between 2008 and 2010, more than 22,800 employees of more than 220 different Slovenian top companies filled out the job diagnostic survey. In each of the three reference years (2008-2010), data was collected in the last quarter (Q4) of the calendar year. Table 3 presents an overview of the key sample characteristics of our data, at the company level (n=101 in every year).

Given the *open call* nature of the GTS and the sample characteristics of the respondent companies in all three years, we can see that the respondent companies are not representative of the entire Slovenian business sector. Rather, they represent the above average and the most successful Slovenian companies (based on the average added value per employee and average gross monthly salary per employee) which had a strong interest to participate in the GTS project.

5. KEY RESULTS

5.1. Trust and internal company-employee relationships

Looking at the internal company-employee relationship first, Table 4 provides the average mean scores and standard deviations for the overall Hackman & Oldham¹¹⁹ dimension of the *basic*

Table 3: Overview of key sample characteristics at the company level (2008-2010)

Characteristic	2008	2009	2010
Number of small companies*	47 (46.5%)	50 (49.5%)	49 (48.5%)
Number of medium companies*	33 (32.7%)	26 (25.7%)	30 (29.7%)
Number of large companies*	21 (20.8%)	25 (24.7%)	22 (21.8%)
Average added value per employee	EUR 60,392	EUR 62,808	EUR 48,412
Average gross monthly salary	EUR 1,867	EUR 2,145	EUR 1,854

*A small company has up to 50 employees, a medium-sized company has between 51 and 250 employees and a large company has 251 employees or more.

Table 4: Basic company-employee relationship mean scores and corresponding standard deviations (5-point Likert scale)

Characteristic	2008	2009	2010
Cronbach alpha	0.838	0.842	0.846
Average mean score at company level (annual n=101)	4.01	3.96	4.02
<i>Standard deviation</i>	(0.57)	(0.62)	(0.47)
Average mean score at individual employee level (total n= 22,871)	3.89	3.81	3.86
<i>Standard deviation</i>	(0.86)	(0.89)	(0.88)

Source: The GTS, 2008-2010.

company-employee relationships, measured by 6 Likert-type items.

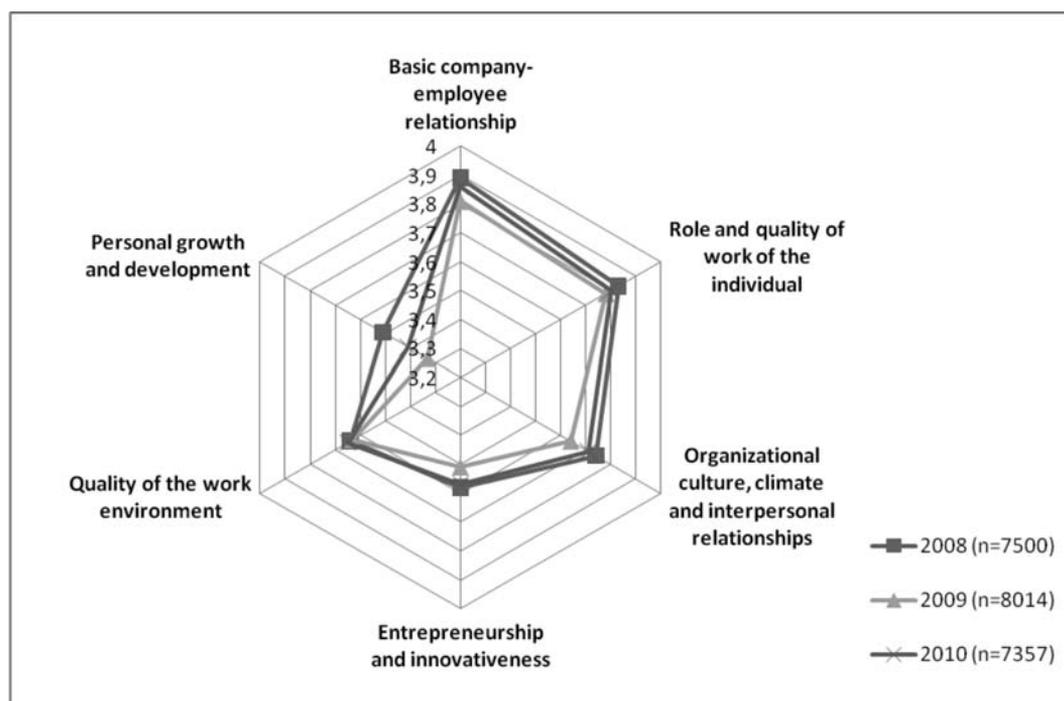
Taking the basic company-employee relationship score as an indirect proxy of trust in internal company-employee relationships, we can see from the corresponding mean scores that the *basic company-employee relationship* dimension has a fairly constant average score (and corresponding variability) both at the employee and at the company level in all three studied years. Despite the fact that the current economic crisis in Slovenia officially started late in 2008 and reached its peak in 2009, the overall average mean score of the *basic company-employee relationship* remained constant and does not display any statistically significant differences among the three years. Having said this, we can claim that the average *company-employee relationship* remained extremely stable and constant even

during the “bottoming” of the market and the peak of the crisis in 2009.

Providing an even broader comparison of the impact of the current economic crisis on all 6 Hackman & Oldham¹²⁰ HRM dimensions, Figure 1 provides a graphical comparison of the *employee-level* average mean scores for all 6 dimensions in the 2008-2010 period.

As we can see from the corresponding average mean score comparisons, these remained relatively stable between 2008 and 2010 on 5 out of the 6 HRM dimensions. While there were no statistically significant differences on any of the 6 HRM dimensions between 2008 and 2010, we can still see the biggest mean difference on the dimension of *personal growth and development*, especially between 2008 and 2009 as the crisis reached its peak. This would suggest this HRM

Figure 1: Comparison of cumulative employee-level average mean scores for all 6 dimensions of the Job Diagnostic survey instrument (2008 to 2010; total n= 22,871 respondent employees)



Source: The GTS, 2008-2010.

dimension to be the most heavily influenced by the turbulence of the deteriorating external economic situation.

5.2. Trust in external company-customer relationships

With regard to the role of trust in external company-customer relationships, we would again like to stress that the GTS measured the *perceived importance of trust and long-term relationships with the company in "the eyes of the customer"* (ranked among 6 different value offer elements).

the best Slovenian employer companies perceived their customers to put a "higher premium" on *trust and long-term relationships orientation* to mitigate the uncertainty and turbulence in the market in the current economic crisis; this was true both absolutely and relatively to other "value offer" elements.

5.3. Importance of management-to-employee communication

With regard to the overall importance of *open and frequent management-to-employee com-*

Table 5: Absolute and relative increase of the perceived importance of trust and long-term relationships with the company in the eyes of the customer as a proxy for external company-customer relationship orientation (2008 to 2010)

Selected "value offer" indicator	2008	2009	2010
Trust and long-term relationships with the company*	393 pts	441 pts	437 pts
Brands (product, service)	289 pts	274 pts	256 pts
Price and payment terms	374 pts	371 pts	377 pts
R & D	202 pts	220 pts	219 pts
Additional services (related to product offer)	256 pts	293 pts	290 pts
Quality (product, process, service)	522 pts	552 pts	551 pts

Source: The GTS, 2008-2010. * The importance of *trust and long-term relationships with the company* was measured as the perceived ranking of 6 value concepts from 1 to 6 on the company level. The total *points* score refers to the weighted cumulative number of points (from 1st ranking worth 6 points to 6th ranking worth 1 point).

Between 2008 and 2010, the perceived importance of *trust and long-term relationships with the company in "the eyes of the customer"* increased by 11.1%, second only to the increase of the importance of *additional services related to the product offer* (13.8% increase). Furthermore, a relative increase of the perceived importance of *trust and long-term relationships with the company in "the eyes of the customer"* seems to follow the dynamics of the crisis, with the increase in the 2009/2008 period being even larger than that in the 2010/2008 period. Thus, one could say that

munication during the current economic crisis, Table 6 displays the difference on selected "performance" indicators among respondent companies with a higher and lower degree of such management-to-employee communication (as evaluated by the employees of the respondent companies).

Based on the comparison presented in Table 6, we can clearly see that the companies whose employees evaluated at the level of open and frequent management-to-employee communi-

Table 6: Link between open and frequent management-to-employee communication and selected "performance" for 2010

Selected "performance" indicator	Higher degree of communication*	Lower degree of communication*
<i>Trust and long-term relationships with the company in the "eyes of the customer"</i>	297 pts**	140 pts
Share of loyal customers in the 91 to 100% retention class.	48.5%	45.7%
Perceived level of marketing process changes within the last 3 years (5-point scale)	4.3	4.0
Perceived level of HRM process changes within the last 3 years (5-point scale)	4.4**	3.9
Basic company-employee relationship	4.3**	3.5
Personal growth and development	4.0**	3.1
Added value per employee (i.e. company performance proxy)	50,169 EUR**	44,932 EUR

Source: The GTS, 2008-2010. * The cut-off value between *lower* and *higher* degree of open and frequent management-to-employee communication was 3.31 on a 5-point Likert scale. ** Statistically significantly different at $\alpha \leq .05$.

ation to be higher display a statistically significantly higher: (1) perceived level of importance of trust and long-term relationships with the company in the "eyes of the customer" (it can be used as a proxy for external marketing orientation), (2) perceived level of HRM process changes in the organization (more dynamic HRM function), (3) quality level of the basic company-employee relationship, (4) level of personal growth and development (which is the most sensitive to the economic crisis of the 6 HRM dimensions) and (5) added value per employee. Furthermore, we can also see a very strong association between the degree of open and frequent management-to-employee communication, and between both internal and external organizational trust dimensions.

6. CONCLUSION

This paper has analyzed changes to the importance of trust in the basic internal company-employee organizational relationship, as well as

in the perceived importance of trust in external company-customer relationship in the current economic crisis. In this respect, we find partial support for our first hypothesis. Thus, while the level of quality of the basic company-employee relationship, as a proxy for internal organizational trust, has remained stable as the crisis worsened, the perceived importance of trust and long-term relationship with the company in the "eyes of the customer" has increased significantly in the external company-customer relationship. With regard to the other hypothesis, we can confirm that higher levels of open and frequent management-to-employee communication result both in a higher evaluation of the basic company-employee relationship and can be linked to better marketing, HRM and financial performance of the organization as well. Additionally, higher levels of open and frequent management-to-employee communication can also be linked to a perceived importance by the respondent managers of trust and long-term relationships in the "eyes of the customer" which is more than twice higher, indicating that communication can be linked to both internal (employee-oriented) and external (cus-

customer-oriented) trust. This directly complements the finding of Vanhala & Ahteela¹²¹ as well, as it shows implicitly how organizational culture can be an important driver of relationship marketing and illustrates its impact on organizational performance within an economic crisis situation.¹²²

Furthermore, our results also pose important implications for management practice, also calling for a more holistic understanding of contemporary management practices in light of the current economic crisis.¹²³ While the internal

company-employee relationship seems to act as a sort of "buffer" in the face of a deteriorating external economic situation, the external company-customer relationship orientation seems to be an "important line of relationship marketing defense". As an element linking both these internal and external trust contexts together is the increased importance of open, transparent and frequent management-to-employee communication, which should be seen as critical in any crisis situation but especially in the one of such magnitude and duration.

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