An Empirical Research on Influence of Organizational Trust on Employee Engagement

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Abstract: This paper is based on a sample of 194 employees of state-owned enterprise in Liaoning province. Using hierarchical regression method, it discusses the relationship between organizational trust and employee engagement, and the effect of leadership-member exchange relationship and work values in this process. Analysis results show that each dimension of organizational trust has significant positive influences on leadership-members exchange, work values and employee engagement. Leader-member exchange and work values have partial mediating effect in the relationship between organizational trust and employee engagement.

Keywords: organizational trust, leader-member exchange, work values, employee engagement

1 Introduction

Engagement is belong to the positive psychology, and it has been written in the socialist core values in the “eighteenth big report”. Relative to the counterproductive behavior and production deviation behavior, research on employee engagement in the organization became a hot issue again in theoretical circle. Hakanen (2008) finds that engaged employees are more likely to be initiative in the work, then to improve enterprise's overall creativity[1]. In discussing the importance of employee engagement, Mario (2013) points out that employees are the key assets of the enterprise. When employees have lower engagement, they can't devote to enterprise effectively to solve the problem or make contributions for the enterprise, and even hinder the further development of the enterprise; However, when employees have higher engagement, they will bring new impetus and innovative ideas for enterprise, so it is critical to the success of enterprise[2].

The survey of WORLD REPORT in 2012, however, shows that only up to a third of the employees globally are fully engaged in work. Contract to low engagement, is more likely to stay and dedicate in the company. Gallup, American consulting firm, releases "Employee Engagement Study and Work Environment” in 2013, and the report says the proportion of China's dedicated staff is only 6%, well below the 13% of the global average. The same theme of the investigation report released by the agency in 2009 shows that the Chinese employee engagement is 2%. From the survey we know, although the degree of employee engagement has raised after 2009, the overall level is still low. The reality of low engagement staff have an adverse impact on our business development. In recent years, scholars has made many positive and useful explorations on employee engagement’s influencing factors and its mechanism of action (see Fig.1). As trust is the employees’ cognition and experience of trustworthiness of the overall organization and their colleagues in the particular organization [3], when employees of the organization develop into a high level of trust, employee engagement become higher (Chughta & Buckley2008)[4]. Chieh-Peng Lin(2010) argues that corporate social responsibility will influence employee engagement through the mediating role of organizational trust[5]. In particular, Chinese employee’s work engagement tend to be their cognitive and emotional to the organization. So, what is the “black box” between organizational trust and the employee engagement? After a review of Existing literature, I found research on mechanism between the two variables is still insufficient. At present, most study on employee engagement mainly comes from the consulting practice, lack of the research in China background[6]. As common variables, Leader - Member Exchange (Han yi, Bai-yin Yang, 2011; Zhou Jian, Shi shui-sheng,2013; Pengzheng Long, Zhao Hong-dan, 2011, etc.) and work values (LI Yan-Ping, Hou Hengfang, 2014; Qing Ping, Shi Dan, 2012; Huo Na, Li Chao-ping, 2009, etc.) have high frequency of occurrence in the study of local corporate governance in recent years.

Therefore, this paper aims to further study and verify whether these two variables play a part between organizational trust and employee engagement, and hope to further enrich and complement the research on the mechanism of employee engagement in localization theory.

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2 Hypotheses and theoretical models

2.1 Organizational trust and employee engagement
Organizational trust is an important part of organizational culture\(^{(9)}\). Trust is the ability to effectively communicate in the organization of one of the most fundamental factor, is the basic principle of any organization\(^{(8)}\). Foreign scholars defines organizational trust from the perspective of trustee, trusted people as well as the interaction relationship of trustee and trusted person. Although different scholars have different understanding of organizational trust, in the process of research scholars generally agree with this view, that is, trust is the common belief that individual and group members voluntary to compliance and loyalty to the organization's commitment and not seek any additional benefits. In this process, the organization members are willing to expose themselves in dangerous and vulnerable situations, but they believe others’ action in the organization is beneficial to them. McAllister (1995) divides organizational trust into two dimensions, based on the emotional trust and based on cognitive trust\(^{(9)}\). Improve employee engagement has become a central issue for the sustainable development of modern enterprise\(^{(10)}\). Schaufeli (2002) noted that employee engagement is a pleasant work-related positive mental state \(^{(10)}\). Rina Men (2012) makes a research of 157 employees from Fortune 500 companies, the results pointed out that CEO credibility and employee engagement was positively related, and organization's reputation plays a moderating effect in the employee engagement model\(^{(12)}\). Zheng(2008) argues that organizational trust can reduce employee silence\(^{(13)}\). Shen (2012) has a survey with 227 employees from more than 30 companies in the central region, and he finds that colleagues trust has a significant positive impact on the work engagement, organizational trust has a significant positive impact on the work engagement and organizational engagement\(^{(14)}\). Zhao(2013) found that organizational trust has a positive influence on job satisfaction\(^{(15)}\). In summary, we put forward the following hypothesis:

H1: there is a significant positive correlation between organizational trust and employee engagement.

H1a: Based on emotional trust has a significant positive correlation on employee engagement.

H1b: Based on cognitive trust has a significant positive correlation on employee engagement.

2.2 Leader-member exchange and employee engagement
Graen, Dansereau (1972) put forward leader-member exchange theory (LMX) when studying new employees’ social issues. The main idea is that managers tend to use a different attitude towards different employees, employees are divided into "In-groups" and "Out-groups" by their relationship with leaders. The employees who are "In-group" can often get more trust, help and resources, however, the employees who “Out-groups” can not get similar treatment\(^{(16)}\). Leader-member exchange (LMX) is a theory of leadership that emphasizes the role-making process involving leaders and work group members who report
to them and the extent to which their relationship exhibits exchange and reciprocal influence\(^{17}\). Domestic and foreign scholars have many divisions about the dimensions of LMX, single dimension, three dimensions and four dimensions are the representative among these divisions. This study uses Dansereau & Graen’s definition about LMX and use their single dimension scale. High quality LMX can provide a favorable working environment for employees. "In-groups" with more information and more support are more likely to inspire their enthusiasm and initiative, so employees have a strong organization responsibility, thereby they will increase the level of employee engagement. In China, the relationship between leader and member has become a dominant key of successful working relationships and healthy business outcomes\(^{18}\). Liu’s(2013) study with more than 164 general staff and managers finds that LMX has a positive impact on employee engagement\(^{19}\).

In summary, we put forward the following hypothesis:

H2: Leader - Member Exchange has a significant positive correlation with employee engagement.

2.3 Work values and employee engagement

Work Values is proposed by Super. He argues that work values are the expression of work-related goals which the individual pursues in the work. Individual’s inherent need is expressed by its pursuit of work characteristics or properties when the individual is engaged in work\(^{20}\). Li Chaoping (2009) suggests that work values are some ideas and beliefs with different importance. It will exceed specific situation, help to guide individual to choose and evaluate things and behavior related with work, and help to achieve Ideal behavior and state\(^{21}\). Therefore, work values are employee’s subjective perception that can meet their pursuit of self-worth at work. It is the subjective understanding and judgment of work and its related factors. And it is also an inner power to guide employee behavior and attitudes. This study will use Super’s definition of work values. For the popular division, there has two dimensions, three dimensions and four dimensions\(^{22}\). This paper will adopt Manhardt view about work values to divide work values into three dimensions, including comfort and security, capacity and growth, status and independence. Vansteenkiste (2007) argues that the work values of good organization relationship and self-development can make employees to be more dedicate to work\(^{23}\). Gerhard (2011) points out that the positive factors in work values have a promoted effect on employee behavior, organizational citizenship behavior, job satisfaction, job involvement and so on\(^{24}\). Based on grounded theory, LI Yan-Ping (2012) studies the work of the values of the new generation employee, and find that the new generation employee work values will have an impact on work behavior through mediating role of the work preferences.

With the influence of work values, the new generation employee have a clear preference for on work. Weather their work preferences are met or not will have positive or negative behavior in the workplace\(^{25}\). Accordingly, we propose the following hypothesis:

H3: there was a significant positive correlation between work values and employee engagement.

2.4 The mediating effect of leader-member exchange and work values

Social exchange theory is often used to explain the relationship between LMX and employee behavior. It not only include the Material exchange, such as a promotion, raise salary, etc; also include spiritual exchange, such as respect, trust and support. Leadership style affect organizational trust\(^{26}\). Ferrin (2002) research indicates that, if the exchange relationship is good, on this basis of trust, employees will establish and maintain relationships leaders and show positive response to work, such as work attitude, work behavior, organizational performance, employee performance; however, if the exchange relationship is not good, it is difficult for employees to trust their leaders. In the absence of trust-based environment, it is hard to develop a mutually beneficial relationship with leaders, so it is difficult to generate more positive operating reaction\(^{27}\). High quality leader-members exchange relationship can improve the level of organizational trust\(^{28}\). Employee engagement reflects the contractual relationship between the employee and the organization. In the interactive relationship with the organization, the employees come gradually to identify with their role in the organization, and then invest and pay extra efforts from the cognitive and emotional aspect. In return, organization also have responsibility to provide employees resources or interest to facilitate such inputs behavior. Based on social exchange theory, when the employees’ have more perception of trust, the staff will put more effort and invest more personal resources in their work in return. Work values affect their willingness or target to work, thereby affecting its level of effort and performance, so it can help to know the attitudes and motivation of employees and analysis employees behavior on the basis of it\(^{29}\). Liang (2012) makes a empirical research on Taiwan Hotel frontline and find that work values and job burnout is an important factor in promoting organizational citizenship behavior. Implications of this study is that correct work values may motivate employees to work hard through employee work behavior\(^{30}\).

In conclusion, high quality leader-member exchange relationship will enhance the level of mutual respect and trust between leaders and subordinates; and this relationship will bring such positive impact as respect, loyalty and responsibility, and has a positive influence on employee engagement. Thus, it can be inferred that leader-member exchange plays an mediating role in the relationship between organizational trust and employee engagement. Organizational trust is good to the formation and development of correct work values, and good work values have an impact on employee attitudes (such as job satisfaction, job involvement, turnover
intention) as well as employee behavior (such as organizational behavior, work performance). Thus, it can also be inferred that work values play an mediating role in the relationship between organizational trust and employee engagement. Accordingly, we propose the following hypothesis:

H4: Leader-Member Exchange play an mediating role on organizational trust and employee engagement.
H5: work values play an moderating role on organizational trust and employee engagement.

To sum up, the theoretical model of the present study is shown in Figure2.

Fig.2 Theoretical model

3 Research methods

3.1 Variable measurement

Organizational trust based on three dimensions scale from McAllister, and it include based on emotional trust, based on cognitive trust and have 8 items. Leader-Member Exchange use Graen and Novak single dimension scale, including 7 items. In 1972, Manhardt compiled Work Values Scale, and then in 1998, Meyer, Irving and Allen revised it. They are three dimensions with 21 problem items, including comfort and security, capacity and growth, status and independence. Employee Engagement Scale based on three dimensions from Zha Songcheng, including organizational identification, job involvement, work values and have 17 items. All measurement scales involved in this study are the five Likert scoring method ,that is "1 = strongly disagree; 2 = do not agree; 3 = general; 4 = somewhat agree; 5 = strongly agree."  

3.2 Data collection and analysis methods

In this study, the sample data is taken from state-owned enterprises in Liaoning Province, including the front-line general staff, technical staff and senior management. We distribute 250 questionnaires and exclude invalid questionnaires, we get 194 valid questionnaires back. The effective rate is 77.6%.

4 Empirical analysis

4.1 Reliability analysis

This study uses Cronbach’s consistency coefficient (α coefficient) to analyze the scale reliability. You can see it from table 2, the scale reliability of organizational trust, LMX, work values and employee engagement is 0.938,0.880,0.939,0.913, and the reliability of each dimension in the scale is more than 0.8. It shows that organizational trust, LMX, work values and employee engagement have a Good reliability, and the questionnaire is designed reasonably.

Tab.1 Sample descriptive statistical analysis (n =194)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Group</th>
<th>Number of people</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sex</td>
<td>Male</td>
<td>128</td>
<td>66%</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>66</td>
<td>34%</td>
</tr>
<tr>
<td>Age</td>
<td>Twenty to twenty-nine</td>
<td>95</td>
<td>49%</td>
</tr>
<tr>
<td></td>
<td>Thirty to thirty-nine</td>
<td>54</td>
<td>28%</td>
</tr>
<tr>
<td></td>
<td>Above forty</td>
<td>45</td>
<td>23%</td>
</tr>
<tr>
<td>Education</td>
<td>High school and below</td>
<td>21</td>
<td>10%</td>
</tr>
<tr>
<td></td>
<td>College</td>
<td>85</td>
<td>44%</td>
</tr>
<tr>
<td></td>
<td>Undergraduate course</td>
<td>87</td>
<td>45%</td>
</tr>
<tr>
<td></td>
<td>Bachelor</td>
<td>1</td>
<td>1%</td>
</tr>
<tr>
<td></td>
<td>Masters and above</td>
<td></td>
<td></td>
</tr>
<tr>
<td>position</td>
<td>Ordinary staff</td>
<td>80</td>
<td>41%</td>
</tr>
<tr>
<td></td>
<td>group leaders</td>
<td>37</td>
<td>19%</td>
</tr>
<tr>
<td></td>
<td>Senior managers</td>
<td>77</td>
<td>40%</td>
</tr>
<tr>
<td>Working</td>
<td>One to five years</td>
<td>80</td>
<td>41%</td>
</tr>
<tr>
<td>experience</td>
<td>Six to ten years</td>
<td>34</td>
<td>18%</td>
</tr>
<tr>
<td></td>
<td>More than ten years</td>
<td>80</td>
<td>41%</td>
</tr>
</tbody>
</table>

Tab.2 Scale reliability analysis

<table>
<thead>
<tr>
<th>Scale Name</th>
<th>Subscales name</th>
<th>Cronbach α coefficient</th>
<th>Overall α coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational trust</td>
<td>Based on emotional trust</td>
<td>0.911</td>
<td>0.938</td>
</tr>
<tr>
<td></td>
<td>Based on cognitive trust</td>
<td>0.916</td>
<td></td>
</tr>
<tr>
<td>LMX</td>
<td>LMX</td>
<td>0.880</td>
<td>0.880</td>
</tr>
<tr>
<td></td>
<td>comfort and security</td>
<td>0.843</td>
<td>0.939</td>
</tr>
<tr>
<td>Work values</td>
<td>capacity and growth</td>
<td>0.908</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Status and independence</td>
<td>0.876</td>
<td></td>
</tr>
<tr>
<td>Work engagement</td>
<td>organizational identification job involvement</td>
<td>0.931</td>
<td></td>
</tr>
<tr>
<td></td>
<td>work values</td>
<td>0.938</td>
<td></td>
</tr>
</tbody>
</table>

4.2 Validity analysis

This paper uses SPSS17.0 to test the validity of the questionnaire, and the results show that the KMO value of the organizational trust, leader-member exchange, work values and employee engagement are 0.888,0.855,0.913,0.938, they are all more than 0.8.
Bartlett sphericity test chi-square values are 1359.678, 782.066, 2637.495, 1359.678 respectively, P value are all less than 0.001, reach the significant level.

The paper use principal component analysis to extract the factors of these four scales. One factor of organizational trust scale has been extracted, the load coefficient is greater than 0.6, the cumulative contribution rate was 69.733%; One factor of LMX scale has been extracted, the load coefficient is greater than 0.6, the cumulative contribution rate was 78.22%. The first factor work values scale has been extracted, the load coefficient is greater than 0.6, the cumulative contribution rate was 67.542%; Three factors of employee engagement scale have been extracted, the load coefficient is greater than 0.6, the cumulative contribution rate was 74.437%. These results show that the scales have good structure validity.

4.3 Homology analysis of error

In order to eliminate the questionnaire of homologous error produces in the process, this paper uses the respondents information hiding method and option weight measuring method. Before rotating, all items have been put together to analyse. The first principal component load quantity is 36.085%, and it is in an acceptable range, so the common variance problem is not serious.

4.4 Correlation analysis

The research adopted the Pearson correlation analysis. Table 2 illustrates that organizational trust has a positive correlation with employee engagement and the correlation coefficient is 0.575, and the P value is less than 0.01. The correlation coefficient of LMX and employee engagement is 0.563, and the P value is all less than 0.01. The correlation coefficient between LMX and organizational trust is 0.563, P value is less than 0.01; so organizational trust is positively related with the LMX. Therefore, assumptions have got preliminary validation.

4.5 Regression analysis

This paper uses hierarchical regression analysis to verify whether there are any intermediary role of LMX between organizational trust employee engagement and the mediation effect of work values, and use the four steps method of Baron and Kenny to explore. From table 3 model 2 (M2), you can see that $\Delta R^2$ is significant, $F = 51.62, (P < 0.01)$, the standardized regression coefficients of based on emotional trust and based on cognitive trust to employee engagement are 0.419 ($P < 0.01$) and 0.424 ($P < 0.01$), H1a and H1b are verified. On the basis of model 3 (M3), model 4 (M4) join the independent variables based on emotional trust and based on cognitive trust, explanatory power increased significantly, H3 is verified. Contrast model 6 (M6) and 5 (M5), after the intervention of intermediary variable LMX, regression coefficient becomes (from 0.683 to 0.227, $P < 0.01$) not significant, therefore, the LMX intermediary effect, H4 is verified. Contrast the model 7 (M7) and 8 (M8), after the intervention of intermediary variable work values, no significant regression coefficient becomes (from 0.881 to 0.881, $P < 0.01$), therefore, the mediation effect of job values verified, namely H5 verified.

<table>
<thead>
<tr>
<th>Variables</th>
<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organizational trust</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>LMX</td>
<td>0.575**</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Employee engagement</td>
<td>0.783**</td>
<td>0.563**</td>
<td>-</td>
</tr>
</tbody>
</table>

Note: ** indicates significance at the 0.01 level (two-tailed test)

5 Conclusions

5.1 Results analysis

Based on the survey of 194 employees of state-owned enterprises and data regression analysis results show that organizational trust (trust based on emotional trust, based on cognitive trust) are positively correlated with employee engagement; organizational trust (trust based on emotional trust, based on cognitive trust) are positively correlated with LMX; LMX is positively correlated with employee engagement; LMX have partial mediation effect on the relationship of organization trust (trust based on emotion, based on
cognitive trust) and employee engagement; work values have partial mediation effect on the relationship of organization trust (trust based on emotion, based on cognitive trust) and employee engagement. Research of this paper further enrich the mechanism research of organizational trust and employee engagement, and it has certain reference value on the management of domestic enterprises.

5.2 Management suggestion
From the results discussed above, this paper put forward the following suggestions:

Enterprises should focus on the effect of organizational trust in the healthy development of enterprise, strengthen organizational leadership management level, and then increase communication between leaders and employees.

Leaders should be devoted to build a good interactive relationship with employees, make full use of the advantage of the "inner circle", and strive to make "outsiders" into "insiders", weaken the influence of the "circle", create a good organization atmosphere and construct the organizational culture of mutual trust.

Leaders should help employees to set up correct work values, and try to create an atmosphere of mutual respect, mutual trust and mutual care among employees, so the staff can work in peace and harmony environment, then improve employee engagement.

5.3 Limitations
There are, however, some limitations in this paper:
First, the influence of organizational trust on employee engagement study only stay at the individual level, it is not rise to the organizational level, further research should focus on the level of study. Second, with the method of cross-sectional study to verify the influence of organizational trust on employee engagement, and the intermediary role of LMX and work values in the process, further research should pay more attention on the intermediary role of LMX and work values in the process, further research should pay more attention on the longitudinal study. Third, sample data is limited to state-owned enterprises, it may affect research conclusions’ universality. Further research should be combined with a wider range of samples to enhance the accuracy of the conclusions.

References