



Building and Leveraging Interpersonal Trust Within and Across MNE Subsidiaries: A Social Exchange Perspective



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ABSTRACT

To understand how multinational enterprises (MNEs) can make the most of an integrated global workforce, we draw upon social exchange theory to examine the antecedents and consequences of interpersonal trust among co-located and cross-border employees. With data from employees of three Greater China subsidiaries of an MNE, we assess the effects of (1) social exchange variables on two forms of interpersonal trust, (2) interpersonal trust on organizational citizenship behaviors (OCBs), and (3) individualism/collectivism as a moderator. Reflecting the complex nature of interpersonal trust, our results offer mixed support for our hypotheses. On one hand, a majority of our hypotheses support our contention regarding the positive influence of social exchange in the development of interpersonal trust, and further, in the enactment of OCBs. On the other hand, some of our hypotheses were either not supported or were counter-intuitive to our propositions. With an interesting mix of results, our study highlights the complexity of the trust construct. Furthermore, in the clarification of social exchange–interpersonal trust–citizenship relationships, our study highlights the importance of individualism/collectivism as an important boundary condition.

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1. Introduction

During the last couple of decades, globalization and liberalization of economic and business activities have considerably changed the dynamics of international trade. With fewer trade restrictions and reduced entry barriers, it has become easier for multinational enterprises (MNEs) to enter and establish operations abroad (Cavusgil et al., 2008). However, the path of globalization has also been fraught with many challenges, especially for MNEs as they strive to integrate and coordinate their operations across international subsidiaries (Ghoshal and Bartlett, 1990; Harvey et al., 2011; Li et al., 2002; Manolopoulos, 2007). MNEs have complex organizational structures and multiple operations that span many national boundaries. Consequently, the integration of human resources is a complicated process—one that is based on the development of trusting relationships within and across subsidiaries.

Interpersonal trust, a key element in social scenarios (Adler and Kwon, 2002; Bstieler and Hemmert, 2010; Burt, 2005; Kramer, 1999; McAllister, 1995; Zhou et al., 2007), is an assurance that exchange partners would not act in their own self interest (Madhok, 1995; McAllister, 1995; Uzzi, 1997). The presence of trust is not only essential for the fulfillment of prescribed duties and obligations (Madhok, 1995), but it also motivates individuals to exhibit behaviors that are not mandated as part of their work profiles. By influencing individual behaviors, trust greatly contributes towards a firm's economic performance (Madhok, 1995;

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Zaheer et al., 1998). In the MNE context, parent firms exercise tighter controls to ensure structural safeguards against subsidiary opportunism, and this further necessitates the establishment of trust (Madhok, 1995). A sound base of trusting relationships may also be needed for MNE employees to go above and beyond their role prescriptions by engaging in good citizenship behaviors within their organization.

One of the unique aspects of MNEs is that they often operate in different cultures. For MNEs, cultural differences exist not only at the national but also at the individual level. At the individual level, culture is reflected in differences in individuals' value orientations and behaviors. For instance, the individual orientation of individualism versus collectivism (I–C) acts as the source of individual proclivity towards personal goals versus shared interests (Hofstede, 1980; Wagner, 1995). Individual value orientations determine the extent to which individuals identify and relate with their groups, and are willing to cooperate in group settings (Gibson and Zellmer-Bruhn, 2001; Wagner, 1995). Such tendencies may not only impact individuals' trust in others but also influence their organizational citizenship behaviors (OCBs).

Therefore, to ensure MNE integration of human resources, it is important to understand how social relationships influence interpersonal trust, within and across subsidiaries, and how these trusting relationships foster OCBs. In certain cultures, such as China, informal relationship networks, also called *guanxi*, form the very basis of social exchange (Lin and Si, 2010; Luk et al., 2008). Therefore, for MNEs operating in greater China it becomes even more important to understand the various aspects of exchange relationships (Hitt et al., 2002) and how they shape interpersonal trust and subsequent OCBs. Building on the framework of social exchange theory (SET) we attempt to inform both scholarship and the practice of management about the role of social exchange in generating and leveraging interpersonal trust in MNEs operating within greater China.

According to SET, in social settings, as a result of healthy exchange of interpersonal resources employees take care of fellow employees and consequently, trusting relationships develop, which in turn are responsible for promoting individual behaviors (Blau, 1964; Cropanzano and Mitchell, 2005; Zaheer et al., 1998). Based on a sample of employees working in three different subsidiaries of a multinational banking corporation located in mainland China, Taiwan and Hong Kong, we use SET to explicate the relationship between quality and frequency of social exchange and interpersonal trust, and further, between interpersonal trust and OCBs. In doing so, our study offers four valuable insights. First, by building on the framework of SET, our study highlights the importance of interpersonal exchange quality in fostering both affective and cognitive forms of interpersonal trust not just for co-located but also for cross-border MNE employees. According to social exchange theorists, when employees take care of fellow employees, healthy social exchange occurs, which, in turn, influences employee behaviors (Cropanzano and Mitchell, 2005). Second, in the examination of the antecedents of interpersonal trust, our study compliments extant research (e.g., Jiang et al., 2011) by not only clarifying social exchange antecedents of interpersonal trust but also studying the above relationships in the context of employees who work in different geographic locations. Our third contribution is that we illustrate the influence of both forms of interpersonal trust on OCBs for both co-located and cross-border MNE employees. Finally, by examining the role of the individual value orientation of I–C, our study highlights the importance of individual differences in predicting behaviors within and across national contexts.

2. Theoretical framework and hypotheses

2.1. Social exchange perspective

Social exchange theory (SET) aims at understanding social behavior of humans in economic undertakings. In particular, SET examines how actions of individuals depend on rewarding reactions from others (Blau, 1964). Social exchanges between individuals take place by way of voluntary transfer of resources and are followed by rewards for both parties at either end of the exchange relationship (Cook, 1977; Cropanzano and Mitchell, 2005). Rewards refer to the monetary benefits or personal satisfaction that one may enjoy in a social exchange process, while resources that undergo exchange can be material goods or non-material elements like symbols of approval, information, and prestige (Cropanzano and Mitchell, 2005; Homans, 1958; Thibaut and Kelley, 1959).

Earlier researchers viewed social exchange relationships as cost–benefit relationships between two individuals, where, if a person perceived the costs of a relationship as outweighing the perceived benefits then he/she would choose to leave the relationship. But with time, the spectrum of SET has undergone expansion and in addition to dyadic relationships, principles of SET have also been applied to network relationships (Cook, 1977; Cropanzano and Mitchell, 2005). SET suggests that by way of social interactions, interpersonal obligations get established, and over a period of time, when these obligations are being discharged, interpersonal trust develops between exchange partners (Blau, 1964; Cropanzano and Rupp, 2008). In the development of interpersonal trust, quality, frequency and tenure of exchange relationships play a foundational role and motivate individuals not just to curb their opportunistic tendencies but also rise above their role prescriptions, thus, paving the road to organizational success (Blau, 1964; Cropanzano and Mitchell, 2005; Cropanzano and Rupp, 2008; Rodriguez and Wilson, 2002; Zaheer et al., 1998).

For MNEs, which are defined as, “a group of geographically dispersed goal disparate organizations that include headquarters and different national subsidiaries” (Ghoshal and Bartlett, 1990, p. 603), exchange relationships serve as indispensable conduits of competitive advantage (Noorderhaven and Harzing, 2009). Relationships between exchange partners, both within and across subsidiaries, promote credibility and trust, and act as prerequisites for all kinds of individual behaviors (Ellis, 2010). Thus, within MNEs, the establishment of trust is crucial to the enactment of individual behaviors (Harvey et al., 2011; Ng et al., 2007). In the following sections, we consider the development and expression of social exchange process within and across MNE subsidiaries. First, we examine how social exchange builds interpersonal trust. Next, we consider how interpersonal trust between co-located

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