Building trust and commitment through transparency and HR competence

A signaling perspective

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Abstract

Purpose – The purpose of this study is to explore factors that help to determine employee trust in and affective commitment toward the organization.

Design/methodology/approach – Data for this study were collected using surveys administered to employees of a company located in the southeastern United States. The final sample included 391 matched supervisor–subordinate dyads.

Findings – We found organizational signals of trustworthiness led to affective commitment through increased levels of employee trust. Employees and supervisors who perceived HR professionals to be competent, who felt organizational information distributions were of high quality and who felt the organization disclosed relevant information exhibited higher levels of trust in the organization. Employees showed higher affective commitment when they trusted the organization. We found that supervisor trust directly impacted subordinate affective commitment as well.

Originality/value – These findings help extend signaling theory from the attraction of employees to their retention and help researchers and practitioners alike to understand the organizational trust- and commitment-building process.

Keywords HR competence, Transparency, Signaling theory, Commitment, Trust

Paper type Research paper

Introduction

Employee affective commitment – identification with, attachment to and involvement in an organization (Meyer and Allen, 1991) – has been found to influence a wide array of desirable workplace outcomes, such as altruism, performance and intentions to continue in the organization (e.g. Iverson and Buttigieg, 1999; Jaros, 1997; Mayer and Schoorman, 1992; Meyer *et al.*, 2002; Shore and Wayne, 1993; Siders *et al.*, 2001). As such, attention to its antecedents is beneficial for Human Resource (HR) researchers and practitioners. Research thus far supports a tight connection between employees' affective commitment and trust – perceptions of good intentions with positive consequences (Mayer *et al.*, 1995) – in leaders (e.g. Yanik and Gursoy, 2015) and the organization more broadly (e.g. Xiong *et al.*, 2016). The purpose of the current study, therefore, is to explore factors that help to build trust in and subsequent affective commitment toward the organization.

One challenge in developing trust in organizations is the information asymmetry inherent in the employment relationship. Organizational executives typically possess information about the organization that is unavailable to rank and file employees, as well as lower level leaders. According to signaling theory, when information asymmetry occurs between stakeholders, signals can be used to reduce uncertainty by conveying important perceptions

of quality (Spence, 1973; Stiglitz, 2002). For example, website quality (Basoglu and Hess, 2014) and the use of esteemed auditors (Balvers *et al.*, 1988) have been used to signal quality to investors, whereas price, warranties and the building of high-end stores have been used to signal quality to customers (Boulding and Kirmani, 1993; Dawar and Parker, 1994). In the current study, we explore how perceptions of transparency and HR competency can signal quality in terms of organizational trustworthiness to internal stakeholders (employees and supervisors).

Empirical evidence supports the notion that informational justice – the quality of communication regarding decisions affecting employees (Colquitt, 2001; Greenberg, 1993)– impacts trust in leaders (e.g. Colquitt *et al.*, 2001; Frazier *et al.*, 2010); yet little attention has been given to how and whether this trust might extend to the organization (Searle and Dietz, 2012). Schnackenberg and Tomlinson (2016) proposed a model in which perceptions of organizational communication transparency could lead to trust in the organization through perceptions of trustworthiness. While this model shows promise in illuminating a process for building organizational communication-based trustworthiness, empirical attention to this model is lacking. Furthermore, we know little about whether transparency leads indirectly to affective commitment as well. Following the model of Schnackenberg and Tomlinson, we expect that employee perceptions of transparency (disclosure of relevant information and information quality) will signal trustworthiness to employees.

As trustworthiness is intended to address key characteristics about the trustee (Colquitt *et al.*, 2007; Mayer *et al.*, 1995), it has been conceptualized to include benevolence, integrity and ability. According to signaling theory, the utility of a signal depends largely on the receiver's perceptions of both the sender and the signal itself (Connelly *et al.*, 2011). In many organizations, signals received by employees originate from an organization's HR department; therefore, we include perceptions of competence of an organization's HR professionals as an additional signaling mechanism, enhancing the utility of the signal. Therefore, we expect that employees who perceive high levels of transparency and HR competence will reciprocate with affective commitment through a mediated relationship with organizational trust. We further expect that supervisor perceptions of organizational trust (through their own perceptions of transparency and HR competence) will act as an additional commitment-enhancing mechanism for employee affective commitment.

Our contribution to the HR literature is fourfold. First, we help to extend the reach of signaling theory from the recruitment process to the employment experience. While signaling theory has been explored throughout the recruiting literature (Ehrhart and Ziegert, 2005; Highhouse *et al.*, 2007; Spence, 1973; Wilhelmy *et al.*, 2016) less attention has been focused on other aspects of the employment lifecycle. For example, research suggests that organizational signals sent once employees join an organization may be even more relevant to employee retention than signals sent during recruitment (Earnest *et al.*, 2011). Our study helps to understand why this may be the case. Second, a signaling perspective is particularly useful regarding our relationships of interest due to the importance of understanding how perceptions of HR and its competence influence employee-level attitudes toward the organization. To date, researchers investigating the competence of HR professionals have primarily examined the competencies of individual HR professionals (Lo *et al.*, 2015; Ulrich *et al.*, 1995). Less common is the examination of competence perceptions of the HR function or department (Farndale, 2005; Sheehan *et al.*, 2007).

Third, we integrate discussion of two previously disconnected yet highly related constructs that explore signals of trustworthiness; namely, informational justice (Colquitt *et al.*, 2001; Colquitt *et al.*, 2013) and organizational transparency (Schnackenberg and Tomlinson, 2016). There is great overlap between these two constructs, particularly regarding their relationships with trust, and our study makes use of their theoretical synergy to understand the complex nature of an individual's trust toward the organization. Fourth, we explore an additional top-

down signal influencing subordinates' commitment to the organization which is the leader's own trust toward it, via perceptions of transparency and HR competence. We argue that leaders who trust the organization send signals that the organization is worthy of the subordinates' identification, attachment and involvement. In other words, supervisors higher in trust should have subordinates with higher affective commitment.

We expand on these ideas below, beginning with a review of relevant literature and a deeper discussion of our theoretical arguments. We then describe the examination of our dataset, report the results of our analyses (which provide support for our arguments) and conclude by discussing the study's limitations as well as implications for both research and practice.

Background and hypotheses

Affective commitment and trust

Affective commitment reflects an employee's emotional attachment to the organization (Allen and Meyer, 1990). Individuals high in affective commitment identify with the organization and have a desire to stay with it– not necessarily because they must but because they want to do so (Li *et al.*, 2016). Employees who are affectively committed to the organization tend to exert greater efforts to help ensure its success. Research suggests a variety of positive workplace outcomes from affective commitment, such as increased organizational citizenship behavior and employee performance and decreased withdrawal and turnover intentions (Carmeli and Gefen, 2005; Iverson and Buttigieg, 1999; Jaros, 1997; Mayer and Schoorman, 1992; Meyer *et al.*, 1993; Shore and Wayne, 1993). Thus, it is critical to explore ways to build affective commitment in the workforce.

In line with past research, we expect that employees are more likely to feel affective commitment toward the organization when their trust in it is strong. Trust, in the current study, is defined as the acceptance of vulnerability to an entity due to positive expectations of its intentions (Dirks and Ferrin, 2002; Rousseau *et al.*, 1998). We expect that employees with greater trust in their organizations are more likely than others to be affectively committed to it. The notion that trust enhances commitment is not new as ample research has supported this link (e.g. Aryee *et al.*, 2002; Dirks and Ferrin, 2002; Mukherjee and Battacharya, 2013). Trust is thought to fuel a reciprocal social exchange relationship between the individual and the organization, such that the individual feels positive affect toward the organization and has good intentions for it (Camerman *et al.*, 2007; Xiong *et al.*, 2016). This results in stronger identification with the organization and a desire to remain a part of it.

A trustee comes to trust another person or entity when she/he perceives that person or entity as being trustworthy (Dietz and Den Hartog, 2006). Mayer *et al.* (1995) argued that trustworthiness is rooted in the trustor's perceptions of the trustee's benevolence (the extent to which the trustee has the trustor's best interests in mind), integrity (the extent to which the trustee adheres to principles deemed acceptable by the trustor) and ability (skills, competencies and characteristics making the trustee capable of influencing events). Thus, employees will trust the organization when they perceive that it exhibits the benevolence, integrity and ability necessary to create positive outcomes for them. Whereas ample research addresses individual characteristics influencing trustworthiness qualities, less is known about how the organization signals qualities of trustworthiness (Lumineau and Schilke, 2018; Searle and Dietz, 2012). Thus, we turn to an organization-level perspective – signaling theory – to understand how employees might come to develop trust in the organization.

Signaling theory

Over the last forty years or more, researchers in a range of fields (e.g. anthropology, biology, economics, marketing and zoology) have used signaling theory to study information

asymmetry reduction. Information asymmetry occurs when one party has private information that another party would find useful for decision-making (Connelly *et al.*, 2011; Stiglitz, 2002). Signaling theory was originally developed to address the uncertainty of information asymmetry for individuals on both sides of the job market – applicants and potential employers (Spence, 1973). Information asymmetry is present in that situation, as the applicant is aware of his/her ability to perform the job (i.e. his/her quality as a candidate), whereas the employer does not initially know the applicant well enough to make that judgment. The applicant must therefore send a quality-reflecting message to the employer to reduce information asymmetry – and, thus, uncertainty – between them. In this model, the sender (or signaler) communicates or signals information to a receiver who then interprets the signal. Intentional signals of the unobservable characteristic of quality are the core of this literature, as researchers are focused on whether or how an entity – be it an organization, product or individual – communicates its worth to a receiver (Basoglu and Hess, 2014; Connelly *et al.*, 2011; Dawar and Parker, 1994; Highhouse *et al.*, 2007; Spence, 1973; Stiglitz, 2002). In management, this theory has been used to explore signals from individuals, organizations or products directed toward potential investors, consumers, competitors, the broader labor market and employees (see Connelly *et al.*, 2011, for a review). While signaling can effectively be used to convey quality when complete information is unavailable, it comes at the expense of time, money or other resources. Job applicants, for example, must often signal quality through academic degrees, which are typically expensive to attain in terms of both time and money. A sender attempts to create equilibrium such that the value of the reduction in information asymmetry equals the cost of the signal. In the job search example, the applicant achieves equilibrium if attaining a high-quality image in the eyes of the potential employer is worth the time and money spent on education (Spence, 1973).

In the current paper, the organizational quality signals of interest are those reflecting its trustworthiness. We look at the organization as the sender and its employees as receivers. We argue – and expect to find – that investments in signals of trustworthiness do pay off – in the form of employee trust and subsequent affective commitment. Furthermore, we expect the supervisor to serve as an additional signal, such that he/she is a mechanism through which the organization can impact employee affective commitment.

Signals of organizational trustworthiness

Research on both justice and transparency can help us to understand exactly how the organization might communicate signals of trustworthiness to employees. To begin, studies in the organizational justice literature have consistently supported the notion that employees are more likely to trust a leader or other entity when they perceive that leader or entity as fair (see Colquitt *et al.*, 2013 for a meta-analytic review). In addition, perceptions of justice have been found to predict commitment (Minibas-Poussard *et al.*, 2017), with trust as a mediator (Jiang *et al.*, 2017). However, this fairness is typically studied in terms of distributive (i.e. outcomes-focused), procedural (i.e. decision-focused) or interpersonal (i.e. politeness/respect-focused) justice. Informational justice or perceptions of the quality of communication regarding decisions affecting employees (Colquitt, 2001; Colquitt *et al.*, 2001; Colquitt *et al.*, 2013; Greenberg, 1993) is closely aligned to our particular study; yet, it has been traditionally explored only in the context of referent individuals. Using this perspective, Frazier *et al.* (2010) found that perceptions of each justice type – including informational justice – positively impacted employees' perceptions of trust in a leader. However, research regarding how information can more broadly affect fairness perceptions at the organizational level is lacking. One notable exception is the work by Kernan and Hanges (2002). In this study, the authors found positive relationships between informational justice and both organizational

trust and commitment. However, the study explored the specific case of information related to a reorganization, not general information of strategic and organizational importance.

The theory of Schnackenberg and Tomlinson's (2016) of organizational transparency begins to fill this gap; yet, they make no reference to informational justice – leaving these two highly-related literatures disconnected. According to their model, organizational transparency can be broken down into three characteristics as follows; disclosure, clarity and accuracy. Each transparency characteristic is proposed to impact the characteristics of trustworthiness (benevolence, integrity and ability) in a unique way, producing a mediated, positive relationship between transparency and trust. While the model of Schnackenberg and Tomlinson is intended to address transparency perceptions and organizational trust broadly from the stakeholder's perspective, we apply this model in the context of organizational employees and further extend it to capture the indirect effects of transparency on commitment. As such, we look to perceptions of disclosure of information and information quality (or the clarity and accuracy of information about organizational issues) as antecedents of trust.

In addition, we include perceptions of HR competence, functioning as a reflection of the sender, as an additional trustworthiness signaling mechanism. According to Searle and others (e.g. Searle and Dietz, 2012; Searle *et al.*, 2011), the organization sends signals of its intentions toward employees through its decisions and implementation of HR policies, practices and procedures (Alfes *et al.*, 2012; Weibel *et al.*, 2016). Specifically, Weibel *et al.* (2016) found that well-implemented job, career and disciplinary controls led to higher levels of competence and goodwill-based trust in the organization whereas poorly implemented ones could act to undermine organizational trust. Therefore, we expect that positive perceptions of HR competence will impact employees' perceptions of the trustworthiness signals sent by the organization, such that the employees will be more likely to trust the organization and consequently be more affectively committed to it. Below, we present specific predictions regarding the effect of disclosure, information quality and HR competence perceptions on employee commitment, via trust. We begin with a discussion of subordinate employees and then turn to a discussion of their supervisors.

Disclosure: a signal of benevolence and integrity. The centrality of disclosure to transparency is highlighted in a number of studies (Bushman *et al.*, 2004; Madhavan *et al.*, 2005; Nicolaou and McKnight, 2006; Pagano and Roell, 1996). It is defined as the perception that relevant information is received in a timely manner (Bloomfield and O'Hara, 1999; Schnackenberg and Tomlinson, 2016). Research from information literatures, such as those on informational justice (Colquitt, 2001) and social information exchange (Ravlin *et al.*, 2014) suggest that trust, in general, is greater when more information is exchanged (e.g. Kernan and Hanges, 2002). Research concerning both uncertainty management and fairness heuristics supports this notion as well. According to uncertainty management theory, individuals tend to experience anxiety when they lack clear information/understanding, particularly regarding fairness (Lind and Van den Bos, 2002; Van den Bos and Lind, 2002). Fairness heuristics theory posits that to reduce this anxiety, people will make cognitive shortcuts based on whatever fairness information is most readily available (Lind, 1995, 1999). Therefore, disclosing relevant information should allow employees to reduce information asymmetry by providing details necessary to foster improved decision-making.

Through a signaling theory lens, the organization must exert cost and effort to intentionally send a signal of trustworthiness to its employees through disclosure. While the goal of this is to reduce the information asymmetry between itself and its employees, the organization must do so in a manner that does not make the cost of information sharing greater than its benefits. When an organization discloses information that its employees may perceive as relevant to reducing information asymmetry, it may include some information that could be considered threatening, such as missteps by the employer in the

marketplace and environmental difficulties. However, information from the realistic job preview literature suggests that both positive and negative organizational information sends important signals to employees (Earnest *et al.*, 2011), as Schnackenberg and Tomlinson (2016) explain on page 1796:

> The decision to disclose the information nonetheless is a decision to do "the right thing" rather than conceal the information to maintain unfair advantage. Insofar as disclosure indicates the firm's intent to adhere to moral and ethical principles related to openness and information sharing, it stands as a signal of the organization's integrity.

Therefore, the organization must find a delicate balance between allowing the employees to feel informed and allowing access to information that might damage the trust relationship.

When an organization discloses relevant information about its inner workings (in the current study, developments at the company, customers' perceptions of the value of the company's products and services, challenges currently facing the company and mistakes made by the company), it instigates a process of social exchange (e.g. Blau, 1964). The information itself is an exchange currency voluntarily given by the organization to its employees. By assuming the risk of voluntarily disclosing information, both positive and potentially negative, that is relevant to employees, the organization signals benevolence and integrity toward them (Colquitt and Rodell, 2011; Frazier *et al.*, 2010; Mayer *et al.*, 1995; Schnackenberg and Tomlinson, 2016). Thus, employees may reciprocate information disclosure through trust and subsequent commitment. In other words, we expect that employees who perceive high levels of disclosure will have stronger trust in the organization than others and that this trust will translate into stronger affective commitment.

H1a. Employees' perceptions of disclosure are positively related to their trust in the organization.

H1b. Employees' trust in the organization mediates a positive relationship between their perceptions of disclosure and affective commitment.

Information quality: a signal of integrity and ability. As noted above, the transparency literature suggests that the clarity and accuracy of the information that is disclosed is also critical to consider (Flood *et al.*, 1999; Nicolaou and McKnight, 2006; Potosky, 2008; Schnackenberg and Tomlinson, 2016; Williams, 2005). Whereas disclosure addresses the extent of information exchanged, clarity and accuracy address its understandability and reliability (McGaughey, 2002; Nicolaou and McKnight, 2006; Schnackenberg and Tomlinson, 2016). In the current study, we use information quality or the extent to which employees perceive the information they receive from the organization to be direct, easy to understand, honest, reliable and useful, to encompass clarity and accuracy.

Some entities provide information that is either difficult to interpret or inconsistent with the message they are trying to send (Westphal and Zajac, 2001). To clearly communicate a message, the sender must understand the audience and frame the message in such a way that the receiver can readily interpret it. In addition, information communicated in a way that the receiver perceives it to be true or correct leads the receiver to develop more positive perceptions of the sender and to be more willing to accept the information as legitimate, even when the information may be negative (Colquitt *et al.*, 2013). Receiving clear and accurate information should help reduce information asymmetry because the information should need less interpretation and vetting by the receiver, facilitating easier and higher quality decision-making, respectively.

As with disclosure, there is a cost to the organization for trying to signal trustworthiness by providing clear and accurate information. It takes additional time, effort and skill to carefully craft messages that are relevant as well as clear and accurate. When a person or

entity displays a high level of aptitude in a specific domain, the person or entity is perceived to have a high level of ability in that domain (Mayer *et al.*, 1995). Thus, receivers perceiving clear and accurate information from an organization are likely to hold positive expectations of the organization's ability. Conversely, in addition to the time and effort needed to skillfully deliver high quality information, the organization must choose to make itself vulnerable when providing honest information, especially when that honesty includes negative information. Therefore, organizations can use high quality information to signal their trustworthiness via ability and integrity (Colquitt *et al.*, 2007; Singh and Sirdeshmukh, 2000; Schnackenberg and Tomlinson, 2016). In the absence of clarity or accuracy, the costs extended to send the message are not likely to result in employee trust. Without this trust, employees are less likely to feel emotionally attached to the organization.

> *H2a.* Employees' perceptions of information quality are positively related to their trust in the organization.

> *H2b.* Employees' trust in the organization mediates the relationship between their perceptions of information quality and affective commitment.

HR competence: perceptions of the sender. We also expect employees will consider perceptions of HR competence when evaluating signals sent by the organization. Research supports the notion that perceived lack of honesty in the sender (Davila *et al.*, 2003; Durcikova and Gray, 2009) is detrimental to signal effectiveness. Examining perceptions of HR competence extends HR research by not just examining the competencies of individual HR professionals (Lo *et al.*, 2015; Ulrich *et al.*, 1995) but by exploring the impact of employee competence perceptions of the entire HR function or department (Farndale, 2005; Sheehan *et al.*, 2007). Past research has found a link between positive perceptions of HR department professionalism and strategic involvement of the department (Farndale, 2005) and between broad organizational support for HR and perceived organizational performance (Sheehan *et al.*, 2007). When HR professionals are perceived as knowledgeable and adding value to the organization, the organization and its members reciprocate with more significant involvement in strategic decision-making, lending legitimacy to their department. As HR professionals are agents of the organization, the perceptions of their functional competence and legitimacy extends to the organization as a whole. While this has been observed in the attraction process of the employment relationship (Rynes, 1991), we expect it to persist in the retention process. Therefore, if the HR department is perceived as competent, employees are likely to perceive the signals sent by the organization, likely directly by the HR department, as more trustworthy, and are likely to respond with trust and commitment.

> *H3a.* Employees' perceptions of HR competence are positively related to their trust in the organization.

> *H3b.* Employees' trust in the organization mediates the relationship between their perceptions of HR competence and affective commitment.

Supervisor signals. We expect the above relationships to hold across supervisors and subordinates alike. While supervisors and subordinates both experience information asymmetry in organizations, the asymmetry is distinct, affecting supervisors' perceptions of signals but not the underlying relationships with trust and affective commitment.

In many cases, organizational leaders will provide direct information to supervisors prior to the information being disseminated to subordinates. This can provide supervisors with timing and content advantages, compared to their subordinates. However, if the information sent directly to the employees does not match what is sent to the supervisors, perceptions of disclosure could be impacted. When the information sent to supervisors provides enough relevant information and aligns with what is sent to subordinates,

perceptions of disclosure should signal trustworthiness to the supervisor. Similarly, supervisors are more likely to have feedback mechanisms for the information they receive. This should allow supervisors to foster clarity and accuracy for both themselves and their employees, as needed.

While we expect the agency relationship between HR and the organization to function as it does with employees and supervisors alike, the nature of the interaction between the members of the HR department and supervisors impacts the ability of supervisors to assess the competence of the HR department. Due to the nature of their job and tasks, supervisors are more likely to interact with the HR professionals in their organization. As such, HR professionals should be able to communicate their competence directly through their interactions with supervisors, instead of through a more distant relationship. As such, higher perceptions of HR competence by supervisors should signal trustworthiness in the organization to supervisors, resulting in trust in and affective commitment to the organization.

H4a. Supervisors' perceptions of disclosure are positively related to their trust in the organization.

H4b. Supervisors' perceptions of information quality are positively related to their trust in the organization.

H4c. Supervisors' perceptions of HR competence are positively related to their trust in the organization.

We also expect that the supervisor's trust in the organization serves as a commitment-enhancing signal for subordinates. Researchers have used both social information processing theory (Salancik and Pfeffer, 1978) and social learning theory (Bandura, 1977) to argue that subordinates tend to absorb the attitudes of the supervisor as their own (e.g. Jiang *et al.*, 2015). The supervisor acts a role model in the unit, such that subordinate view his/her attitudes and behaviors as the norms or what is deemed appropriate, within that environment. In addition, the employees see the supervisor as a signal of the organization's intentions, such that they are translated through him/her to the unit (Kozlowski and Doherty, 1989). The supervisor's attitudes send social cues that subordinates use to understand their own relationship with the organization (Loi *et al.*, 2012). Thus, the effect of the supervisor's trust in the organization should reach beyond his/her own level of affective commitment and to that of his/her subordinates. In other words, supervisor trust should have a positive effect on the employee's affective commitment.

H5. Supervisor trust in the organization is positively related to employee affective commitment.

Methods

Sample and organization
Data for this study were collected using surveys administered to employees of a Fortune 500 company located in the southeastern United States. Using a stratified (department and job) random sample of 1264 employees, (862 subordinates and 402 supervisors) we administered a web-based survey. Of the total sample, 729 responded (61 percent), resulting in a matched sample of 391 dyads (391 subordinates and 338 supervisors; some supervisors were matched to multiple subordinates in the sample). Supervisor/subordinate dyads were identified using corporate data. For the supervisors, 81 percent of respondents were male, 91 percent were Caucasian, their mean age was 47.87 years (s.d. = 6.47), they had a mean organizational tenure of 20 years (s.d. = 9.83) and they had an average of 7.42 (s.d. = 3.38) direct reports. Of the subordinates in the study, 72 percent were male, 86.5 percent were Caucasian, their mean

age was 45.45 (s.d. = 8.61) and they had an organizational tenure of just less than 16 years (s.d. = 10.71).

Measures
All measures used a 5-point Likert-type scale. Questions asked respondents to indicate their agreement using the anchors of strongly agree (5) to strongly disagree (1). Existing scales were revised based on the company's preferences. In particular, the company was sensitive to the following: participant fatigue (only a few items were selected from each scale); positive wording (negatively-worded items were excluded) and content (specific scales – and items within scales – were selected and revised to appear more relevant to the employees). To establish the construct validity of each revised scale, we administered a survey to 350 Amazon Mechanical Turk workers. Of the 333 who completed the survey, 62 respondents were removed from the dataset because they failed at least one of three attention filter items. Of the 271 participants with useful responses, 108 (40 percent) were female, 179 (66 percent) were Caucasian, 149 (55 percent) were in a supervisory position, the average age was 37 and the average organizational tenure was seven years. The survey included the scales used in our study, as well as others used to explore their nomological networks. A confirmatory factor analysis provided initial discriminant validity evidence for the revised scales. A model in which each scale item included in our main study led to its intended factor showed good fit (X^2_{220} = 509.34, comparative fit index = 0.94, non-normed fit index = 0.93, root mean square error of approximation = 0.07, standardized root mean square residual = 0.05), particularly in comparison with other models in which the factors were combined in various ways, suggesting that each scale represents a distinct construct. Evidence of convergent validity is described where relevant for each scale below.

Disclosure. Disclosure of relevant information was measured using a four-item scale that asked participants the extent to which they received adequate information on specific topics. The four topics used in this study were "important new developments at [company name]", "customers' perceptions of the value of [company name]'s products and services", "challenges currently facing [company name]", and "mistakes made at [company name]". The scale was based on Smidts *et al.* (2001) measure of organizational information adequacy. Items were selected and revised based on the company's particular interests and the earlier assertion that both positive and negative organizational information sends important signals to employees. As such, the scale included items concerning both positive (new developments and value of products and services) and negative (challenges and mistakes) events. In the validation study described above, the revised, four-item scale showed good reliability (α = 0.78). As expected, the revised scale was significantly correlated with measures of communication adequacy (Day *et al.*, 1998; r = 0.58, p < 0.0001) and communication quality (González-Romá and Hernández, 2014; r = 0.55, p < 0.0001), providing support for convergent validity, and it was not significantly correlated with continuance commitment (Allen and Meyer, 1990; r = −0.08, p = 0.17), providing further support for discriminant validity. Coefficient alpha for our main study was 0.83 for subordinates and 0.81 for supervisors.

Information quality. Following the work of researchers who measure communication and information specific to the context of the study (e.g. González-Romá and Hernández, 2014; Kernan and Hanges, 2002), information quality was assessed using a five-item scale developed for this study to address perceptions of clarity and accuracy. Participants were asked to indicate the extent to which they agreed that the information they receive from the company is direct, easy to understand, honest, reliable and useful. In our validation study, the scale showed good reliability (α = 0.91). As expected, and similar to the relationships with disclosure described above, the revised scale was significantly correlated with both communication adequacy (r = 0.67, p < 0.0001) and communication quality (r = 0.90,

$p < 0.0001$), providing support for convergent validity, and it was not significantly correlated with continuance commitment ($r = -0.05$, $p = 0.44$), providing further support for discriminant validity. Coefficient alpha for our main study was 0.91 for subordinates and 0.89 for supervisors.

HR competence perceptions. Perceptions of HR competence were measured using a three-item scale based on the competence dimension of McCroskey and Young's (1981)– source credibility scale. McCroskey and Young's original scale asked respondents the extent to which they perceived a source as "intelligent", "trained", "expert", "informed", "competent" and "bright". Based on preferences for brevity and content, the company chose to revise the scale such that it asked respondents to indicate the degree to which HR professionals at their company were "qualified", "experts" and "experienced". In the validation study, the revised, three-item scale showed good reliability ($\alpha = 0.91$). As expected, and similar to the relationships with disclosure described above, the revised scale was significantly correlated with both communication adequacy ($r = 0.67$, $p < 0.0001$) and communication quality ($r = 0.90$, $p < 0.0001$), providing support for convergent validity, and it was not significantly correlated with continuance commitment ($r = -0.06$, $p = 0.33$), providing further support for discriminant validity. Coefficient alpha for our main study was 0.94 for subordinates and 0.90 for supervisors.

Organizational trust. Our four-item trust measure came from the seven-item scale of Robinson and Rousseau (1994). Three negatively-worded items were excluded due to the company's preference for positively-worded items and brevity. The four included items were as follows: "I can expect the company to treat me in a consistent and predictable fashion"; "this company is open and up front with me"; "I believe this company has a high level of integrity"; and "I believe this company's motives and intentions are good." In our validation study, this four-item scale showed good reliability ($\alpha = 0.91$, compared to 0.90 for the full seven-item scale). The four-item and seven-item versions of the scale were similarly related to disclosure ($r = 0.51$ and 0.45, respectively, $p < 0.0001$), information quality ($r = 0.84$ and 0.78, $p < 0.0001$), HR competence ($r = 0.62$ and 0.58, $p < 0.0001$) and organizational commitment ($r = 0.74$ and 0.67, $p < 0.0001$), providing support for convergent validity. As further support for discriminant validity, trust was not significantly correlated with continuance commitment ($r = -0.08$, $p = 0.14$). Coefficient alpha for our main study was 0.86 for subordinates and 0.85 for supervisors.

Affective organizational commitment. Affective organizational commitment was measured using seven items from the 15-item Organizational Commitment Questionnaire (OCQ) of Mowday *et al.* (1979). The company preferred this scale over other existing organizational commitment measures due to item content, and they selected items from the questionnaire due to content and positive wording. Although the OCQ captures organizational commitment more broadly, the seven selected items reflect affective (as opposed to continuance or normative) commitment. We conducted two exploratory factor analyses (EFAs) using our scale validation sample to provide support for the latter statement: one included our seven items plus all items for each of three dimensions of organizational commitment of Allen and Meyer (1990) and another included our items and only the items from affective commitment dimension of Allen and Meyer (i.e. normative and continuance commitment items were excluded). In each EFA, results showed that our seven items loaded onto the same factor as affective commitment items of Allen and Meyer. Loadings for our items ranged from 0.60 to 0.82 (averaging 0.77) in the first EFA and from 0.57 to 0.86 (averaging 0.78) in the second. In our validation study, our seven-item scale showed good reliability ($\alpha = 0.92$, compared to 0.90 for affective commitment scale of Allen and Meyer). Our scale and that of Allen and Meyer were similarly related to disclosure ($r = 0.49$ and 0.42, respectively, $p < 0.0001$), information quality ($r = 0.67$ and 0.53, $p < 0.0001$), HR competence ($r = 0.60$ and 0.49, $p < 0.0001$) and trust ($r = 0.74$ and 0.82, $p < 0.0001$), providing support for

convergent validity. As further support for discriminant validity, our affective commitment measure was not significantly correlated with continuance commitment ($r = 0.05, p = 0.41$). Coefficient alpha for our main study was 0.85.

Results

To test the hypothesized relationships, we used structural equation modeling (SEM) with LISREL 9.2 with maximum likelihood estimation. Table I provides the descriptive statistics and correlations among the latent variables in the model. To assess model fit, we examined fit indices including standardized root mean square residual (SRMR; Hu and Bentler, 1999), root mean square error of approximation (RMSEA; Steiger, 1990), non-normed fit index (NNFI; Bentler and Bonnet, 1980) and comparative fit index (CFI; Bentler, 1990). The hypothesized model exhibited good fit with the data ($X^2_{679} = 1625.71$, SRMR $= 0.05$, RMSEA $= 0.06$, NNFI $= 0.90$, CFI $= 0.91$). These fit indices are especially encouraging given the large degrees of freedom within the model (e.g. Cheung, 2001; Marsh *et al.*, 1998). Figure 1 shows the standardized path estimates for the latent variables tested in the model.

Prior research suggests employee trust in the organization is positively related to employee affective commitment (e.g. Aryee *et al.*, 2002; Dirks and Ferrin, 2002; Mukherjee and Battacharya, 2013). The standardized path coefficient in Figure 1 was statistically significant and positive (0.89). This relationship supports prior research and shows that as employee trust increases so too does their affective commitment to the organization.

Hypothesis 1a predicted that employee perceptions of disclosure would be positively related to employee trust in the organization. The standardized path coefficient between employee disclosure perceptions and trust in the organization (0.25) was statistically significant and positive, thus supporting Hypothesis 1a. Hypothesis 1b predicted that employee trust in the organization would mediate a positive relationship between employee perceptions of disclosure and affective commitment. Figure 1 shows the path coefficients between employee disclosure perceptions and employee trust in the organization (0.25) and between employee trust in the organization and employee affective commitment (0.89) were both positive and significant, thus supporting Hypothesis 1b.

Hypotheses 2a predicted that employee perceptions of information quality would be positively related to organizational trust. Figure 1 provides support for this hypothesis based on the positive, statistically significant path from employee perceptions of information quality to employee trust in the organization (0.54). This suggests that employees with higher information quality perceptions tend to exhibit more trust in the organization than those with lower information quality perceptions. Hypothesis 2b predicted that employee trust would mediate a positive relationship between information quality and affective commitment.

Variable	M	Sd	1	2	3	4	5	6	7	8
1. Commitment (EE)	3.74	0.64								
2. Organizational trust (EE)	3.57	0.74	0.90*							
3. HR competence (EE)	3.43	0.85	0.56*	0.63*						
4. Disclosure (EE)	3.32	0.71	0.66*	0.74*	0.52*					
5. Information quality (EE)	3.70	0.67	0.74*	0.83*	0.60*	0.73*				
6. Organizational trust (Sup)	3.81	0.62	0.11*	0.04	0.03	0.05	0.04			
7. HR competence (Sup)	3.63	0.78	0.09*	0.06	0.10*	0.02	0.06	0.59*		
8. Disclosure (Sup)	3.38	0.73	0.06	0.01	−0.02	0.08	−0.02	0.72*	0.41*	
9. Information quality (Sup)	3.88	0.55	0.11*	0.05	0.03	0.04	0.07	0.80*	0.51*	0.61*

Note(s): $n = 391$ dyads (391 employees, 338 supervisors), *indicates significance at $p < 0.05$

Table I.
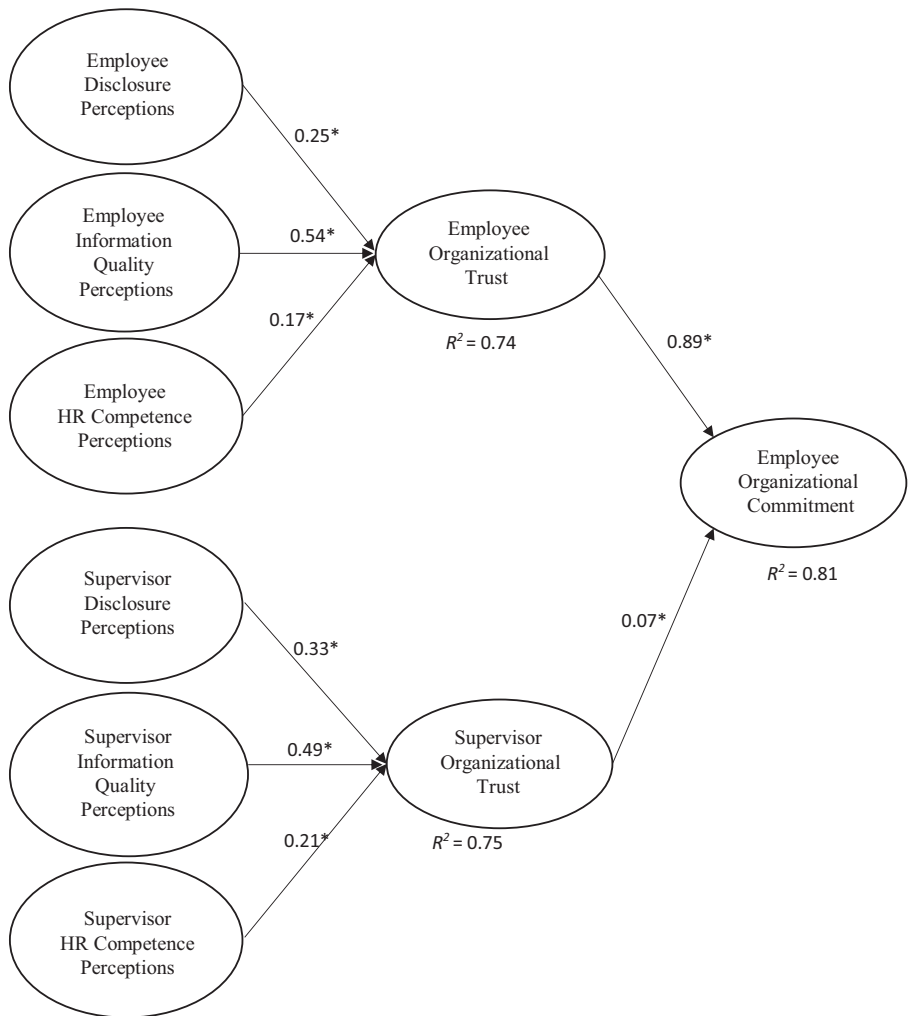Latent variable descriptive statistics and correlations

Figure 1.
Standardized
structural
relationships

Note(s): *p < 0.05

Figure 1 shows the path coefficients between employee information quality perceptions and employee trust in the organization (0.54) and between employee trust in the organization and employee affective commitment (0.89) were both positive and significant, thus supporting Hypothesis 2b.

Hypothesis 3a predicted that employees' perceptions of HR competence would be positively related to their trust in the organization. Our results show the path between employee perceptions of HR competence and employee trust (0.17) was both positive and significant. This supports Hypothesis 3a and suggests that as employees' perceptions of HR competence increase, they exhibit higher levels of trust in the organization. Hypothesis 3b predicted that employees' trust in the organization would mediate the relationship between perceptions of HR competence and affective commitment. Figure 1 shows the path

coefficients between perceptions of HR competence and trust in the organization (0.17) and between trust and affective commitment (0.89) were both positive and significant for employees, thus supporting Hypothesis 3b.

We ran an additional model to test for partial mediation. Specifically, we included three new paths from employee HR competence perceptions, information quality and disclosure to affective organizational commitment. In this model, employee organizational trust only partially mediated the influence of these three constructs on affective organizational commitment. In the partially mediated model, there were no significant paths from employee HR competence perceptions, employee information quality perceptions and employee perceptions of disclosure to affective organizational commitment. However, the mediated paths continued to be significant. To test which model best fit the data, we conducted a chi-square difference test. We compared our hypothesized model ($X^2_{679} = 1625.71$) to the partially mediated model ($X^2_{676} = 1622.42$). The result was a chi-square difference of 3.29. The critical chi-square value with 3 df was 7.82. Therefore, we found no significant difference between the two models, indicating both models fit the data equally well. As a result of this test, we find including additional parameters does not improve model fit and the more parsimonious model (our hypothesized, fully mediated model) is most appropriate.

We tested an additional model that eliminated mediation and only examined direct effects. This model was the same as our hypothesized model but eliminated employee organizational trust as a mediator and included only direct effects for employees where employee HR competence perceptions, information quality, disclosure and organizational trust predict affective organizational commitment without mediation. In this model, the direct effects from HR competence perceptions, information quality and disclosure were not significant. The paths from supervisor organizational trust and employee organizational trust continued to be significant. To test which model best fits the data, we conducted a chi-square difference test. We compared our hypothesized model ($X^2_{679} = 1625.71$) to the direct effects model ($X^2_{673} = 1621.42$). The critical chi-square with 6 df was 12.59. The difference between our two models was only 4.29, indicating that there is no significant difference between the two models and that both models fit the data equally well. Therefore, the additional parameters estimated in the direct effects model can be eliminated, and the more parsimonious model can be accepted.

Hypotheses 4a, 4b and 4c predicted that supervisors' perceptions of disclosure, supervisors' perceptions of information quality and supervisors' perceptions of HR competence would each be positively related to their trust in the organization. As shown in Figure 1, the paths from supervisors' perceptions of disclosure (0.33), supervisors' perceptions of information quality (0.49) and supervisors' perceptions of HR competence (0.21) are each statistically significant and positive. Therefore, we find evidence that suggests increased supervisor perceptions of disclosure, perceptions of information quality and perceptions of HR competence led to improved trust in the organization for supervisors. These findings provide support for Hypotheses 4a, 4b and 4c.

Hypothesis 5 predicted that supervisor trust in the organization would be positively related to employee affective commitment. Figure 1 shows the path between supervisor trust and employee affective commitment (0.07) was both positive and significant. This result supports Hypothesis 5 and suggests employees' commitment is not only impacted by their own trust in the organization but by their supervisors' trust as well.

Discussion
The purpose of this study was to explore the effect of employee perceptions of organizational factors on their trust in and affective commitment towards the organization. Our study

provides further evidence of the relationship between employee trust and affective commitment (e.g. Aryee *et al.*, 2002; Dirks and Ferrin, 2002; Mukherjee and Battacharya, 2013), but more importantly, it provides support for critical top-down signals that influence this commitment-building trust. We found, in a sample of both supervisor and subordinate employees, that employee perceptions of information disclosure, information quality and HR competence led to affective commitment through increased levels of employee trust. These results suggest that an organization sending signals of trustworthiness through possession of competent HR professionals and the distribution of high quality, relevant information may be rewarded with more committed employees. Moreover, we found that employees reported greater commitment when their managers' trust in the organization was higher. Taken together, our results highlight the importance of top-down trustworthiness signals in the development of employee affective commitment. From the organization's perspective, the cost of signaling trustworthiness is justified through the benefits of employee commitment.

Implications for theory and practice

This study makes important contributions to the HR research literature. To begin, as the current study focused on affective organizational commitment, it moves signaling theory beyond recruiting and into additional phases of the employment life cycle. Signaling theory was originally developed to address potential employers' perspectives of unobservable characteristics of job applicants (Spence, 1973). Later work in the field of recruiting (e.g. Rynes, 1991) turned to the applicant's perspective, examining signals from the organization that might hint at its intentions, actions and characteristics. More recent research has called for attention to the importance of organizational signals in retention (rather than mere attraction) of qualified employees, for example, in terms of building employee commitment through signals of corporate environmental responsibility (Dögl and Holtbrügge, 2014) and strengthening psychological contracts through training, appraisal and compensation methods (Suazo *et al.*, 2009). In fact, research suggests that information signals post hire (particularly those regarding transparency) are even more relevant to employee retention than signals sent during recruitment (Earnest *et al.*, 2011). Our study adds transparency as a post-hire signal that should aide in retention of employees via affective commitment.

In addition, our study highlights the overlap and potential synergy between the informational justice and organizational transparency literatures – as each addresses the topic of communication and trust – and it fills gaps left in each. Whereas the broader construct of organizational justice has been studied in relation to trust (Colquitt *et al.*, 2013; Jiang *et al.*, 2017), less attention has been given to the relationship between trust and the communication content-based justice dimension – informational justice – in particular, despite the latter's clear benevolence– and integrity-based focus (Bies and Moag, 1986; Colquitt an Rodell, 2011). Where the trust/informational justice relationship has been explored, the focus was on the subordinate/supervisor dyad, rather than on perceptions of the organization (Frazier *et al.*, 2010), and the informational justice construct does not capture the ability component of trustworthiness. Organizational transparency model of Schnackenberg and Tomlinson (2016) adds an ability component and an organization-level focus, suggesting that organizational communication leads to trust through information disclosure, clarity and accuracy. Whereas the latter extends knowledge provided in the justice literature, Schnackenberg and Tomlinson provide theoretical rather than empirical support and do not address implications for employee commitment. By integrating these two perspectives, we see the importance of signals of each aspect of trustworthiness in the development of employee affective commitment via trust in the organization.

Our findings have practical implications, as well. Broadly, our study highlights the importance of investing in top-down communication signals of organizational benevolence,

integrity and ability. Our findings show that the organization's communication – here, information disclosure and quality and the competence of the messenger (i.e. HR) – signals to employees whether the organization is worthy of their trust. From the employee's perspective, these signals reduce the information asymmetry they would otherwise have with the organization. Those perceiving the signals to imply positive intentions from the organization are more likely than others to be committed to it. Practitioners should give great attention to methods for building perceptions of organizational trustworthiness, and our study provides some direction in terms of how to signal such methods. By building a competent HR team and focusing on transparent communication with employees, the organization can send signals of positive intentions toward them. This study supports the notion that investments made in HR staff development and communications can be extremely worthwhile – the costs of trustworthiness signaling can be repaid through employee affective commitment. Moreover, we found that supervisors themselves acted as signals of organizational trustworthiness to the employees. Subordinates look to their supervisors as, in a sense, interpreters of the organization's message of intentions (e.g. Jiang *et al.*, 2015; Kozlowksi and Doherty, 1989). Thus, organizations that focus on building organizational trust amongst their managers should have more highly committed employees.

While organizations should benefit from the insight our findings provide, so should their employees. The relationship between organizational commitment and quality of work life has been well-supported (e.g. Bala *et al.*, 2019; Huang *et al.*, 2007; Zhao *et al.*, 2013). Research also suggests that higher levels of affective commitment help to alleviate the effects of work stressors on psychological well-being (Ogbonnaya, 2019; Rivkin *et al.*, 2015). This suggests that organizational investments in trustworthiness signals may indirectly improve employee work life quality and psychological well-being, thereby contributing to a psychologically healthier workforce.

Limitations and future research

While our study provides important contributions to the HR literature, it is not without its limitations. To begin, the study uses cross-sectional, self-report data. To alleviate some of the concerns with this type of data (Conway and Lance, 2010; Podsakoff *et al.*, 2003), we based our measures on pre-existing scales where available (and established the reliability and validity of the revised versions) and randomized the survey questions. In addition, because the included scales were intended to measure individual perceptions and attitudes, self-report measures are the most appropriate for the constructs we studied. Furthermore, the inclusion of both supervisor and subordinate variable reports in some hypothesis tests helps offset some self-report concerns. Nevertheless, we would encourage future researchers to examine the relationships longitudinally.

In addition, our arguments are based on the notion that perceptions of information disclosure, information quality and HR competence lead to trust in the organization because they send signals of organizational benevolence, integrity and ability; yet, we do not directly measure the latter trustworthiness components. The mediating mechanism is assumed here, based on the model of Schnackenberg and Tomlinson (2016). Future research should include a trustworthiness scale that captures each distinct component (e.g. Mayer and Davis, 1999) and assess whether each component mediates the relationship between the communication factors and trust, as well as the link between each component and affective commitment.

This study also uses data collected from a single organization in the Southeast United States. As Dögl and Holtbrügge (2014) found signals of corporate environmental responsibility to have a positive effect on employee commitment in four countries (China, Germany, India and the United States), their work suggests that the effects of organizational signaling may be universal. To enhance the generalizability of the current findings, future

research should examine these relationships around the globe to determine whether variance exists from one culture to another. Finally, the current study was interested in linear relationships regarding organizational signals and employee trust and commitment. This study did not examine the point at which signal costs outweigh benefits. Future research could seek to determine, for example, the point at which transparency and HR competence no longer result in benefits to the firm (e.g. information overload) or the point at which information that does not cast the organization in a positive light has a detrimental impact on organizational attachment more broadly, and organizational commitment more specifically.

Conclusion

The purpose of this study was to explore employee perceptions of organizational communication factors that might lead to trust in and affective commitment toward the organization. We used signaling theory to investigate whether the costs of trustworthiness signals can be repaid through employee affective commitment, and we integrated the informational justice and organizational transparency literatures to identity organizational factors that might send such signals. Results showed that employee perceptions of trust are higher when they perceive greater information disclosure and quality from the organization, as well as greater HR competence. We argue that these factors signal that the organization is worthy of the employees' trust. Employees who trusted the organization were more likely to be affectively committed to it – as were those whose managers showed higher levels of organizational trust. Taken together, the results of our study highlight the importance of organizational trustworthiness signals – from organization-level communication (regarding both the message itself and the competence of the messenger), as well as from managers. These findings help to extend signaling theory from the attraction of employees to their retention, and they help researchers and practitioners alike to understand the organizational trust-building process.

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