TRUST IN BANKER-CUSTOMER RELATIONSHIP

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Abstract: This paper relies on the concepts of organizational trust and high-trust organization, as defined in the devoted literature since 1990. We have resorted to elements from an established model of the literature (“high-trust organization”), which we will contextualize and apply to some Romanian companies in order to determine the level of organizational trust and methods to improve it, for the purpose of achieving increased work performance and work satisfaction.
Within the current stage of our research, we reviewed some cases to serve us in the design a questionnaire based on the results, and finally to conduct a sociological survey. The case examined in this paper helped us prove the importance of organizational trust for the activity of a banking institution, as well as the particularly close relationship between customer trust in the organization and the five keys of the model contemplated herein: Competence; Openness and Honesty; Concern for Employees/Stakeholders; Reliability; Identification. The conclusions point to a very bad outcome for the organization which loses the trust of its customers. On the other hand, the level of organizational trust is dependent on the specific features of a broad and complex communication process, on which relies the quality of consumer services.

Keywords: Competence and communication; Concern for customer; Identification; Openness and honesty; Reliability and trust.

1. Introduction

The organizational trust is a notion increasingly used after 1990, especially by psychologists and sociologists, but its content has a strong impact on the efficiency of a company, so it is a matter for its management. The lack of confidence in a company translates into:

1. high costs caused by conflicts in the organization and by the “us against them” approach instead of teamwork;
2. low efficiency due to lack of motivation for higher work productivity;
3. fear and destructive behavior;
4. escalation of any type of crisis (after Shockley-Zalabak at al, 2010, p. 5-10).

2. Literature review

Post-1990 literature brings to the forefront concepts such as *organizational trust*, *trust organization* and respectively *high-trust organization.* Major works are built around case studies of companies all over the world (Europe, USA, Australia, India, Japan), and research the extent to which high-trust organization *specific features* can be identified in such companies.

The concept of *trust* is included and analyzed as one of the key drivers for the efficiency of an organization, for the service quality and performance of its members, for the good relationship maintained with business partners and company staff; conversely, these are counterbalanced with the negative effects and poor outcomes of lower-trust organizations (see, for example, Shockley-Zalabak at al, 2010; Kramer (editor), 2009).

In works even before the 90s, trust is characterized as a set of "socially learned and socially confirmed expectations that people have of each other, of the organizations and institutions in which they live, and of the natural and moral social orders that set the fundamental understandings for their lives (Barber, 1983, p. 164-165).

But authors who have subsequently treated the subject considered that trust needs to be conceptualized as a more complex, multidimensional psychological stat that includes, at the very least, consideration of its affective and motivational components (Cummings & Bromiley, 1996; Kramer, 1999; Lewis & Weigert, 1985; McAlistar, 1995; Tyler & Degoey, 1996).

Also, in the literature trust is conceptualized in term of individuals' *choice* behavior when confronting various kinds of trust dilemma situations (Arrow, 1974; Hollis, 1998; Kreps, 1990; Miller, 1992).

There are two contrasting images of *choice*:

1. choice construed in relatively rational, calculative terms – *rational* choice perspectives – from *sociological* (Coleman, 1990), *economic* (Williamson, 1993), and *political* (Hardin, 1992; 2002) theories;
2. an image which afforded more weight to the *social* and *relational* underpinnings of choice in trust dilemma situations.

From the perspective of rational choice theory, decisions about trust are similar to other forms of *risky choice*: individuals are presumed to be motivated to make rational, efficient choice (i. e. choices that maximize expected gains or minimize expected losses from their transactions). Choice is motivated by a "conscious calculation of advantages, a calculation that in turn is based on an explicit and internally consistent value system (Schelling, 1960, p. 4).

High-trust organizations have increased value, accelerated growth, enhanced innovation, improved collaboration, stronger partnering, better execution, and heightened loyalty (Shockley-Zalabak at al, 2010, p. 2).

According to the same authors, each company can design its own growth *model* based on employee trust (from top management to the lowest ranks in the scalar chain), on investor and stakeholder trust (shareholders), on customer and business partners trust and satisfaction.

On the other hand, building a system based on a high level of organizational trust entails: *Competence; Openness and Honesty; Concern for Employees/Stakeholders; Reliability;*

Identification with the company (after Shockley-Zalabak at al, 2010, p. 26).

These are the *five keys* of organizational trust, which can determine a high level of *Job Satisfaction* for employees correlated with the *Effectiveness* and Efficiency of the business (see figure 1).

The concerned organization aligns policies and practices with a genuine attitude of caring for employees, customers, clients, vendors, investors, or donors. Top management is responsible for communicating a culture of caring and supporting policies, which exhibit caring (Shockley-Zalabak at al, 2010, p. 106).

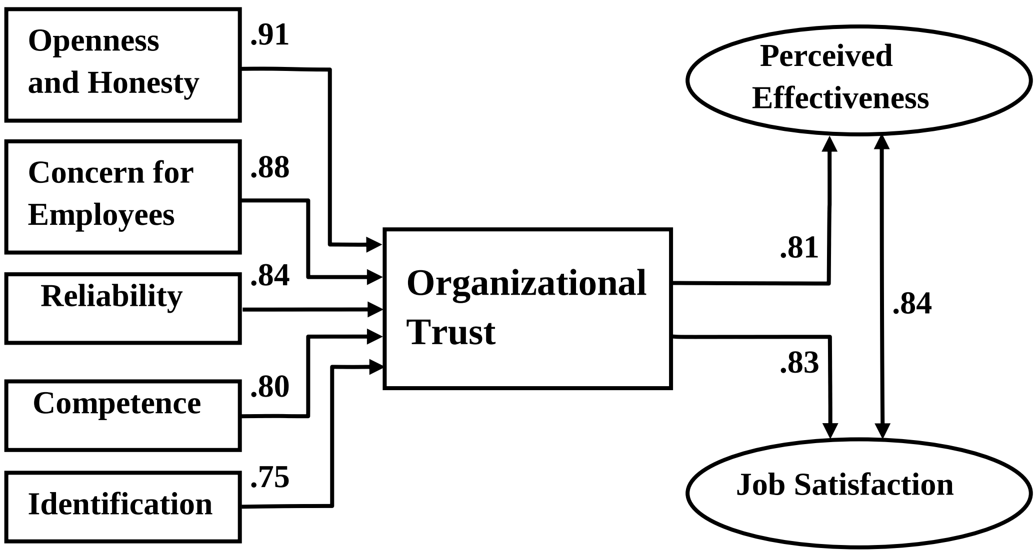

Figure 1. Model of Organizational Trust (MOT), Job Satisfaction and Effectiveness. Source: Shockley-Zalabak at al, 2010, p. 28.

Numbers indicate statistical significance ($p \leq .01$). Standardized path parameters range from 0 to 1.00. The higher the number, the stronger the dimension is a predictor.
Statistical significance at the .01 level means there is only a 1 in 100 chance that the findings were by chance.

3. The Integrated Model of Communication and Change

3.1. Brief presentation

The authors of the "high-trust organization" model repeatedly highlight throughout the entire work cited herein that communication plays a critical role in building a certain level of trust (Shockley-Zalabak at al, 2010). The author developed an integrated model of communication and change (Sonea, 2011).

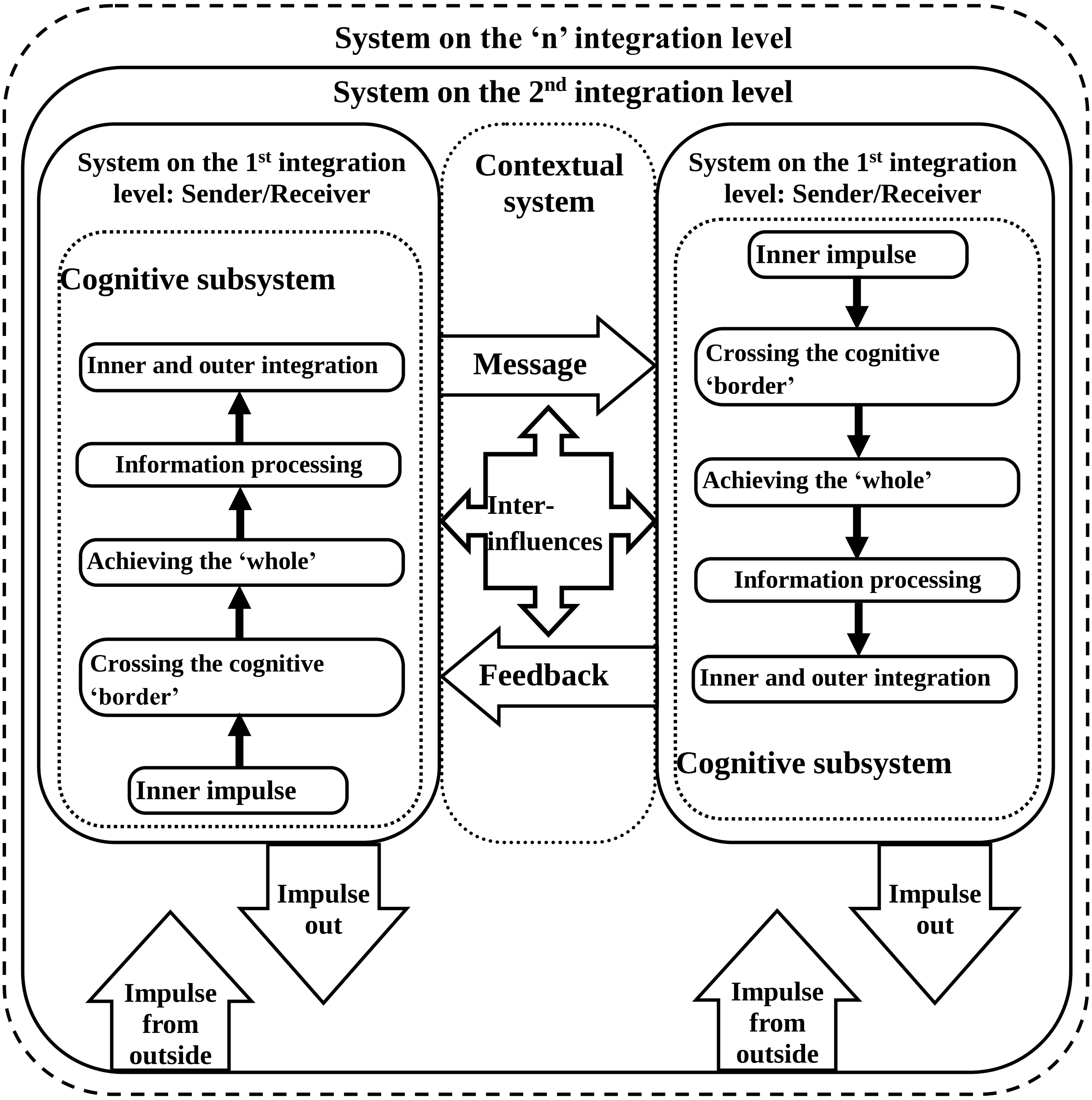

Figure 2. The Integrated Model of Communication and Change (IMCC). Author's vision.

Here are some basic ideas the model was created upon:

- People involved into communication are not only transmitters or receivers but living **cognitive systems** that repeatedly change the role of transmitting and receiving the information, during a process that is far more complex than the cybernetic models of communication can describe.
- The change does not involve the whole cognitive systems of the actors involved in communication, due to limitation of time and space, but for each subject of discussion a cognitive system creates a **cognitive subsystem** through which it changes.

- Thus, through the mutual exchange of information, cognitive subsystems of the entities involved in communication change through an inner process that has **four main stages**:

1. **crossing the cognitive "border"**: the idea comes into the attention of other party (parties) involved, through a message or a inner impulse;
2. **achieving the "whole":**
   - an "all-encompassing vision" on the subject is achieved,
   - all available emotional energies are gathered in order to motivate and facilitate the process,
   - actors of communication try to "speak the same language" and to connect to each other in a "whole", in order to obtain a synergic effect;
3. **information processing:** relevant data is found, understood, confronted, analyzed etc., in order to find a solution (an answer) to the problem (the matter);
4. **inner and outer integration**: the effect of communication reflects inside, changing the cognitive system, and outside, through a message and/or on the superordinated system.

- The actors of communication influence their **superordinated system** and are influenced by it.
- There is an unspecified number of **superordinated systems** which comprise one another.

We consider the **integrated model of communication and change model** (outlined in Fig 1) to be applicable to any process of communication or change.

3.2. The three working hypotheses connect the five keys to the communication/change process

The five keys of organizational trust (Competence; Openness and Honesty; Reliability; Identification with the company) describe a communication that creates trust. We hypothesize that:

1. mutual *Openness and Honesty* can help people start a relationship and **cross the cognitive "border"** between them;
2. *Concern for Employees/Stakeholders* creates helps creating a good relationship and thus **achieving the "whole";**
3. *Competence* is a key issue in **information processing;**
4. *Reliability* is a sign of **inner integration;**
5. *Identification* with the company means **outer integration.**

Shortly, our first working hypothesis is that there is a strong connection between the two models used, IMCC and MOT, and that each of the five keys of organizational trust describes a stage of IMCC that goes on very well, creating trust.

We continue approaching the five keys in terms of communication/change and we consider them not only as 'static' levels of performance in the organization but as **values** that influence the communication and therefore change the organizational culture. In this perspective, the five keys are understood as **drivers of change**.

As an effect of this conception, our second hypothesis is that the level of trust is influenced by the majority of these five keys:

- in a case of high trust, most of the keys have a high level;
- in a case of low trust, most of the keys have a low level.

As we understand these five keys as values, their nature can be understood differently according to the level of trust. From the positive driving force, as they are understood in a climate of high trust, in a climate of distrust they can turn as nonvalues, being wrongly understood and having a negative impact on the organizational culture.

Thus we formulate our third and last hypothesis: in a case of high trust, these five keys will have a positive character, while in a case of low trust, we may discover that one or more of these drivers are corrupted, meaning they no longer have a positive effect on the organizational culture.

4. Case study. A bank customer's trust

The issue of organizational trust relates first and foremost to the employees (members of the organization), but also to the beneficiaries of the services provided by such organization. Even if the concern for other categories of stakeholders (suppliers, customers, creditors, investors, shareholders, sponsors) should not be neglected, we consider nevertheless that the process whereby their trust in the company is built and developed is more simple and easy to supervise. Ensuring the five keys of the organizational trust model to achieve workplace efficiency and work satisfaction entails an ongoing learning, development and adjustment process, both on the part of the company management and on the part of the employees, even customers.

Using the example of a banking institution, we attempted to examine the effects of certain shortcomings in assuring the five keys of the "high-trust organization" model designed by Pamela Shockley-Zalabak and her collaborators (see figure 1).

Our chief goal was to determine the severity of the undesired effects of lack of trust for the company and for the employee.

4.1. The situation under review

The customer of a bank with tradition in Romania and with branches all over the country goes to one of the agencies (where he has been a regular for several years) to withdraw money from an older deposit and to re-open it with a lower amount, as he was in need of some cash.

AM, *customer service adviser*, attempts to convince him not to re-open the deposit in the usual form, but to deposit the funds into an account which will yield better interest than a regular deposit, and even entitle him later to take out a loan under very advantageous conditions. The customer, economist by profession, has an instinct that this is a type of investment account, yet the bank's employee denies it categorically.

The employee advises the customer to sign a contract, without informing him thoroughly about it contents or mentioning what the customer was to find out after reading the contract clauses, namely that:

- the respective account is an investment and credit account;

- it entails blocking the customer's funds for 5 years and making subsequent deposits over the 5-year span, up an amount 5 time higher than the customer's initial deposit;
- the contract does not even state the customer's initial amount, only the final one (5 times higher), which the customer was not willing to deposit;
- under the contract, the customer was bound to deposit sums of money regularly, being otherwise subject to penalty;
- according to the contract, it was a matter of course that the customer would take out a loan, to be repaid according to the terms imposed by the bank.

The above contract was signed under the pressure of other hurried customers waiting to be served by the same bank clerk, since the other front desk was unattended. Nevertheless, the contract included a termination clause upon the customer's request, within 15 days from the date of execution. The very next day, the customer returned to the bank to request the termination of the contract.

4.2. Analysis of the case through MOT and IMCC

The cognitive subsystems of both actors of communication (employee and customer) comprised knowledge about the issues to be discussed and the motivation to support arguments based on this knowledge. The employee prepared his cognitive subsystem long before the customer; he tested it and improved it in time, thus being superior to the client as to motivation and power of manipulation.

4.2.1. Openness and Honesty

The pattern of the initial conversation between the bank clerk and the customer bore an *appearance* of honest counseling to the advantage of the customer. Nevertheless, after being fully informed and having thoroughly read the contract clauses, the customer found a great difference from what the bank's employee had presented to him and even a clear tendency of *manipulation.*

Obviously, the dissimulation of AM created a barrier towards the client; so a low level of *Openness and Honesty* is connected with not **crossing the cognitive "border"**: the employee remained blind to his client's benefit.

4.2.2. Concern for Employees/Stakeholders

As such, AM highlighted the advantageous side of the interest upon the first deposit and for a possible future credit, without mentioning the blocking of the amount for 5 years, an essential condition without which the customer could benefit neither from an attractive interest rate, nor from advantageous crediting conditions. AM did not specify it was an investment fund arrangement, even denied it before the customer saw the form.

Moreover, he repeated several times that as soon as the beginning of the calendar year the customer "would receive" the *25% tax-free premium* offered by the state; as a matter of fact, the customer's account will be credited with this amount, but only the bank will benefit from it for the next 5 years, until the money is returned to the customer.

We can state that a low level of *Concern for the client* is connected with hiding relevant information and preventing the client to **achieve the understanding of the whole matter** involving signing the contract. So, in this respect, MOT and IMCC are similar.

4.2.3. Competence of the company's employees and management

AM, *the bank's employee* is a legal adviser, not economist, and is faltering in the discussion on economic and financial matters. As such, he did not understand or pretended not to understand when the customer inquired about the particularities of the contract. He told the customer it was of no importance whether the contract entailed an investment and credit account and moreover that it was to his advantage, since all the deposits in Euro would be converted into Lei (in general!).

The contract drafted by the bank's experts contains on the first page a list (on approximately 10 rows) of commissions and penalties, discouraging even for a person willing to conclude such a contract. The contents related to the deposit, and respectively to the credit, are a hotchpotch where it is very difficult to make out the interest rates, for example (do they relate to the deposits in the investment fund or to the repayment of the loan?).

The work procedure entails the issuance of a payment order for the customer upon the deposit of the amount in the investment fund, but there is no mention about the destination of the amount and the period of repayment by the bank, and in the contract handed out to the customer the deposited amount is no longer stated. Thus, considering the customer's documents, the bank's employee could do anything with the deposited amount.

Using **IMCC framework**, we can state that the way information was presented to the customers prevented him to process the information regarding the contract with realism. We can state that, in this case, a low *Competence* is connected with a faulty **process of information**.

4.2.4. Reliability offered to the customer by the bank

The bank's employee is trained to persuade the customer to conclude an investment and credit contract. When the latter remarked that he felt manipulated, the bank's employee claimed that all he had in mind was the customer's interest: "There is no personal advantage for me if you sign this contract."

But the project advocated by the bank clerk definitely represents a priority for the company, and the employees are motivated (morally or financially) to encourage customers to sign this contract. From here to manipulation techniques there is only a small step. As such, AM initially told the customer that it was "a new project" (the event took place on Sept. 8, 2014). Then, to be more persuasive, stated that "there are customers who have already completed a 5-year cycle, are very pleased and wish to begin a new one". How is this possible, if the project is only undergoing its early stages? In fact this project is designed based on a law enacted in 2008.

The customer was dissatisfied that the contract contained no mention to the deposited amount and its destination, and when he returned to the bank the following day for clarification, the clerk denied having made untruthful statements the previous day.

Moreover, when the customer remarked that the repayment of the amount in 5 years does not match his plans, the clerk asked in a raised voice: "And did you not know this yesterday?"

Lies are a clear indicator that someone is not integrated inside and that the communication/change process has led to unsolved issues. So, in this case, a low level of *Reliability* is connected with problems of **inner integration**.

4.2.5. Employee's identification with the organization

The whole AM's behavior had only one motive: his identification with the organization and not a personal motive such as an intention to get revenge on the client.

This is the explanation of action full of zeal; for example, when the customer explained that he was not willing to deposit such large amounts of money, AM started to plan the transfer of other deposits to the investment account, trying to persuade him to deposit additional cash and to convert the deposited amounts from Euro to Lei.

All the other four keys connected the employee to the customer, but this last one connects him to the superordinated system, his company, which includes only temporarily the client, whose role in this superordinated system is seen only as a "milking cow". The employee's indiscriminate *identification* with this superordinated system, the bank, explains his manipulative means: people often put on the mask of an organization or a group when they have to do something contrary to their own conscience.

And this trick has an effect on the customer, who was blinded by intimidated by the prestige and power of the banking company and realized he was manipulated only after he left the bank and its overwhelming atmosphere.

The outcome of this case: as opposed to the situation when the customer has been confidently using the services of this bank for 25 years, now he is determined to keep his savings and to receive his income at other banks.

5. Conclusions

The first working hypothesis was verified: each of the five keys of organizational trust describes a stage of IMCC that goes on very well.

The second hypothesis was verified, too: the level of trust was low and four out of five keys had a low level, meaning these keys could not act as drivers of a positive change towards trust.

The third hypothesis was also validated: we discovered a connection between four keys of organizational trust that had low levels (*Competence; Openness and Honesty; Concern for Employees/Stakeholders; Reliability*) meaning their positive effect towards trust was minimized; on the other hand, *Identification* with the organization had a high level but had become corrupted, no longer leading to a positive change, but to sacrificing the client for the sake of company. The manner in which AM understood the employee's *identification* with the company's interests, by means of manipulating the customer, gave rise to an opposite effect than that expected by the management.

Concern for Employees/Stakeholders became corrupted, reflecting only a concern for employees and organization, but not for the clients; in the same manner we can understand also *Openness and Honesty* and *Reliability*: only reffering to the relationship with the organization, but not to the relationship with the customers. The customer, who perceived a lack of transparency, *honesty* and *concern* in the bank's approach, concluded that his finances were not *safe* with this financial institution.

The bank clerk's *competence* in economic matters as perceived by the customer is unsatisfactory. On the other hand, the *training* in terms of communication with the customer and the manipulation attempts turned against the clerk and, more importantly, against the bank's interests. Thus, we may consider that *Competence* has a low level as a positive driving force towards trust, but there is a rather high level of corrupted competence, aimed to manipulate the clients.

It is the opinion of the author that the communication process always entails a *change* (see figure 2, source: Sonea, 2011) and there was an important change in the attitude of the client. But there is also a change occurring at the level of mentality and attitude of the employee, starting from a higher superordinated level of our system, the state, to the level of the bank's customer.

According to the model in figure 2, the communication between the bank's employee and the customer is situated at the 1st level of system integration.

The 2nd degree superordinated system - the organization – bank, has the interest to attract investment funds for which the 3rd degree superordinated system - the state, which encourages investment, offers a 25% tax-free premium, besides the 2% taxable interest rate offered by the bank.

Given the above, the *five keys* of the "high-trust organization" model rely heavily on the *communication- change* process. But the relationship with the second half of MOT, *efficiency, effectiveness and employee satisfaction* depends on the quality of the process in its entirety. A sustainable and high level of trust cannot be built when some keys are not functional.

Future area of research

In this stage of our research we only conducted some case studies to enable us to design a questionnaire based on the results, for the purpose of performing a sociological survey. We intend to pursue a quantitative study which will allow us to re-enact the Shockley-Zalaback model in relation to Romanian companies, and to determine the level of trust in these organizations and the opportunities for future improvement.

Research limitations

Our conclusions are valid only for the case under analysis. Even if, based on previous experience with financial and insurance companies, we do not think this is an isolated case, a firm conclusion and a calculation of the indicators included in the "high-trust organization" model is only possible from now onwards, based on a quantitative study.

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