

## Trust and fear in the virtual organization

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*Fear is the opposite of trust in the workplace (and elsewhere). Trust is important for high performing organizations because its opposite (fear) leads to employee turnover, marginal work, and sometimes sabotage among other behaviors. Trust, on the other hand leads to synergy and performance. As organizations begin to organize virtually, the notions of fear and trust become even more important. In same time, the classical design of organizations remains a fundamental management task as well for virtual organizations. In this context, we can define the virtual organization like a network of independent organization linked by information and communication technology (ICT) to exploit market opportunities by sharing skills, costs and market access.*

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### **V**irtuality, trust and fear

Charles Handy, an author and management consultant, addresses this issue quite clearly. "If we are to enjoy the efficiencies and other benefits of the virtual organization, we will have to rediscover how to run organizations based more on trust than on control. Virtuality requires trust to make it work: Technology on its own is not enough".

The following article response explores the issue of fear in the traditional or non-virtual workplace. There is no reason to expect we will do better when we organize virtually, so it is likely that in many cases fear will become even more of a problem. This is an area for leaders of virtual organizations to be aware of and take corrective action where necessary.

There are four essential themes covered in the text: dynamics of fear, how fear operates in organizations, strategies that build high-trust work environments and long-term challenges. Fear as covered in this text is the fear of speaking up at work.

Fear in the workplace is defined as "feeling threatened by possible repercussions as a result of speaking up about work-related concerns. These feelings of threat can come from four sources: actual experience, stories about others' experiences, assumptions and interpretations of others' behavior and negative,

culturally based stereotypes about those with supervisory power." [Ryan et al., 1991]

Fear is not always present. The relationship of the employee to his or her manager is a primary importance. And a primary factor in the relationship is trust: low-trust indicates more fear than does high-trust relationships. Fear does not have to be an element of daily work; a little bit of fear goes a long way. Fear is cumulative. Reactions to fear tend to be strong; fear is not casually ignored or set aside. However, in spite of fear in the workplace, most organizations operate successfully. But, even these organizations could improve if fear were reduced or eliminated.

### **Virtual organization – a necessity?**

In the literature can be formed many reasons for designing virtual organizations or for organizing activities and processes in a VO. The reason for organizing activities in such network organizations comes down to an increasing need for flexibility by collaborating with external partners and the need for efficiency by sharing resources with other member organizations.

Flexibility has become a necessity because of the increased changeability of the environment of organizations. For a considerable period now we have seen the organizations concentrate on what they are good at, their core competences. Creating added value for

the customer is becoming an increasingly complex process, involving the combination of a great many different types of knowledge. The separate organizations do not have the necessary scale and are dependent on collaboration. A group of organizations needs each other's core competences (knowledge) to produce certain product or services and together they form a virtual organization. The sharing of core competences and the ensuing combination of the knowledge held by the various partners to come to innovation are the most important reason for working together.

Tying the member organizations together enables the organizations to operate as one and create organizational forces unattainable by any single member. Collaboration has be-

come increasingly important for being able to react to the demand of the environment. When parties share their resources, better use can be made of the advantages of scale and experience, which will increase efficiency and decrease the susceptibility to the strengths of the competitors. Carrying out activities together enhances (financial) risk spreading and risk reduction.

Whatever characteristics virtual organizations have, the main attributes for them are boundary crossing, complementary core competences (the pooling of resources), sharing of knowledge, geographical dispersion, changing participants, participant equality, electronic communication and flexible network (figure 1).

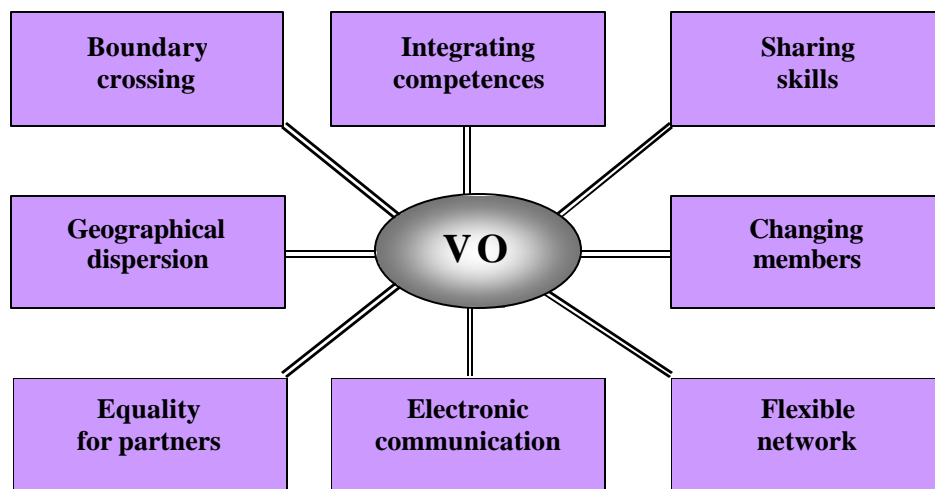


Fig. 1. Principal characteristics of the virtual organization

### Electronic commerce and virtual organizations from trust and fear perspective

The first definition for electronic commerce is *doing business electronically*. This definition is so broad that we can speak of a container concept and almost any activities or processes that can be imagined fall within definition of *doing business*. Two statements illustrate the link between electronic commerce and VO in order permitting one true economic growth:

- electronic commerce is identical with the use of ICT in relation between organization;

- electronic commerce has a practical meaning: selling or buying by means of the Internet.

Best statements illustrate that the interpretation of the concept of electronic commerce ranges from very narrow to very broad. The two approaches can be recognized in the functions that electronic commerce fulfils and which is of greater importance when viewed from the perspectives of the VO (figure 2).

In addition, electronic commerce promises to transform radically business. To stay competitive and to have economic growth with trust and without fear, organizations must

understand the implications provides by ICT and Internet. The virtual organization has become popular with the rapid growth of elec-

tronic commerce and it is regarded as one of the promising new organizational forms of the future.

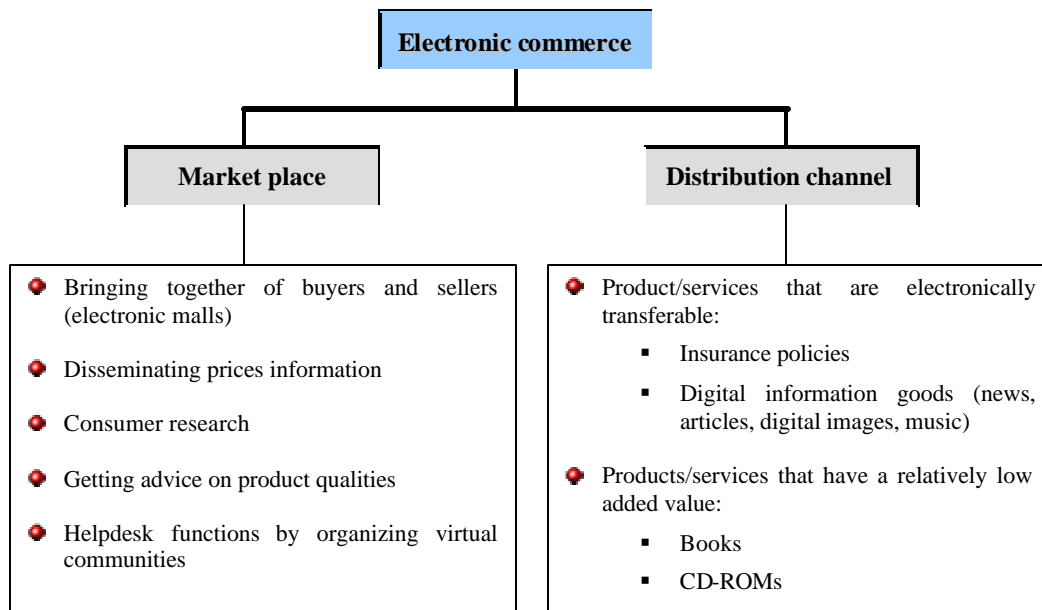


Fig. 2. Main functions for electronic commerce

In the same time, virtual organizations manifest themselves across many boundaries: time and space, as well as legal definitions. Improved support of economic activities via modern information systems is a promising strategy for the expansion of human mechanisms for virtual organizations. Conversely, opportunistic human behavior, in the sense of pursuing self-interests at another person's expense, causes risks. Several limitations, however, can be recognized, including the technical infrastructure, as well as human behavioral patterns imposed on institutions.

#### How fear operates in organizations and what strategies build high-trust work environments

There are some things that are not discussed in some organizations such as salaries, conflicts, change and bad news. Problems related to things people cannot talk about cannot be resolved and this creates problems for organizations. When people fear repercussions of speaking up, whether these fears are real or imaginary, energy is diverted from productive to non-productive work. Morale can

plummet and a lose-lose situation is created for both employees and the organization. Probably the most important way in which fear operates in organizations is the cycle of mistrust. This cycle involves two parties, in this case employees and managers. Both parties use perceived or real observed aggressive behavior of the other party with negative assumptions (mental models) and self-protective behavior to create, usually unintentionally, a conflict situation with the other party.

This cycle is reinforced over time resulting in fear, gridlock and other forms of destructive and non-productive behavior. There are several strategies that can be used:

- create a shared vision with managers and employees;
- acknowledge that fear exists and take steps to reduce it;
- pay attention to interpersonal conduct – understand and practice good interpersonal skills;
- value criticism – use it to improve products and processes, but don't shoot the messenger;

- ◆ reduce ambiguous behavior by being more specific in expectations, guidelines and requests for example;
- ◆ discuss all aspects of organizational life – nothing should be off-limits;
- ◆ practice collaborative decision making;
- ◆ challenge worst-case thinking by also exploring the upside and build action plans for all cases including contingencies.

### The role of ICT in a virtual organization

The virtual organization is expected to be one of the most promising organizational forms in the 21<sup>st</sup> century. It is different from traditional organizations and must be established and operated based on the software and hardware supporting of ICT.

The necessity of change in economic life resulting from the potential of ITC seems stronger than ever before. Particularly the field of inter-organizational cooperation offers several possibilities for ITC support. ICT plays a vital role in supporting the human resource management needs in such companies. In the personnel-planning phase, the role of ICT will shift from supporting task and process oriented activities, such as forecasting the demand for employees, to supporting result-oriented activities, such as closely monitoring project progress. Since managers may no longer be able to observe directly employees, ICT can support compensation activities by providing results oriented feedback.

Among the most frequently postulated characteristics and advantages of the new ICT, enabled organisational setting are:

- ◆ high flexibility in rapidly changing environments (like the world of Internet);
- ◆ customer focussed business and service models;
- ◆ increased competitiveness.

These criteria seem to give evidence for virtual organizations potential to have better input and/or ratios than other organisational arrangements. It is therefore an established assumption that virtual organizations have the potential to be very efficient and effective.

ICT will permit the handling, storage and transmission of all kind of information. This

enables job-relevant work to be done at home on a computer even out of regular office hours. Competitive advantage now lays in the use of ITC in order to support much more flexible and decentralized business organizations. Nevertheless, a critical factor is to keep up the communication among employees.

ICT can even help to foster a company culture in the virtual organization, by linking geographically distant employees. In the area of personnel development, information technology such as video conferencing and Web-based training will allow interactive education for even the most remote employees. Supporting all these ICT human resource activities will require a globally secure, yet flexible ICT infrastructure.

### Conclusions

Virtual organization refers to a temporary or permanent collection of geographically dispersed individuals, groups, organizational units – which do or do not belong to the same organization – or entire organization that depend on electronic linking in order to complete the production process. The two basic structural conditions for virtual organization are *geographical dispersion of organizational units* and *electronic linking of production process*. But, the main problem for a good activity in one virtual organization is about trust and fear in that organization.

New business models and redesigning paradigms and strategies for organizations condition the success of virtual organization growth. Effectively implementation these strategies and simultaneously reconciling new and existing business models will be the key to a firm's success.

Referring to trust and fear in virtual organization, we must to see three aspects:

☑ First, the "cycle of mistrust" as described between manager's and employee's is described in another manner as the accidental adversary archetype where the roles of manager and employee are abstracted. Other roles are equally valid in this model.

The accidental adversarial archetype explains how groups of people who ought to be in partnership with each other and who want to

be in partnership with each other, end up bitterly opposed. It applies to teams working across functions, joint ventures between organizations, union-management battles, suppliers and manufacturers, family disputes, and even civil wars [Senge, 1994].

One way out of this conflict is for each party to improve its understanding of the other parties needs, understand how each party is unintentionally undermining the others needs and finally how each party could support the other instead. This is essentially a problem-solving strategy which follows a simple rule: “do only those things that are both good for the relationship and good for us, whether or not they reciprocate.” [Fisher et al., 1988]

☑ Second, use collaborative problem-solving instead of authoritarian decision-making. It is “the one that most directly results in a reduction of fear.” [Ryan et al., 1991] Collaborative decision-making is also one of the essential characteristics of effective teams. In any situation requiring the real-time combination of multiple skills, experiences and judgments, a team inevitably gets better results than a collection of individual. It appears that if organizations want to increase productivity, then it makes sense to organize in such a manner as to make it possible, including the removal of fear in the workplace.

☑ Third, to reduce fear, establish a shared vision of the workplace environment and develop a set of shared workplace principles or values such as: “mutual helpfulness, understanding, and trust”. [Ryan et al., 1991] Vision is very important when working through change. Vision is the target or the *light at the end of the tunnel* we all hope for.

Considering the pace of change today, some estimates are that global knowledge doubles about every five years, we must do all that we can to reduce the barriers to learning and to innovation if we expect our organizations to survive. Reducing fear in the workplace is a good place to start for any organization, not just for virtual organization.

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