Organizational trust building competence and IORs outcomes – mediating effect of psychological features

Małgorzata Chrupała-Pniak[1], Damian Grabowski[2], Monika Sulimowska-Formowicz[3]

ABSTRACT

Number of theorists pay a lot attention to trust and its influence on inter-organizational relation's (IORs) outcomes (Blomqvist 2002; Blomqvist & Levy 2006; Sako 1998; Seppänen et al. 2007). Organizational trust is seen as relation's critical success factor that contributes to shaping effective interaction both on organizational and individual level (Ford et al. 2011). Still there is a gap in research on interdisciplinary field on interrelations between: organizational and interpersonal trust and psychological mechanisms of motivation and work engagement and then IOR results. Our research contributes to filling this gap by joining organizational aspects with individual, psychological ones.

The article presents results of empirical studies on trust in Polish companies involved in inter-organizational relationships (IORs).

The aim of the research was twofold:

1). to verify relations of organizational trust with IOR's results and

2). to analyze the relations between interpersonal trust, individuals' autonomous motivation, work engagement in cooperative teams with organizational trust and IORs' results.

The paper is founded on questionnaire research conducted in 2014 among 210 Polish companies of diverse relational experience. Spearman correlation, mediation analyses with bootstrapping and structural equations modelling with RML were used.

The research reveals statistically relevant interdependences between organizational trust and individuals' interpersonal trust and IORs outcomes. Mediation analysis shows mediating role of organizational trust in relation between interpersonal trust and relation results. Interpersonal trust of both managers and team members correlates positively with their autonomous motivation and work engagement. SEM with RML analysis proved that interpersonal trust influences IOR outcomes through organizational trust and through psychological mechanisms of motivation and engagement.

Keywords: inter-organizational relations, interpersonal trust, organizational trust, motivation, work engagement, relational competence

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1 University of Silesia in Katowice, Poland; Faculty of Pedagogy and Psychology; Organizational Psychology Department.

2 University of Silesia in Katowice, Poland; Faculty of Pedagogy and Psychology; Organizational Psychology Department.

3 Corresponding author: University of Economics in Katowice, Department of International Management, ul. Bogucicka 14, 40-287 Katowice, Poland; mformowicz@ue.katowice.pl., also School of Management, University of Silesia in Katowice, ul. Bankowa 12, 40-007; monika.sulimowska-formowicz@us.edu.pl.

INTRODUCTION

Trust between partnering organizations is a *sine qua non condition* for effective B2B relations. Equally important are psychological and organizational processes that build trust within organizations, between their employees, i.e. leaders of cooperation projects, and their subordinates in cooperating teams (Mayer, Davis, Schoorman 1995). In our study trust is assumed to be one of key variables building an organizational relational competence (RC) defined as: 1) ability to be a good business partner and 2) ability to create effective corporate relationships.

Individual level of interpersonal trust supports engagement and motivational processes and influences job performance (Gorgievski, Bakker, & Schaufeli, 2010; Schneider, Macey, Barbera, & Scott, 2010) and organizational effectiveness (Schneider et al., 2009). Organizational trust is the effect of organizational experience in cooperation. It builds relational competence of an organization and influences the result of IOR, i.e. relation's efficiency and effectiveness. Trust in inter-organizational relationships contributes to launching efficient learning processes. Learning in turn allows for an organization to exploit experience and refine both RC and other key competences that determine competitive advantage of a company (N. J. Foss 1996; Dyer & Singh 1998; Heimeriks, K. H., Duysters 2007; Mowery et al. 1996a; Zollo & Winter 2002)

The recent body of literature contains a lot of research reports on the role of organizational and interpersonal trust in inter-organizational relations (Ashnai et al. 2013; Ashnai et al. 2015; Delbufalo 2014; Huang and Wilkinson 2013) but the psychology of trust has not been considered much in recent conceptualizations of work engagement (Schneider et al., 2010, p. 168) neither in general, nor in IOR context. There is a lack of analyses concerning relations of trust with motivation and work engagement.

The aim of our research is to investigate the relationships between interpersonal trust with autonomous motivation and work engagement and in the end with organizational trust and IORs results.

RELATIONAL COMPETENCE AS A TRUST BUILDING TOOL

Trust between partnering organizations is a *sine qua non* condition for effective inter-organizational cooperation (IORs). Trust is considered a key success factor of relation as it contributes to: constructing an effective interaction both on organizational and individual levels (Ford et al. 2011) due to open communication, information exchange and dealing with conflicts (Creed & Miles 1996) also reducing uncertainty by higher predictability of a partner's behavior (Sako 1998). Trust, understood as a form of self-constraint in own goals reaching (including opportunistic behavior) and as expectation of partner's reciprocity is seen as a basis of effective coordination strategy of inter-organizational relations between independent market subjects. In our study trust is assumed to be one of variables building an organizational relational competence. We define relational competence (RC) as bundle of attitudes, organizational routines and capabilities necessary to: establish partnership and prepare the frame for it; lead common activities and control their effects; manage knowledge creation and exchange between partners, communicate effectively, solve problems and integrate partnering firms on inter-organizational, interpersonal and inter-team level (Sulimowska-Formowicz 2015) Thus, relational competence is organizational ability to be a good business partner and ability to create effective corporate relationships. Attitudes, organizational behaviors and realized procedures that build relational competence are at the same time tools for trust building of decisive meaning to organization's credibility in the eyes of its partners. Symmetrically, they form a basis for partners' trust. The process of building

organizational trust should support partners in eliminating cooperation risk and in effective use of changes, which accompany relationship (Hakansson et al., 2009; Zaheer, Lofstrom, & George, 2003).

Organizational trust is the effect of company's experience in cooperation; it builds relational competence (RC) of an organization and influences the result of IORs, i.e. relation efficiency and effectiveness. Trust in inter-organizational relationships contributes to launching efficient learning processes transferring relational experience into core competences that determine competitive advantage of a company (Foss 1996; Dyer & Singh 1998; Grant, Heimeriks, Duysters 2007; Mowery et al. 1996; Zollo & Winter 2002). Trust between partnering organizations is a condition for effective inter-organizational cooperation. It constitutes a competence of building credibility in a role of partner. Referring to the concept of contractual competence and goodwill trust by Sako (1998), success of a relation depends on trust stemming from a belief that partner possesses necessary competences.

Researchers of inter-organizational trust point at two dominant approaches (Fink et al. 2007). The first refers to dispositional traits of a partnering organization (Dasgupta 1988), the second is based on semi-rational calculation of chances that the partnering organization will behave kindly (Gambetta 1988).

This being so, in the article organizational trust is defined mostly as an organizational competence of building trust[4] - equivalent of cognitive trust (Möllering 2006; Young & Daniel 2003). It is formed by relational competence components which:

- provide justified grounds for trusting a partner based on general experience and rational premises - which are procedural source of calculative trust;
- build relational trust on interpersonal level (develop actor bonds), and strengthen reciprocity norms on an organizational level;;
- they support organization's credibility, giving its partners grounds for calculative and relational trust.

Dynamics of inter-organizational relationships confirms that the higher interdependence of partnering organization, the higher the need for organizational trust. In IORs trust is seen as a cyclic process based on negotiations, partner engagement, and execution of negotiated arrangements (Ring & Van De 1994). It affects the level of engagement in relation and depends on how much partnering organizations know each other (Ford et al. 2011). The level of trust between partners changes during relation and with their changing behavior aiming at realizing relationship and own goals simultaneously (Huang & Wilkinson 2013). A number of studies indicate that there is a relationship between trust and the economic results of IORs and partnering companies (for review see e.g. Seppänen, Blomqvist, and Sundqvist 2007; Delbufalo 2012; Delbufalo 2014; Ashnai, Henneberg, Naude and Francescucci 2015; Leszczyński, Takemura, and Zieliński 2015).

This allows us to hypothesize that:
H1: Organizational trust predicts IORs results (efficiency and effectiveness).

TRUST, MOTIVATION AND WORK ENGAGEMENT IN ORGANIZATION

In the analysis of IORs a lot of attention is paid to relations between organizational behaviors and individuals' traits and work attitudes. Organizational trust stems from routines created by people and makes a context for interpersonal trust that is visible in the IOR process. People engaged in IORs act as boundary spanners and their interpersonal trust

[4] In our research we use the term organizational trust as shorter equivalent for organizational trust-building competence or organizational competence of building trust in IORs.

affects the perception of partnering organizations credibility. This may in turn decide on firm's openness, preferred form of partnership and on boundary spanners' performance (Ring & Van De Ven 1994; Zaheer et al. 1998). This approach refers to the integrative model of an organizational trust (Mayer et al. 1995), in which trust results from a partner's perceived credibility coming from their abilities, benevolence and rightness, i.e. respecting important rules and integrity. The concept presented here describes trust on different stages of the cooperation process (from partner selection through the course of a relationship) and incorporates aspects associated with risk taking in a relationship visible in the attitude towards the partner.

Interpersonal trust is defined as the expectation of positive intentions in the behavior of other people with whom an individual interacts (Rousseau et al. 1998). This corresponds with two dominant approaches to trust in psychology. The first treats trust as a dispositional variable i.e. individual difference (trust propensity). In this sense trust is treated as a relatively permanent human trait, a disposition of awaiting positive attitudes and behaviors from others (Butler 1991; Gurtman 1992; Kiffin-Petersen & Cordery 2003; Rotter 1980; Scott 1980). The other describes trust as a situational variable based on affective-cognitive mechanisms, related to one's estimation of the degree of control, uncertainty and risk in social relationships and making decisions concerning interaction on this base (Kahneman 2011).

In this study the conceptualization of interpersonal trust combines both above-mentioned approaches. We measure interpersonal trust in a way that gives us possibility to estimate both dispositions of individuals to trust others and subjective calculation about trust in specific situation. Thus interpersonal trust in cooperation is a psychological disposition of organization's employees to trust others in IORs and to show positive expectations towards partners' actions. In reference to Rousseau et al. (1998) and Mayer et. al. (1995) we assume that interpersonal trust comes from individuals' traits and it is a situational result of affective-cognitive mechanisms stemming from: people's experiences, certain trust-building procedures of organization and previous inter-organizational and interpersonal relations.

Organisational and interpersonal trust enhance creating relationships on an individual level, support effective interaction, work engagement (Hakansson et al. 2009; Ford et al. 2011) and knowledge sharing inside an organisation (Hsu & Chang, 2014, Wu, Lin, Hsu, Yeh, 2009). All those features influence the quality of work in teams engaged in cooperation (Paul & McDaniel Jr. 2004; Muethel et al. 2012). Interpersonal trust as part of an organization's social capital may influence its outcomes through processes of identification and organizational commitment (Bakiev 2013). Thus it plays a key role in establishing contracts (Malhotra, Murnighan, 2002), or even contributes to individuals' health (Schneider, Konijn, Righetti, & Rusbult, 2011). Schneider et al. (2011, p.160), present a conceptual model where the level of trust that employees experience at work is a psychological antecedent of employees engagement. Employees' experiences of organizational trust lead them to trust their co-workers and supervisors and the system, so they feel safe enough to engage in their work. Trust is conceptualized as the core mediating variable (Mayer et al. 1995; Schoorman et al. 2007) in understanding employee engagement based on the model of Kahn (1990) which is quite similar to the meaning of work engagement (Schaufeli et al., 2006). The authors stated that trust predicts how people feel and behave in organizations. Psychological safety is a direct function of the degree to which people trust others and the system, in which they work. People trust others when: a) they are willing to reciprocate the care and consideration they receive from others (Konovsky & Pugh, 1994) and b) when they feel that others with whom they interact have integrity, capability, and benevolence (Mayer et al. 1995; Dirks 2006; Kim et al. 2009) and thus will not behave opportunistically (Carson et al. 2006). Thus, trust in others is most clearly revealed by people when they willingly

cooperate with others (Konovsky & Pugh, 1994; McAllister, 1995; Lewicki et al., 2006). People learn to trust from own successes and failures and from experiences of others (Schneider et al. 2011). People also learn to engage in cooperation within IORs.

All the above mentioned let us assume that interpersonal trust influences the quality of relationships and thus IORs' outcomes, so we also hypothesize that:
H2 Interpersonal trust (propensity to trust and situational trust) predicts organizational trust.
H3: Interpersonal trust (propensity to trust and situational trust) predicts IORs results.

Schaufeli, Bakker, and Salanova (2006, p. 702) defined work engagement as a „positive, fulfilling work-related state of mind that is characterized by vigor, dedication and absorption". Vigor is characterized by high levels of energy and mental resilience while working, willingness to invest effort in one's work, and persistence even in the face of difficulties. Dedication refers to being strongly involved in one's work and experiencing a sense of significance, enthusiasm, inspiration, pride, and challenge. Finally, absorption is characterized by being fully concentrated and happily engrossed in one's work, whereby time passes quickly and one has difficulties with detaching oneself from work. Thus work engagement brings serious consequences both to the organization and to a person. The research corroborated relations of work engagement with work results (Gorgievski, Bakker and Schaufeli, 2010) and efficiency (Schneider et al., 2010). Engaged workers are more innovative (Gorgievski et al., 2010), spread among others their positive attitude toward work (Xanthopoulou, 2009) and contribute to higher financial results of organization. Work engagement described this way is a construct similar to but distinct from self-determined motivation (Gagne, Deci, 2005). In general, peoples' motivation is an antecedent of work engagement.

According to the self determination theory (SDT) the most central distinction is between autonomous motivation and controlled motivation (Ryan & Deci, 2000). *Autonomous motivation* comprises both intrinsic motivation and the types of extrinsic motivation in which people get identified with an activity's value and ideally will integrate it into their sense of self. When people are autonomously motivated, they experience volition, or a self-endorsement of their actions. Autonomously motivated individuals, as opposed to those controlled in action, experience more interest, excitement, and confidence that manifests in work engagement, persistence and thus enhanced performance. *Controlled motivation* is a multidimensional feature and consists of: 1. external regulation, in which one's behavior is a function of external stimuli associated with reward and punishment, and 2. introjected regulation, in which the regulation of action has been partially internalized and is determined, among others by approval motive, avoidance of shame, contingent self-esteem, and ego-involvements. When people are controlled, they experience pressure to think, feel, or behave in particular ways. Both autonomous and controlled motivation energize and direct behavior, and they stand in contrast to amotivation, which refers to a lack of intention and motivation to act (Deci & Ryan 2008, p. 182).

Following the reasoning proposed above we hypothesize that:
H4: Interpersonal trust and autonomous motivation predict work engagement.

Summing up the previous hypotheses we assume the existence of the following path of relations between variables:
H5: Organizational and interpersonal trust and autonomous motivation influence IORs results through work engagement.

RESEARCH

The research was performed on a nationwide sample of 210 medium and big companies of different industries, experienced in non capital IORs of different types. The study is cross-sectional, self-descriptive and unilateral - mutual trust of both partners in dyad was not measured (for full description of the research methods see: Chrupała-Pniak et al. 2016).

In the sample there were 210 managers (79 % men and 21 % women), average age of the studied managers and 982 employees was 42 (M=42 years old, SD=6,96). The teams consisted of 3 to 5 members. The largest age group was 26-45 years of age (641 employees), which was followed by the one of 46-55 (220 employees). The smallest groups included workers below 25 years of age - 42 people and above 55 years of age - 70 people.

A packet of tools consisted of authors' own operationalization of organizational trust (set of 35 statements concerning procedures and behaviors of organizational trust-building competence before and during relation) based on literature and already tested operationalizations of trust and relational capabilities (Human & Naudé 2009; Human 2009; Kale and Singh 2007; Lambe, Spekman, & Hunt 2002; Mitrega, Ramos, Forkmann, & Henneberg 2011; Reina and Reina 2006; Ritter, Wilkinson & Johnston, 2002; Schreiner, Kale & Corsten 2009; Walter, Auer & Ritter 2006). Reliability analysis of this nominal scale showed satisfactory Cronbach alpha coefficient of 0.78.

Interpersonal trust (trust propensity) was analyzed according to the situation of inter-organizational relationships and separately for managers and team members. This division is due to different role the two groups play in IORs. We used two-item scale based on the concepts of Rousseau et al. (1998) and Mayer et al. (1995), similar to the items of trust used in The European Values Study EVS project. Obtained Cronbach alpha coefficients of 0.55 (for managers' trust) and 0.63 (for teams' trust) were satisfactory for two-item scale. Interpersonal situational trust was measured using Partner Trust Questionnaire by Chang & Lee (2013) translated and adapted into Polish. Reliability analysis showed Cronbach alpha coefficient of 0.91.

Work engagement was analyzed with the UWES_9 (Utrecht Work Engagement Scale short version, Schaufeli et al. 2006). Motivation was tested with WEIMS_PL (Work Extrinsic and Intrinsic Motivation Scale, Polish version, Chrupała-Pniak, Grabowski in print).

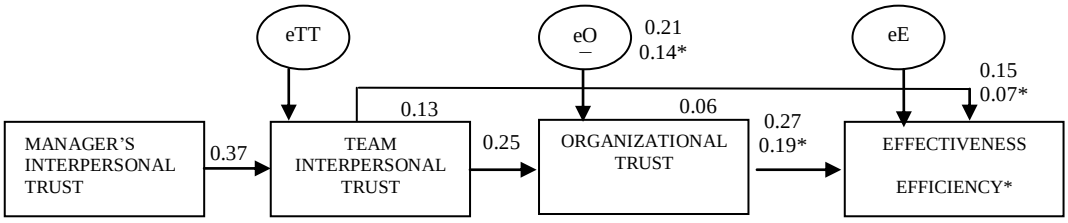
Dependent variables were cooperative relationships' results, measured with two perceptive scales of relations' effectiveness and efficiency. Effectiveness was measured with 11 statements referring to the level of relationships' goals reaching (Zollo et al. 2002; Holtbrugge 2004), Cronbach alpha coefficient reached 0.89. Efficiency was measured with 4 statements referring to cost, work and time efficiency and tacit resources obtaining in relations. Cronbach alpha coefficient reached 0.83. Both scales used 5-point Likert scale.

RESULTS

To testify the set of hypotheses (1-5) we used Statistica and SPSS.23 and LISREL software. Due to moderate and extreme left-side skewness of variables, to verify hypotheses we used a set of nonparametric analyses: Spearman correlation, mediation analyses with bootstrapping and structural equations modeling with RML (Robust Maximum Likelihood). The results give us right to accept all hypotheses.

Path analysis fully confirms H1. Figure 1 shows relations between interpersonal trust of managers and team members (propensity to trust) and organizational trust and relations' outcomes (effectiveness and efficiency). Direct influence is visible in case of team members' trust. Models explain respectively: 15% and 7% of relations' outcomes. (For more information on that aspect of our research see: Chrupała-Pniak et al. 2016).

Figure 1. Mediation model: team trust and organizational trust in relation with managers' trust and IORs' effectiveness and efficiency*

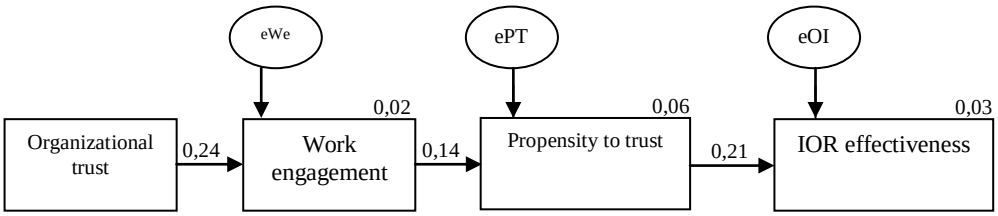


$\chi^2(df)$=1.72(2) (p>0,1), χ^2/df=0.86; RMSEA=0.00; CFI=1.00; NFI=0.98; SRMR=0.029; GFI=1.00.
All path coefficients greater than 0.12 are significant (p <0.05)
* $\chi^2(df)$=1.52(2) (p>0.1), χ^2/df=0.76; RMSEA=0.00; CFI=1.00; NFI=0.98; SRMR=0.024; GFI=1.00.
All path coefficients greater than 0.12 are significant (p <0.05)

***values for relations with efficiency**

Path models presented on Figures 2 and 3 show relations enabling us to verify hypotheses (H2, H3) about the predicting role of organizational and interpersonal trust in relation with IORs' outcomes

Figure 2. Mediation model: organizational trust with IORs effectiveness through work engagement and propensity to trust

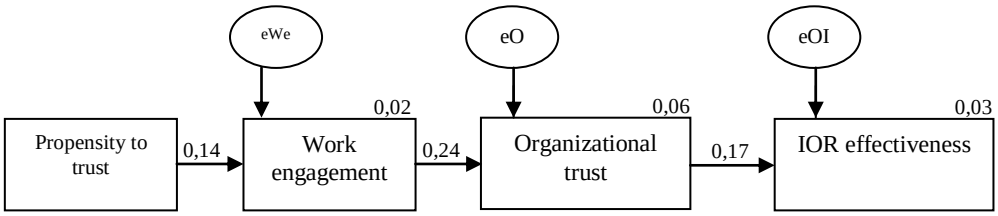


$\chi^2(df)$=8,04(3) (p>0,04), χ^2/df=2,68; RMSEA=0,12; CFI=0,84; NFI=0,78; SRMR=0,067; GFI=0,98.
All paths coefficients greater than 0,15 are significant (p<0,05)

Analysis of values of χ^2/df, SRMR, CFI, NFI and GFI leads us to conclusion about better fit of the model (Fig. 2) in which organizational trust influences individuals' work engagement and (through propensity to trust) on IORs' outcomes. So H2 and H3 are confirmed. Although the model weakly fitted to data. Probably, the relation between propensity to trust and organizational trust is based on the cycle. Both propensity to trust and organizational trust influence work engagement.

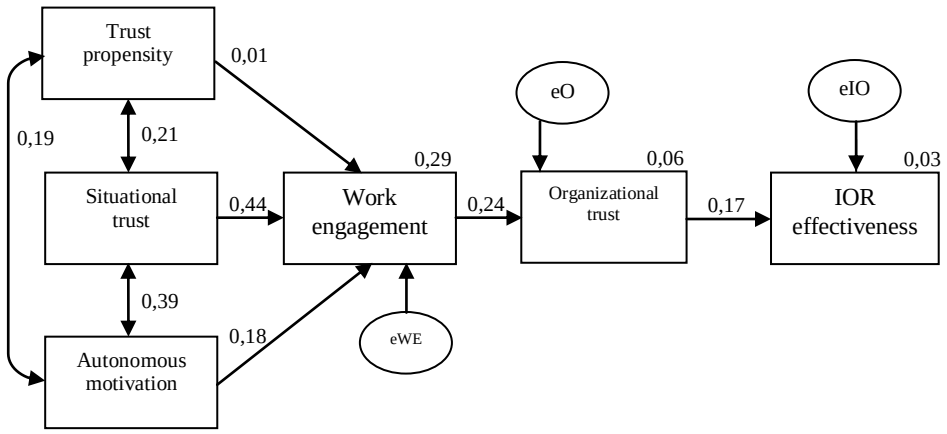
Next step was testing hypotheses H4, H5 about the influence of interpersonal trust and autonomous motivation on work engagement and organizational trust and IORs' outcomes (Figures 4-5).

Figure 3. Mediation model: relation propensity to trust to IOR effectiveness through work engagement and organizational trust.



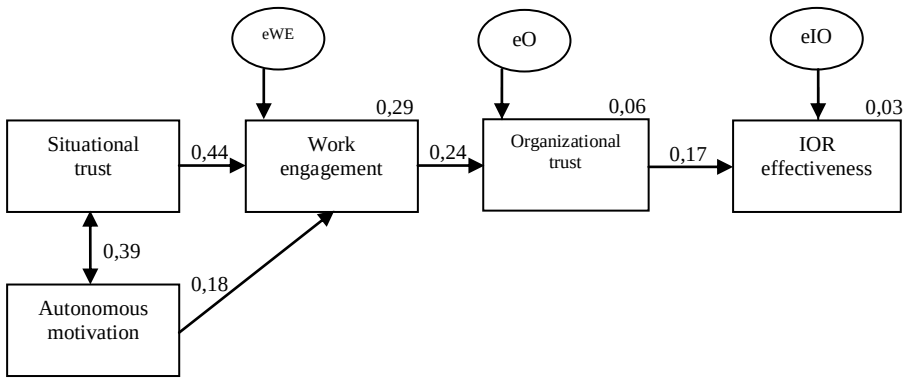
$\chi^2(df)$=11,69(3) (p>0,001), χ^2/df=3,89; RMSEA=0,12; CFI=0,72; NFI=0,68; SRMR=0,077; GFI=0,97.
All paths coefficients greater than 0,15 are significant (p<0,05)

Figure 4. Mediation model: team interpersonal trust and autonomous motivation and work engagement through organizational trust in relation with effectiveness of IORs.



$\chi^2(df)$=15,84(7) (p=0,03), χ^2/df=2,26; RMSEA=0,079; CFI=0,94; NFI=0,91; SRMR=0,058; GFI=0,98.
All paths coefficients greater than 0,15 are significant (p<0,05)

Figure 5. Mediation model: relation of situational trust (without propensity to trust) and autonomous motivation to IORs effectiveness through work engagement and organizational trust.



$\chi^2(df)$=2,19(5) (p=0,82), χ^2/df=0,44; RMSEA=0,00; CFI=1,00; NFI=0,98; SRMR=0,025; GFI=1,00.
All paths coefficients greater than 0,15 are significant (p<0,05)

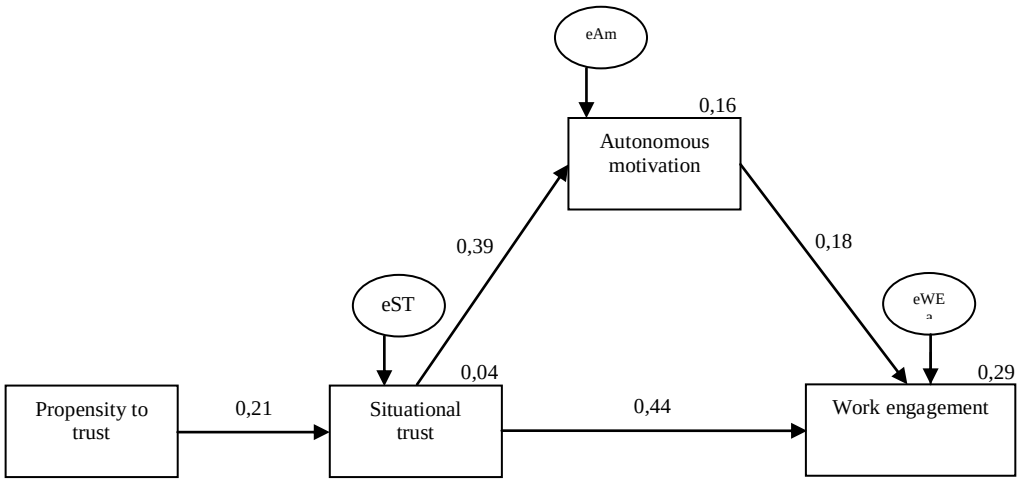
Figures 4 and 5 show that work engagement positively correlates with situational trust (ST) and autonomous motivation (AM). We may presume that ST and AM increase the level of work engagement, and this variable increases the degree of organizational trust and IOR effectiveness (model on Figure 5 shows good fit to data). Trust propensity (TP), situational trust (ST) and AM are positively related (model on Figure 4 shows satisfactory fit to data).

TP (trust propensity) affects work engagement by situational trust, which is visible on models hereunder (Figures 6-7), presenting results of path analysis for relations of interpersonal trust and work engagement mediated by motivation (separately analyzed in the managers' sample and team members' sample). Models show good fit to data.

Mediation analysis for relation of situational trust and work engagement confirms indirect influence of autonomous motivation on work engagement for both managers and

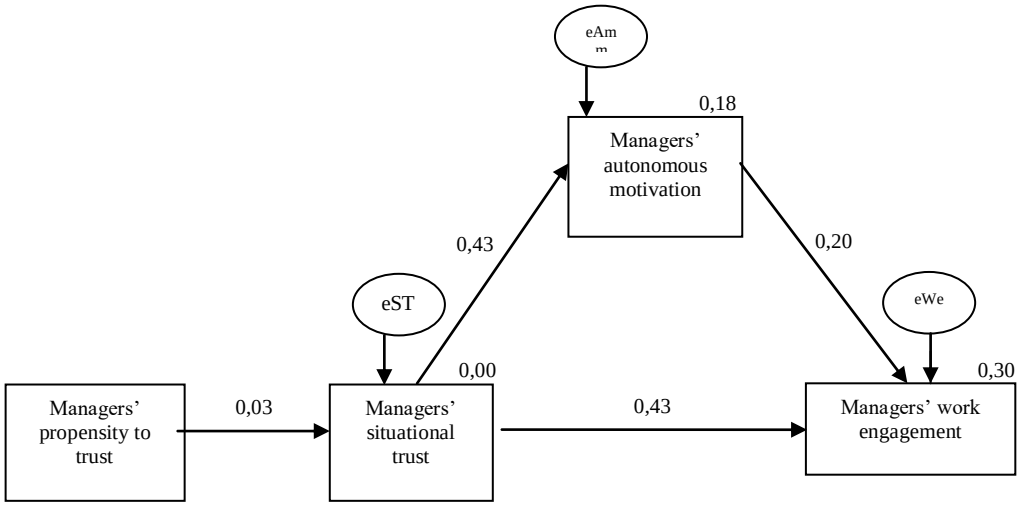
team members, which confirms H4. Besides, the level of situational trust increases propensity to trust.

Figure 6. Mediation model: propensity to trust and situational trust with work engagement through autonomous motivation (team members)



$\chi^2(df)$=3,27(2) (p=0,2), χ^2/df=1,64; RMSEA=0,056; CFI=0,99; NFI=0,98; SRMR=0,037; GFI=0,99.
All paths coefficients greater than 0,15 are significant (p<0,05)

Figure 7. Mediation model: autonomous motivation as mediator in relation of managers' situational trust with work engagement



$\chi^2(df)$=2,59(2) (p=0,2), χ^2/df=1,29; RMSEA=0,038; CFI=1,00; NFI=0,98; SRMR=0,037; GFI=0,99.
All paths coefficients greater than 0,15 are significant (p<0,05)

Presented path and mediation analyses' results confirm hypotheses H1, H2, H3 and H4 concerning relations of organizational trust, interpersonal trust with autonomous motivation and work engagement (of both managers and team members).

Hypothesis H5 concerning relations of psychological variables (interpersonal trust, autonomous motivation and work engagement) with IORs effectiveness is partially confirmed.

Relations of psychological variables with IORs efficiency were weaker and thus did not appear in path models.

DISCUSSION

Our research almost fully confirmed the hypotheses and we contribute to analyses of relations of trust with individuals' motivation and work engagement that affects inter-organizational relations' success.

Organizational trust, which is in our case organizational trust-building competence, strengthens work engagement induced by individual propensity to trust. Organizational trust is conducive to work engagement that stems from autonomous motivation, which in turn appears in a context of situational trust. Based on the analyses, we propose that company should pay attention to procedures and activities reinforcing individual traits and work engagement that comes from them. Building supportive context for situational trust may have positive impact on IORs outcomes. Although significant, but small effect on IORs outcomes suggest that there are more variables that determinate IORs results, not included in our research.

According to SDT by Deci & Ryan (2008) autonomous regulation is a type of self-regulation, including autonomous motivation as a mechanism connected to fulfilling the universal human needs of: autonomy, competence and relatedness. The relation of self-regulation with trust can be explained by fulfilling the need of relatedness with other people. This leads to self-regulation that in turn increases trust. This regulation directly, and mediated trust, increases all the dimensions of work engagement (dedication, absorption and vigor). Situational trust then enhances people's faith in own competences and gives them autonomy. Propensity to trust may be then connected to the process of workers' awarding for realized tasks. So, if a company and managers are able to create the environment supporting these needs, people might feel comfortable and safe and use own autonomy to fulfill other needs (need for competence and need for relatedness). Finally they present high level of work engagement and job performance and other outcomes.

We think that if organization uses these psychological mechanisms based on autonomous regulation and work engagement it may enhance the wellbeing of workers and contribute to greater work efficiency

Additionally, we may presume that organizational and inter-organizational effects of cooperation will be long-lasting and more effective when induced by mechanisms of autonomous motivation, which is commonly considered more valuable (and cheaper), than controlled motivation. Organization may offer motivation system related to results of workers efforts, which in turn will enhance workers' sense of own competences, autonomy and increase their work engagement. One should notice that improper usage of motivation system may weaken autonomous motivation and turn it into controlled, so managers should pay a lot attention to nonmaterial motivation instruments, respect workers for their efforts, creating tasks in order to fulfill the needs that build their self-determination. In IORs' context those practices are building blocks of relational competence and should fit requirements of successful relation management process.

The prerequisite of translating this relation into organizational effectiveness are workers' capabilities and organizational competences that create context for their actions. In case of IORs one of such resources may be relational competence and its trust- building procedures.

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