

Trust and Control Interrelations: New Perspectives on the Trust–Control Nexus

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This article introduces the special issue on New Perspectives on the Trust-Control Nexus in Organizational Relations. Trust and control are interlinked processes commonly seen as key to reach effectiveness in inter- and intra-organizational relations. The relation between trust and control is, however, a complex one, and research into this relation has given rise to various and contradictory interpretations of how trust and control relate. A well-known discussion is directed at whether trust and control are better conceived as substitutes, or as complementary mechanisms of governance. The articles in this special issue bring the discussion on the relationship between both concepts a step further by identifying common factors, distinctive mechanisms, and key implications relevant for theory building and empirical research. By studying trust and control through different perspectives and at different levels of analysis, the articles provide new theoretical insights and empirical evidence on the foundations of the trust-control interrelations.

Keywords: trust; control; organizational relations; governance; risks.

Trust and control are two of the most studied concepts in the organization sciences and management literatures. After several decades of scholarly focus on control as governance mechanism, trust has become increasingly recognized as a central mechanism in the coordination of expectations, interactions, and behaviors within organizational relations.

Partly because of processes of globalization, increasing flexibility of labor relations and virtualization of organizational forms, intra- and interorganizational work relations have become looser and less easy to monitor. Instead of hierarchical relationships that used to dominate the framing of work relations, lateral relationships and alliances have acquired importance (Bachmann, Knights, & Sydow, 2001; Sheppard & Tuchinsky, 1996), demanding increasing levels of trust to function effectively (Creed & Miles, 1996; Powell, 1996; Tyler, 2003). Trust has become undoubtedly one of the key concepts in the analysis of intra- and inter-organizational relations. However, it would be wrong to assume that trust is a panacea to all problems in contemporary organizational relations. Trust can be harmful, as it encourages parties to suspend their judgment of others (Langfred, 2004), and it can lead to betrayal (Lane, 2001). By now, it is a matter of common understanding that trust and control enable effective functioning of individuals, teams, and organizations and are essential features of organizational life.

Among the issues addressed while studying trust and control, the matter of how both constructs relate is one of the most controversial. Scholars have examined the relation between trust and control from multiple vantage points comprising varying levels of analysis. Although these various approaches have emphasized the complexity and importance of trust–control relationships, scholars have not yet proposed solid theoretical frameworks that can assist us in understanding how trust and control in general relate (Long & Sitkin, 2006). However, as it is evidenced by this special issue and other recent publications (e.g., Bachman et al., 2001; Bijlsma-Frankema & Costa, 2005; Long & Sitkin, 2006) scholars are starting to develop more well-defined ideas and propose more integrated frameworks on how trust and control relate.

This special issue builds on and complements previous theory and research on trust and control. The main aim is to identify common foundations and key implications of both constructs that are relevant for theory building and future research.

Consistent with the interdisciplinary focus of research on trust and control, the articles appearing in this special issue represent different disciplines, including organizational behavior, psychology, economy, and strategic management. Moreover, the authors approach trust and control at different levels of analyse ranging from interpersonal and intergroup to organizational and interorganizational levels. The articles propose or test integrated frameworks on how trust and control relate, both expected to contribute to the development of new perspectives and understandings. The article by Vlaar, Van den Bosch, and Volberda (this issue) proposes an integrated framework for analysis of the evolution of trust, distrust, formal control, and coordination in interorganizational relationships. By integrating and reconciling previous work emphasizing the dynamics associated with trust and control, the article contributes to a more comprehensive and refined understanding of the evolution of interorganizational cooperation. The article by Şengün and Wasti (this issue) tests the interaction between trust, control, and risk in long-term supply chains between pharmacies and drug warehouses in Turkey using the conceptual framework proposed by Das and Teng (2001). The article by Ferrin, Blight, and Kohles (this issue) introduces a conceptual model of the relationships among trust, monitoring, and cooperation in interpersonal and intergroup interactions, while systematically distinguishing between "own" and "others'" perspectives. The concept of *isomorphism* is used as a basis for developing this theory, observing that although the constructs may differ in structure across levels, they may still have similar functions. The article by Weibel (this issue) draws on self-determination theory and elaborates a theoretical framework to analyze conditions that lead to positive relations between formal control by the manager and subordinates' trustworthiness.

By bringing together these articles, we hope that this special issue will reflect the richness and range of the current research developments about how trust and control relate. In this introductory article, we first provide a clarification of the concepts and identify demarcations and key definitions that reflect how trust and control are approached by the authors in this special issue. Second, we discuss views scholars hold on how both constructs relate based on previous theory and research. Third, we discuss new perspectives and understandings related to the dynamics and contextual contingencies of trust and control.

Conceptual Clarification

Trust and *control* refer to highly complex forms of social relationships and processes, whose definitions have been inherently elusive and often challenged among scholars (Reed, 2001). Because both concepts have been studied within different contexts and approached through various disciplines, it is not surprising that varied, and sometimes divergent, conceptualizations of trust and control are found in the literature. This emphasizes the need to clarify boundaries and to understand how the trust and control concepts are approached in this special issue. Furthermore, the coexistence of trust and control within an array of entities ranging from individuals, dyads, groups, organizations, to interfirm alliances suggests that a multilevel approach is desirable (Das & Teng, 2001; Rousseau, Sitkin, Burt, & Camerer, 1998). Multilevel approaches provide researchers with a theory and research methodology that reflects the complexity and dynamics of trust and control.

The majority of the articles in this special issue seem to embrace a multilevel approach. From the two articles addressing trust and control in the context of interfirm alliances, Şengün and Wasti (this issue) focus almost exclusively on the organizational level, whereas Vlaar et al. (this issue) combine the interorganizational focus with dyadic analyses of the relationship between the organizational managers involved in alliances. Ferrin et al. (this issue) depart from an individual analysis of own and others' trust to explain trust, monitoring, and cooperation in interpersonal and intergroup relationships. Weibel (this issue) addresses trust in the context of manager–subordinate relationships but discusses it within the functioning of the formal control system of the organization.

Trust

Many definitions of *trust* have been put forward from varied fields of science. The apparent conceptual diversity has been reflected in regular reviews of the literature and research on trust (e.g., Dirks & Ferrin, 2002; Hosmer, 1995; Kramer, 1999; Lewicki & Bunker, 1996; Möllering, Bachmann, & Lee, 2004; Rousseau et al., 1998). People trust others based on assumptions that these others will behave in a certain way (R.C. Mayer, Davis, & Schoorman, 1995) and that this will provide them with an expected desirable outcome (Deutsch,

1962).

Despite interdisciplinary differences most scholars agree that trust is essentially a psychological state that manifests itself in the behavior toward others (Kramer, 1999). As a psychological state, trust comprises positive expectations and the willingness to become vulnerable to the actions of others (Rousseau et al., 1998). *Positive expectations* refer to the belief in the trustee(s): (a) ability or competence on various performance dimensions, (b) benevolence or goodwill toward the trustor, and (c) integrity or the willingness to fulfill the commitments to trustors (R. C. Mayer et al., 1995). This suggests that trust essentially comprises an individual and a relational component, respectively, regarding the characteristics of the trustor and of the trustee(s) and regarding the relationship between trustor and trustee(s) (R. C. Mayer et al., 1995). The willingness to become vulnerable to the actions of others associates trust with the risk that the behaviors of others can do you harm. Gambetta (1988), for instance, partly defined *trust* as the expectation that another's action "will be beneficial rather than detrimental" (p. 217). This suggests also that trust is related to risk taking, in the sense that, by trusting, the trustor expects that the desirable outcome will materialize, in spite of the possibility of being disappointed (Boon & Holmes, 1991; Luhmann, 1988).

The conceptualizations of *trust* described in the articles in this issue are consistent with the psychological state approach to trust and focus at least on two of the critical elements in its definition mentioned above. Vlaar et al. (this issue) and Şengün and Wasti (this issue) emphasize mostly competence and goodwill aspects of trust. Ferrin, et al. (this issue) adopt Cummings and Bromiley's (1996) definition of *trust* "as individual's or group's belief that another individual or group makes efforts to uphold commitments, is honest, and does not take advantage given the opportunity" (p. 303), which is also consistent with the integrity and benevolence dimensions cited above. Weibel (this issue) emphasizes mainly the assessment of the trustee's level of trustworthiness based on benevolence. Although trust is inherently relational, trustworthiness is relational in a limited sense because it is tied mainly to certain characteristics of the trustee.

Control

Control has been viewed as a process that regulates behaviors of organizational members in favor of the achievement of organizational goals (Bradach & Eccles, 1989; Cardinal, Sitkin, & Long, 2004; Das & Teng, 2001). The control literature suggests that there are two main approaches to control. One approach focuses on the establishment and utilization of formal rules, procedures, and policies to monitor and reward desirable performance, that is, formal control. The other approach focuses on informal or social control and emphasizes the regulatory power of organizational norms, values, culture, and the internalization of goals to encourage desirable outcomes. Although Şengün and Wasti (this issue) take both approaches into account in their study, the other authors in this special issue focus essentially on formal control. *Formal control* is defined either with respect to the organizational degree of formalization or to the level of monitoring between individuals. In the article by Vlaar et al. (this issue) formalization fulfills not only a control function but also a coordination function. The coordination function helps partners to decompose tasks and to establish and to communicate the activities that have to be completed. This function has gradually received more systematic attention in the literature (e.g., Klein Woolthuis, Hillebrand, & Nootboom, 2005; Madhok, 2002; K.J. Mayer & Argyres, 2004) and appears to be highly dependent on trust. Ferrin et al. (this issue) define *monitoring* as a form of control that reflects actions by one party to gain information about another party's level of cooperation. Monitoring is considered a critical element of formal control because it provides parties the possibility of determining whether there have been deviations from agreed-on rules (Bijlsma-Frankema & Costa, 2005). Weibel (this issue) describes *control* as a formal mechanism that managers use to direct subordinates toward the successful attainment of organizational goals (Flamholtz, Das, & Tsui, 1985).

Trust and Control Interrelating

The relation between trust and control is a complex one, and research into this relationship has given rise to various and contradictory interpretations on how trust and control relate (Anderson & Narus, 1990; Bradach & Eccles, 1989; Das & Teng, 1998; Zaheer & Venkatraman, 1995). In particular, two main perspectives can be distinguished: the substitution perspective and the complementary perspective.

From a substitution point of view, trust and control are

inversely related, that is, low trust requires formal control and high trust allows for limited formal control (e.g., Dekker, 2004; Handy, 1993; Inkpen & Currall, 1997; Williamson, 1975). Conceptualizing trust and control as opposing alternatives has been a long tradition in management sciences (Knights, Noble, Vurdubakis, & Willmott, 2001). Some adepts of this perspective base their argument on the economic relevance of trust. Trust provides incentives for cooperation, reduces uncertainty, and increases information exchange (Arrow, 1974; Gambetta, 1988; Gulati, 1995; Powell, 1996). Therefore, the higher the level of trust in relationships, the lower the costs of monitoring and other control mechanisms (Cummings & Bromiley, 1996; Handy, 1993; Williamson, 1975). Trust and control are considered to be alternative routes for arriving at stable orders to which social actors can orient their behavior (Gulati, 1995). Both constructs allow for the development of expectations with regard to social actors' future behaviors, and increase predictability (Luhmann, 1979; Nooteboom, 2002). Powell (1996) argued that in the absence of "natural" conditions for trust development such as familiarity based on past experiences or characteristics of similarity, interfirm collaborations tend to rely more on formal and institutional base arrangements, which can be more costly and time-consuming. Support for the substitution point of view has also been found in work relationships within organizations. For instance, Costa (2003) found that trust between members in work teams is positively related to cooperative behaviors and negatively to monitoring colleagues, indicating that trust can work as a substitute for control. However, despite various attempts (e.g., Anderson & Narus, 1990; Zaheer & Venkatraman, 1995), there is no consistent empirical evidence that trust and formal control indeed substitute for each other.

The complementary point of view, on the other hand, argues that trust and control can be mutually reinforcing and contribute to the level of cooperation needed in a relationship (Sitkin, 1995; Zucker, 1986). Proper formal control mechanisms can increase trust to the extent that objective rules and clear measures help to institute a "track record" for people to base their assessments and evaluations of others (Goold & Campbell, 1987; Sitkin, 1995). For instance, within interfirm collaborations legal regulation of interorganizational relationships is an important precondition for trust as it makes them more predictable (Luhmann, 1979; Zucker, 1986). Dodgson (1993) emphasized the importance of formalization to ensure continuity of successful interorganizational collaboration

because trust on its own is a fragile governance mechanism, particularly in situations of continuous organizational change and high mobility of the work.

From a contextual-based approach, Das and Teng (2001) suggested that the relationship between trust and control can be either complementary or substitutive in nature depending on the type of control. Formal control may undermine trust because the employment of strict rules and objectives means that members do not have the autonomy to decide what works best (Das & Teng, 2001). In this sense, trust and control act as substitutes. This is consistent with the view that trust, in particular goodwill trust, reduces the need to design and monitor contractual safeguards (Lui & Ngo, 2004). Social control, on the other hand, may complement trust to the extent that it emphasizes the creation of shared goals and norms, which are likely to increase mutual understandings and to breed trust. Şengün and Wasti confirm both these propositions while testing Das and Teng's (2001) model in long-term supply agreements. Other researchers do take different stances over this matter. For instance, Vlaar et al. (this issue) argue that the starting levels of trust and distrust in the development of interorganizational collaborations will influence the degrees of formal coordination and control and the levels of performance achieved in early stages of cooperation, which then influences how managers interpret the behavior of their partners. As a result, trust, distrust, and formalization tend to develop along self-reinforcing paths. With an interpersonal and intergroup focus, Ferrin et al. (this issue) argue that although the relation between own trust and own monitoring and vice versa is of substitution, the relation between others' monitoring and own trust can be either of substitution or of complementarity. The valence of this relation is contingent on contextual factors and on how monitoring is experienced in that context. Weibel (this issue) elaborates on how monitoring by managers is experienced by subordinates and how it can enhance their trustworthiness. If formal control is perceived as enabling autonomy, competence, and relatedness, subordinates can be expected to "take in" the values that are important to the manager, which promotes their trustworthiness. This argument is consistent with earlier findings showing that subordinates' trust in managers is positively related to monitoring behaviors of managers (Bijlsma-Frankema & Van de Bunt, 2003) and with the idea that monitoring enhances the willingness of managers to become vulnerable in their relationships with subordinates through acts of delegation of empowerment (Spreitzer &

Mishra, 1999).

New Perspectives and Understandings

The articles in this special issue broaden traditional perspectives on trust and control relationships and contribute to further research in several domains. By approaching trust and control from multidisciplinary and multilevel perspectives, scholars have opened up new questions and themes that enable new ways of theoretically making sense of the trust–control relationship. The articles propose and test integrated models drawn from diverse literatures ranging from game theory, negotiation, and interpersonal trust, to governance, organization governance, and interorganizational relationships. In the article by Ferrin et al., a theoretical model is proposed describing the relationships among trust, monitoring, and cooperation in interpersonal and intergroup interactions. The authors argue that a more explicit distinction between *own and others' trust*, *own and others' monitoring*, and *own and others' cooperation* is critical for better understanding the relationships among trust, monitoring, and cooperation. By making this distinction between *own* and *other*, the authors are able to provide greater precision in how *trust*, *monitoring*, and *cooperation* are defined, and a more comprehensive and variegated view of the relationships among the constructs. The other three articles in this special issue emphasize the dynamics of trust and control in organizational relations (e.g., Vlaar et al., Weibel) and the relevance of the context in these dynamics (Şengün & Wasti).

Coexistence and Dynamics of Trust and Control

It has been noted that a minimum level of trust is needed for the success of any form of collaboration (Creed & Miles, 1996). This suggests that to have effective controls in any type of organizational relation a certain level of trust is needed (Das & Teng, 1998). Vryza and Fryxell (1997) found that trust makes control mechanisms more effective. After all, trust reduces the level of resistance and brings harmony to the controller–controllee relationship (Das & Teng, 2001). A lack of trust means that the firms will question the motive and competence of the controlling partners. Thus, without a certain level of trust, it will be difficult to accept control in relation to outcome measurements, to follow specified behavior patterns, or to share values.

Of course, trust and control are not static phenomena. During

business relationships, parties update their expectations and introduce changes regarding the trust, coordination, and control mechanisms that they have adopted (Bijlsma-Frankema & Costa, 2005; Wicks, Berman, & Jones, 1999). Such changes become more likely when the outcomes achieved in terms of the relational quality differ from the ones expected in early stages of cooperation. In this way, trust and formal control are found to be interrelated in various dynamic patterns (Larson, 1992; Ring & Van de Ven, 1994; Zaheer & Venkatraman, 1995).

The integrated framework proposed by Vlaar et al. (this issue) suggests that patterns of trust, distrust, and formal coordination and control tend to develop along self-reinforcing vicious or virtuous cycles in interorganizational collaborations. This observation is congruent with Zand's (1972) spiral reinforcement model. Vlaar et al. (this issue) provide a comprehensive and refined understanding of these dynamics based on the level of trust and distrust between parties during the initial stages of cooperation and how these affect the development of trust and control at later stages of the cooperation. This derives from the impact of trust and distrust in the earlier stages of the cooperation on (a) formal coordination and control, (b) interorganizational performance, and (c) the interpretations that managers attribute to the behavior of their partners. Because partners tend to interpret each others' behavior so that it reinforces existing preconceptions (March & Olsen, 1975; Weick, 1995), initial levels of trust and distrust strongly influence whether the behavior of partners will develop into spirals of distrust and defensive behavior with increasing emphasis on monitoring and control (Ghoshal & Moran, 1996), or into increasing levels of trust and commitment in a partnership (Klein Woolthuis et al., 2005).

Although formal control can become destructive and undermine the development of trust (Lewicki, McAllister, & Bies, 1998; Sitkin & Roth, 1993) by discouraging contributions to a relationship, Weibel (this issue) proposes a framework that identifies several mechanisms through which formal control can enhance trust. Through the lens of self-determination theory, she argues that formal control can have a positive effect on employees' trustworthiness when it is perceived as enhancing autonomy, competence, and relatedness. Self-determination theory is useful in showing how to link characteristics of managerial formal control with subordinates' intention to behave in a trustworthy fashion. The framework is used to

organize empirical findings on the interplay of formal control and trustworthiness in various research streams, such as participation research, crowding-out theory, marketing theory, trust theory, and theory of organizational support. The study proposes that if managerial control enhances the three drivers of trustworthiness, formal control in conjunction with trust will contribute to organizational effectiveness. This proposition is in accord with earlier findings in trust and control research, which suggests that the controls that managers employ and their willingness to promote trust significantly affect subordinate performance on tasks and the quality of their relationships with subordinates (Sitkin & Long, 2006).

Contextual Factors

The influence of the context on the dynamics of the trust and control interrelation has been advocated by scholars addressing trust and control within and between organizations environments. Ferrin et al. (this issue) elaborate on the contingency influences on the valence of trust–control relations. For instance, employees have been found to trust their superiors less when they perceive that the superiors' monitoring is intended to control their behavior (Etchegaray & Jones, 2001). However, if employees view their managers' monitoring as a demonstration of care and as a precondition to provide feedback on performance, appreciate good work, and provide support and guidance, it will increase their trust in their managers (Bijlsma-Frankema & Van de Bunt, 2003). Weibel (this issue) elaborates on this issue by discussing several mechanisms that add to the potential to promote trust by formal control.

Within interfirm collaborations, typologies have been proposed showing different degrees of embeddedness of trust and control in the structure and culture of institutions (Das & Teng, 2001; Powell, 1996). Indeed, contextual and cultural factors may explain a fair share of the variance in findings on the trust–control relations found so far. For example, the study of Şengün and Wasti (this issue), in spite of confirming the main propositions of the Das and Teng (2001) original framework, demonstrates also some limitations of this model when applied to a long-term supply agreement in Turkey. Contrary to the propositions of Das and Teng, goodwill trust is found not to be sufficient for taking relational risks in this context. Performance risk, on the other hand, is seen as unavoidable and is taken as given. However, even for this type of risk, parties rely mainly

on goodwill trust and not on competence trust. The authors attribute these findings to the collectivist and to some extent to the uncertainty-avoiding nature of the Turkish culture (see Şengün & Wasti, this issue). Reframing questions about the trust–control interrelation to include the context in theoretical and empirical studies seems a promising turn to take, although the complexity of the matter studied is increased as well.

As the context of organizations is constantly evolving, future developments may bring the need to develop other representations of trust and control in organizational relations. More empirical research is therefore necessary, as the understanding of the dynamics of trust and control is likely to grow in importance in the coming years. The evidence needed for dynamic analysis will not only provide more robust ground for making causal inferences but also will promote our understanding of how changes in one factor will lead to changes in another factor, for instance, how loss of trust in a relationship will change the nature of control employed.

It can be concluded that our understanding of the trust–control dynamics has been and will be promoted by a shift to more theoretical explorations, as demonstrated in the articles in this issue. Based on the perspectives proposed in this special issue, we expect that a lot of promising work lies ahead in the pursuit of these new directions for research.

This special issue has been put together with the purpose to reinforce integration and accumulation of insights regarding trust and control in organizational relationships. The scholars that have contributed to this special issue have accepted the challenge to be consciously integrative in their approaches to the functioning of trust and control in organizational relations. We wish to thank Group & Organization Management for providing the context and the incentives to support an integrated synthesis across disciplines. We deeply appreciate the scholarship and effort of the authors who participated in this special issue and also wish to thank the reviewers for their important contributions.

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