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Towards a Better Understanding of Trust-Building Activities in Family Firms

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Australian Centre for Entrepreneurship Research Exchange
9 to 12 February 2021

Agenda

Conceptual Variables

Foundation, Motivation & Context

Trust & Control Literatures

- Intentions
- Perceptions

Gaps

Conceptual Model

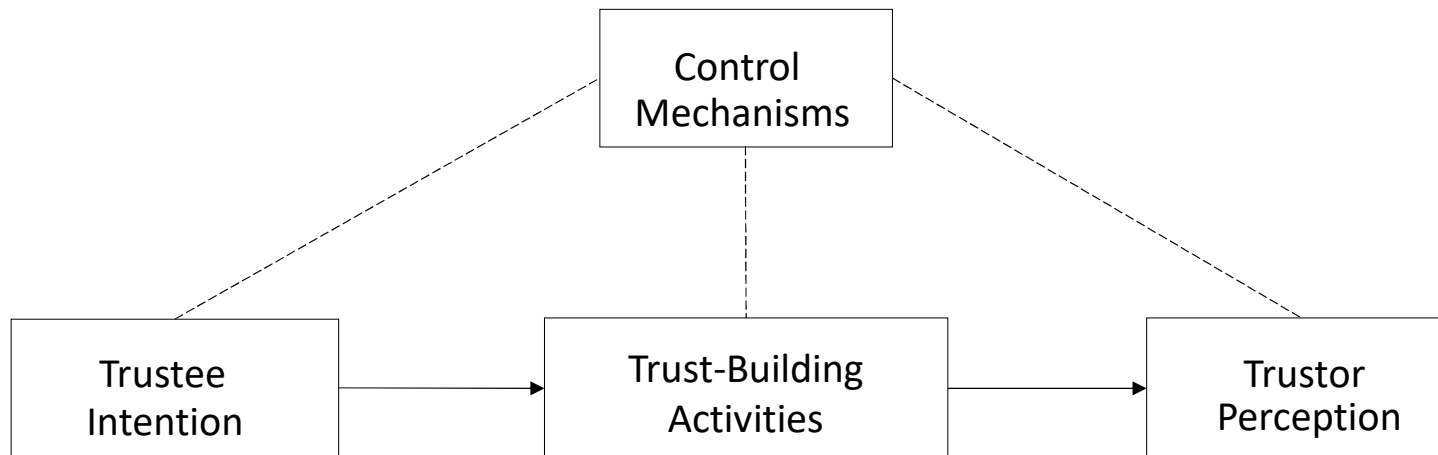
Future Research & Model Testing

Questions & Discussion

Conceptual Variables

Trust-Building
Activities

Conceptual Variables



In this study, the manager is the trustee and the subordinate is the trustor.

Foundation

- **Trust – A Competitive Advantage**

- On an **individual level**, trust...

- increases job performance (*Davis, Schoorman, Mayer, & Tan, 2000*),
- increases job satisfaction (*Dirks & Ferrin, 2002*),
- increases organisational citizenship behaviour (*Brower, Lester, Korsgaard, & Dineen, 2009; Colquitt, Scott, & LePine, 2007*),
- increases organisational commitment (*Dirks & Ferrin, 2002*),
- reduces the intention to quit (*Brower et al., 2009; Colquitt et al., 2007; Dirks & Ferrin, 2002*).

- On a **group level**, trust...

- increases information exchange (*Dirks & Ferrin, 2001; Zand, 1972*),
- increases goal clarification and commitment to the manager (*Zand, 1972*),
- reduces complexity (*Saunders & Thornhill, 2004*).

- Irrespective of the operational level, **managers play a pivotal role** for developing trust in a company (*Dirks & Ferrin, 2001, 2002; Whitener, Brodt, Korsgaard, & Werner, 1998*).

Motivation & Context

- Given the various benefits of high organisational trust levels, understanding how to harness these benefits becomes essential.
- How is trust actively built and sustained within a company?
- To investigate this, we turn to family firms:
 1. Exceptional environment to study trust *(Steier & Muethel, 2014)*.
 2. Family firms rely more in informal forms of control *(Moore & Mula, 2000)*.
 3. Family firms are generally more trusted than their non-family counterparts *(Edelman, 2017, 2018, 2019, 2020)*.

Trust

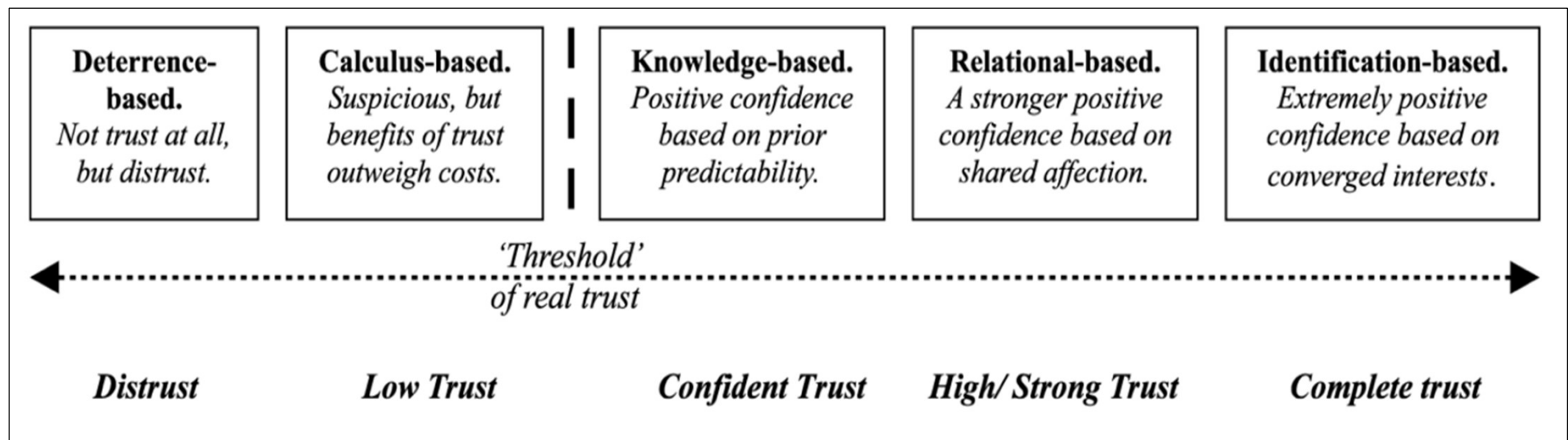
- Trust has been studied since millennia (*Lyon, Möllering, & Saunders, 2012*).
- Four major concepts of trust (*Deutsch, 1958; Dietz & Den Hartog, 2006; Kramer, 1999; Mayer et al., 1995; Rotter, 1967, 1980; Rousseau, Sitkin, Burt, & Camerer, 1998; Zand, 1972*).
- Over 70 definitions (*Seppänen, Blomqvist, & Sundqvist, 2007*).

“the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party” (*Mayer, Davis, & Schoorman, 1995, p. 712*).

Antecedents

- Trustor's trust propensity (*Kramer, 1999; Mayer et al., 1995*).
 - Perceived trustee's trustworthiness (*Mayer et al., 1995*).
 - Relationship between the trustor and trustee (*Kramer, 1999*).
 - Perceived vulnerability and felt trust (*Brower et al., 2009; Faherty, 2018; Nienaber, Hofeditz, & Romeike, 2015; Salamon & Robinson, 2008*).
 - Leadership behaviour (*Dirks & Ferrin, 2002; Hernandez, Long, & Sitkin, 2014*).
 - Situational and organisational constraints (*Dietz & Den Hartog, 2006*).
- Trustworthiness stands out as particularly important
(*Colquitt & Salam, 2011; Davis et al., 2000; Mayer et al., 1995*).

Degrees of Trust



(Dietz & Den Hartog, 2006, p. 563)

- Trust develops stage-wise (Lewicki & Bunker, 1995, 1996).

Trust-Building Activities

- Activities done by the trustee to increase a trustor's trust *(Long, 2010; Long & Sitkin, 2006)*.
- Managers actively think about trust-building *(Whitener et al., 1998)*.

“Mechanisms that individuals use to assure others of their capabilities, their interest in accommodating others' needs and their willingness to fulfil promises made to others” *(Long & Sitkin, 2006, p.89)*.

Control

- Various definitions (*Cardinal, 2001; Cardinal, Sitkin, & Long, 2004; Ouchi, 1979; Simons, 1994*).
- Most aim at **ensuring the achievement of firm's objectives** (*Cardinal, Kreutzer, & Miller, 2017*).

“Any process by which managers direct attention, motivate, and encourage organisational members to act in desired ways to meet the firm's objective” (*Cardinal, 2001, p. 22*).

Control Frameworks

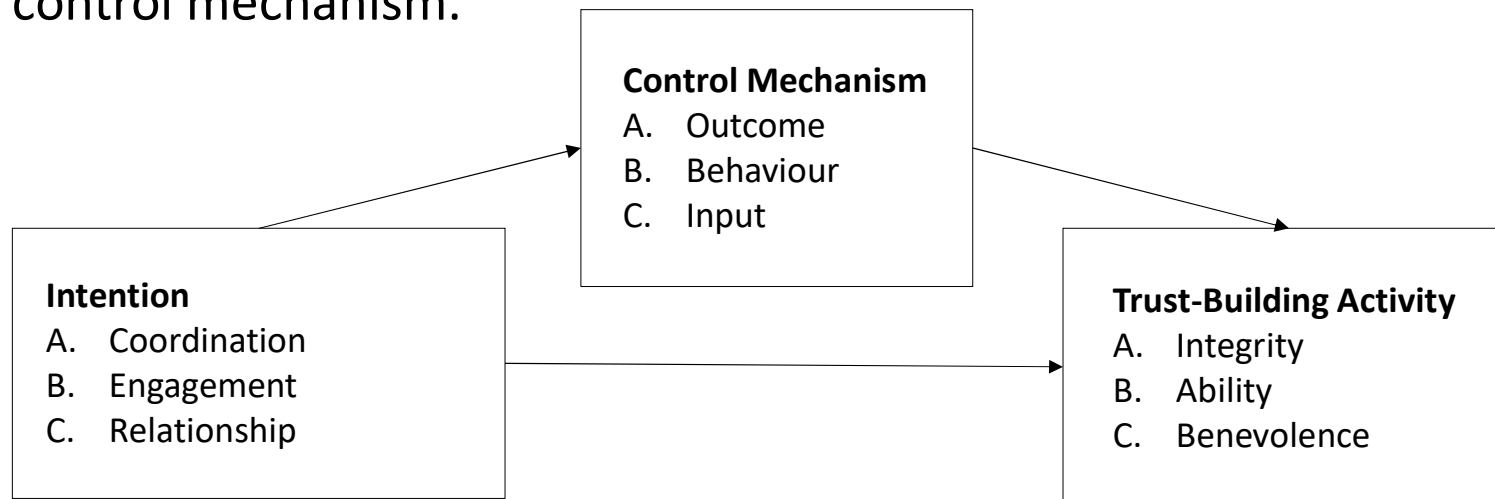
- Control Systems (*Ouchi, 1979, 1980*).
- Levers of Control (*Simons, 1991, 1994*).
- Informal and Formal Control Targets (*Cardinal, 2001; Cardinal et al., 2004*).
- No dominating paradigm (*Cardinal et al., 2017; Moores & Mula, 2000; Otley, Broadbent, & Berry, 1995*).

Trust & Control – Conflicted Siblings

- Both are **fundamental forces** in organisations (*Simons, 1994; Sitkin & Roth, 1993*).
- Goal is to strike the **ideal balance**.
 - Trust-emphasis: less control, less monitoring and transaction costs (*Fukuyama, 1995; Whitener et al., 1998*).
 - Control-emphasis: more monitoring costs, impact on trust remains unclear (*Eisenhardt, 1989; Weibel, 2007*).
 - Unclear whether they are **substitutes or complements** (*Bachmann, 2001; Popp & Zenger, 2002*).
 - We require a better understanding of their relationship (*Ferrin, Bligh, & Kohles, 2007; Weibel, 2007*).
- Literature indicates that the relationship between trust and control is influenced by the **form of control** and the **perceived intentionality** behind the action (*Christ, 2013; Sitkin, 1995; Six & Sorge, 2008*).
- Therefore, **to study how trust is built**, we need to
 1. account for **forms of control**,
 2. incorporate **intentions** of those who apply control and trust-building activities, and
 3. compare these with the **perceptions** of those exposed to these actions (*Lumineau, Long, Sitkin, & Argyres, 2020*).

Intentions

- Intentions and trustworthiness *(Long, 2015, 2018)*.
 - Manager's intentions drive trust-building activities.
 - Manager's intentions define application of control mechanisms.
 - Relationship between intention and trust-building activity is mediated by control mechanism.



Intentions (cont.)

- Intentions and degrees of trust *(Lander et. al., 2004)*.
 - Trust-building activities can be ranked and linked to degrees of trust.
 - Among the most important trust-building activities are:
 1. Communication → Knowledge-Based Trust
 2. Joint identification activities → Identification-Based Trust
 3. Demonstration of predictability → Calculus-Based Trust
 - The most important trust-building activities target at higher levels of trust.
 - Although trust is said to develop stagewise, frequently used trust-building activities aim at higher levels of trust.

Perceptions

- To capture the effectiveness of trust-building activities, the perceptions of the subordinates need to be examined (*Long & Sitkin, 2018*).
- Perceptions of trust-building activities can be linked to trustworthiness (*Long, 2015, 2018*).
- Perceptions of trust-building activities can be linked to degrees of trust (*Brashear, Boles, Bellenger, & Brooks, 2003*).

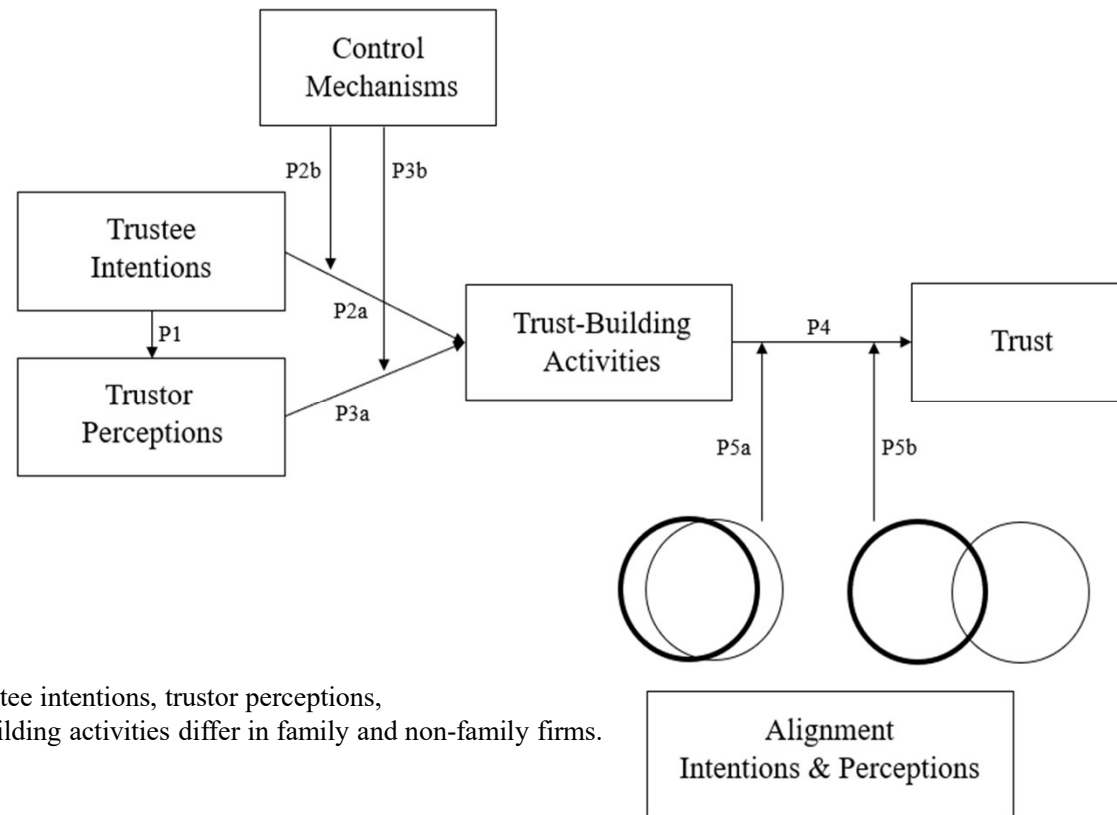
- However, most remain one-sided approaches to trust-building phenomenon (*Long, 2015, 2018; Long & Sitkin, 2018*).

Gaps

- **Relationship between trust and control remains unclear** *(Bachmann, 2001; Cao & Lumineau, 2015; Popp & Zenger, 2002; Vosselman & Meer-Kooistra, 2009).*
- **No commonly accepted model of trust-building activities** *(Lander et al., 2004; Long, 2015, 2018; Lumineau et al., 2020).*
- **Dearth of research in the family business context that examine trust** *(Faherty, 2018; Davis, Allen, & Hayes, 2010).*
- **Intersection of trustee's intentions and trustor's perceptions remains understudied** *(Long, 2015, 2018; Long & Sitkin, 2018; Lumineau et al., 2020; Six & Sorge, 2008).*
 - **Managers' intentions** can illuminate why and when which forms of trust-control configurations are chosen.
 - **Subordinates' perceptions** of these configurations can allow conclusions about the effectiveness of these configurations.

Conceptual Model

The Role of Intentions and Perceptions in Organisational Trust-Control Dynamics



P6: The relationships among trustee intentions, trustor perceptions, control mechanisms and trust-building activities differ in family and non-family firms.

Future Research & Model Testing

1. We first conduct a qualitative study to understand the finer granularity of intentions, perceptions, TBAs and control:

- Grounded Theory using semi-structured interviews (December 2020 – March 2021)
- 16 Manager-Subordinate dyads in family firms to assess intentions & perceptions

2. As part of a larger model, the revised model as presented here will be quantitatively tested in a second study:

- $N = 300$ (100 Managers and 200 of their respective subordinates; resulting in 200 inter-organisational dyads across family and non-family firms)

Thank you for your attention.
Questions and suggestions?

Your feedback is appreciated:
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Propositions

- **Proposition 1:** *Trustee intentions are positively related to trustor perceptions.*
- **Proposition 2a:** *Trustee intentions are positively related to trust-building activities.*
- **Proposition 2b:** *The effect of trustee intentions on trust-building activities is partially moderated by control mechanisms.*
- **Proposition 3a:** *Trustor perceptions are positively related to trust-building activities.*
- **Proposition 3b:** *The effect of trustor perceptions on trust-building activities is partially moderated by control mechanisms.*
- **Proposition 4:** *Trust-building activities are positively related to trust.*
- **Proposition 5a:** *Alignment between trustee intentions and trustor perceptions positively influences the relationship between trust-building activities and trust.*
- **Proposition 5b:** *Misalignment between trustee intentions and trustor perceptions negatively influences the relationship between trust-building activities and trust.*
- **Proposition 6:** *The relationships among trustee intentions, trustor perceptions, control mechanisms and trust-building activities differ in family and non-family firms.*