e-Innovation and trust dynamics

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- *The creation of sustained change and innovation in large 'old' organizations is a challenge for innovators and we contend, not well supported by rather static models for innovator–actor interactions in handbooks.*
- *This paper proposes a dynamic trust-related approach of innovator–actor interactions, based on literature and the findings of a case study of innovation processes in a Dutch multinational.*
- *The paper concludes that effectiveness can be enhanced if innovators understand the dynamics of the field and their development over time and focus on the risks the actors perceive, which shape their areas of relevance.*
- *If innovators create a situation in which mutual risks are curbed, mutual learning is promoted and value-congruence becomes possible and can be the basis for a well-monitored process of trust-based cooperation.*
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Introduction

Innovation processes in old organizations tend to be polarization-prone. Innovation managers are tempted to accept this polarization and use an 'us–them' scheme and a related power oriented strategy. Handbooks of innovation management offer more sophisticated schemes to support managers in action, like the often-used practice guide of Peter Block (1990). Block proposes a two-dimensional analysis of the playing field: the level of agreement on the innovation and the level of trust between the innovator and the other players. In this paper we propose a more dynamic and a more encompassing approach by taking the

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characteristics of the field as well as lateral relations between actors into account in the analysis of trust-related behavioural dynamics. An innovation process in an old, very successful enterprise serves to illustrate insights that can be gained by this approach.

Models for innovator–actor interactions

Innovation processes in large, old and successful organizations are often very polarized, the innovation is often challenged and success

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is not guaranteed (Oosterhaven, 2000). Differentiation into mature subcultures (Schein, 1989) and structural inertia, e.g. over-attachment to procedures that were effective in the past but have grown obsolete (Hannan and Freeman, 1984) may interact to explain vested interests reigning organizational processes. According to de Geus (1997) one is tolerant towards innovations, as long as these stay at the periphery and do not harm vested interests. This is congruent with a teaching of Machiavelli (1513; 1992 VI: 13): '*he who innovates will have for his enemies all those who are well off under the existing order of things and only lukewarm supporters in those who might be better of under the new*'. As soon as the innovation is more focused on changing vested practices, interests and coalitions, tolerance turns into concealed or even open aversion. Cooperation with the innovator will be scarce, because as Machiavelli continues his argument: '*players fear . . . their adversaries . . . and have no faith in anything new that is not the result of well-established experience*'.

In such contexts innovators, e.g. innovation managers, are tempted to approach the field and its players with an 'us–them' or 'ally–adversary' scheme. Such models often advocate the use of a power-oriented strategy like hierarchic pressure, extra control, coercion or personal threat to break resistance. One can wonder if such simple binary models are effective. From Machiavelli we learn that even to rely on supporters is risky, because they are never fully sure whether they will profit from the change or will be harmed. In short, the 'us' in an 'us–them' is not a homogeneous and stable category. Therefore models that allow more diagnostic differentiation and related implications for innovators' action seem more promising.

Rogers (1995) differentiates the scheme 'us–them' into five adopter categories: *innovators*, *early adopters*, *early majority*, *late majority* and *laggards*, thus recognizing that the way in which actors come to agree with the innovation may differ between actors. This categorization might facilitate the innovator to differentiate his actions towards the various categories. Block (1990) takes a further step by adding the degree of trust between innovator and actors as a second analytical dimension besides the level of agreement. These two dimensions allow him to identify five different positions in the playing field: *allies*, *opponents*, *bedfellows*, *fence sitters* and *real adversaries*, and to propose which actions an innovator can take to deal with other actors and in some cases improve his support. The most promising category in Bloc's view is *allies*, a category of actors the innovator can build on and cooperate with during the process. Block advises taking action to stabilize the trust and the agreement. The next best category is *opponents*, high trust but low agreement. Here Block advises reaffirming the quality of the relationship, the fact that it is based on trust, and then discussion of positions and perhaps engagement in some problem-solving to create results and try to persuade them to join the *ally* category. In contrast to both of these more stable, high-trust categories, actors in two low-trust categories (*bedfellows* and *fence sitters*) can be expected to change their point of view if the cost–reward balance changes. Real *adversaries* is the most difficult category, because here trust in the innovator and agreement with the innovation are lacking, two factors that can be expected to interact to create a negatively laden mental account of the situation.

Both the approach of Rogers and of Block provide a more elaborate view of the playing field and allow variety in the behavioural repertoire of the innovator towards actors. However, both models seem rather innovator-centred. They only raise the issue of whether actors agree with the goals of the innovator, or whether they trust him or her at a certain moment. The goals of the actors, their views and motives, and how these develop seem to be ignored, as are other factors besides actions of the innovator that influence trust or distrust towards the innovator. Both models appear not to take account of the dynamics and developments that underlie the position of actors towards both the innovation and the

innovator. As a consequence, the innovator may be steered towards recipe-based and rather inflexible behaviours towards the actors in the field.

A contextual approach: from static models to analysis of trust-related dynamics

The level of agreement and the level of trust are crucial dimensions in innovation processes. We propose, however, a more contextual approach. Cooperation with the innovator requires extra-role behaviour and risk-taking by the players in the field, both of which are promoted by a trustful relation with the innovator. The players may be seen as intuitive auditors (Kramer, 1996) who sharply envision the risks involved in cooperation. Risk perceptions are intensified under conditions of change. Even actors who are willing to cooperate do not know beforehand if they will profit from the change or will be harmed. Why then is trust expected to promote risk-taking and cooperative behaviours? Most authors agree that the notion of risk is central to the concept of trust. According to Luhmann (1988), trust is a solution for specific problems of risk in relations between actors, because it is an attitude that allows for risk-taking. If actors choose one course of action in preference to alternatives, in spite of the possibility of being disappointed by the action of others, they define the situation as one of trust (Luhmann, 1988). Gambetta (1988: 217–218) links trust and cooperation more explicitly: '*When we say we trust someone or that someone is trustworthy, we implicitly mean that the probability that he will perform an action that is beneficial or at least not detrimental to us is high enough for us to consider engaging in some form of cooperation with him.*'

There is more agreement about the consequences of trust than about antecedents. It is widely acknowledged that trust works as a lubricant in economic transactions by smoothing relations between actors and reducing transaction costs related to control

Trust works as a lubricant in economic transactions

(Williamson, 1975; Powell, 1990; Creed and Miles, 1996). A wide array of consequences have been proposed and found, including: acceptance of influence (Blau, 1964; Tyler and Degoey, 1996), belief of information, organizational commitment, decision commitment, organizational citizenship behaviour, job satisfaction, satisfaction with leaders (Dirks and Ferrin, 2002), mutual learning (Nonaka and Takeuchi, 1995; Boisot, 1995; Bijlsma-Frankema *et al.*, 1999; Janowicz and Noorderhaven, 2002), attribution of positive motives (Kramer, 1996), intention to stay, and positive outcomes such as high levels of cooperation and performance (Morgan and Hunt, 1994; Costa *et al.*, 2001; Costa, 2000).

Research on antecedents of trust has not as yet yielded clear and unambiguous results. This may be due to context-boundedness. The behavioural cues actors concentrate on in pondering trust in another actor may vary across situations and kinds of relations and be dependent on the nature of the risks involved. Trust is influenced by past experiences and chances of future interactions. Expectations of others' beneficial actions will be enhanced by prior experiences of such behaviour. If others live up to prior expectations, this good repute will further positive expectations in the future, enhance the level of trust and promote actor's willingness to cooperate (Lewicki and Bunker, 1996; Buskens, 1999; Gautschi, 2002). Trust-related processes thus ask for a dynamic model to be properly understood. The work of March and Olsen (1975) and Sitkin and Stickel (1996) proposes a cyclical model to this effect. March and Olsen related trust to social integration in a dynamic view on how trust and distrust develop. Unlike most authors on trust, they include the notion of relevance, which is also found in the work of Weick (1995) on sense-making in organizations. They argue that people come to trust those who are perceived

to bring about desirable events, or to prevent undesirable events, in areas that are experienced as relevant. If people trust others, they seek interaction with them, tend to like what they like and see what they see, to share definitions of relevance, thus furthering integration between them. Distrust creates discord, since, if others are distrusted, actors will tend to dislike what they like, tend not to share their definitions of relevance and, to the degree that the opportunity structure permits them, tend to avoid interaction with them. In the process of developing trust or distrust, beneficial events will tend to be attributed to trusted others, detrimental events to those who are distrusted. Put shortly, trust begets trust, while distrust begets distrust. Sitkin and Stickel (1996) made a similar point in concluding that distrust, based on feelings of value-incongruity, creates barriers that can stimulate an escalating spiral of formality and distance between parties.

Working upon these ideas, it can be assumed that in the process of building trust in innovators, actors' areas of relevance play an important part in selecting behaviours of innovators that are used as cues in pondering on trust in the innovator. Since trust is a solution for problems of risk, it can be conjectured that trust-related areas of relevance are connected to risks experienced in the relationship with the innovator. So if innovators' behaviours are experienced as curbing (or at least not enhancing) these key risks the local managers envision, these behaviours will promote trust in innovators. Since sense-making (Weick, 1995) is central to the phenomenon of trust, mental accounts of actors are a most important source of information. Kramer (1996) argues that there is a pressing need for more 'naive theories' about trust that are based on mental accounts of actors studied. Naive theories being those that '*individuals, conceptualised as lay epistemologists, carry around inside their heads. . . . As such, naive theories presumably play a central role in their attempts to retrospectively make sense of and learn from their experiences*' (Kramer, 1996: 238). Kramer further argues that

contrary to current practices, the analysis of trust-related mental accounts should include the specific organizational context, the field in which they are embedded. This also implies a focus on lateral relations in addition to the vertical relation between the players in the field and the innovator.

Taken together, it is conjectured that mental accounts of actors and their embeddedness in context and prior experiences in the field of innovation can contribute to a more dynamic understanding of innovation processes. An intriguing question that can be asked within this analytical framework is how prior relations and past experiences mould the mental accounts within the field, especially when a switch between trustful and distrustful accounting is made. Switching may be a matter of reaching a tipping point, as Baumeister and Newman (in Kramer, 1996: 236) seem to imply: '*Meaning is a matter of associations — of connecting things up in broad patterns. If the only broad pattern is happy and optimistic, then isolated contradictory events can be dismissed as minor problems and annoyances. Each problem seems minor and trivial in comparison with the totality of positive aspects. The crucial step occurs, however, when these contradictory events link together to form a larger pattern of negative, dissonant thought.*' If a dissonant pattern has developed, a concentration of negative valuations of events can be expected during innovation processes.

The case study

The COOR Group is a successful Dutch cooperative, multinational, multi-firm, service organization in the financial sector. It has approximately 55 000 employees and 9 million customers. COOR is very successful. In 2004 the core of the group consisted of 328 autonomous local cooperative enterprises in The Netherlands. Many of these enterprises have a long history; they exist over one hundred years and are closely tied to the local societies. They provide services to agricultural business, retail businesses and SMEs, and sell

insurances and other financial products. In the group a number of subsidiaries deliver products to the local cooperative enterprises, but these subsidiaries also have their own direct clients. COOR has a national body that is owned by the 328 local organizations and consists of the Executive Board, 'Support Local Organizations' (SLO) and ICT and Facilities (ICT). The Executive Board reports to a body that consists of representatives of the 328 local enterprises, a kind of parliament that controls the Executive Board (**Figure 1**).

The SLO staff for new product development (NPD) continuously make new product formulas for use in the local enterprises and organize this kind of work in developmental 'programmes'. Local enterprises can decide whether or not they will participate in such a programme. Participation depends on the expected value added to the performance of the local enterprise. Participation of local enterprises to SLO programmes was observed to be at a low level sometimes and rather opportunistic in nature. This seemed in discord with the formal position of SLO as a support organization for the local enterprises which acts to support local members. The Central COOR also controls the local enterprises on financial performance and viability, on the basis of a supervisory mandate granted by the Dutch authorities which supervises all financial services in The Netherlands.

Interviewees typify COOR as an organization with a strong culture and organizational identity. Some say that 'to participate in a cooperative organization is a way of living'. They are proud of the history of COOR, which is strongly linked to themes like sustainability and emancipation of local members of the cooperative enterprises.

e-Innovation within COOR

Some managers of local COOR enterprises asked the Executive Board to enhance innovative e-Commerce practices and a better utilization of Internet technology. The Executive Board assigned an internal innovation team, positioned as a special staff unit of the Executive Board, led by an external internet 'guru'. Their directive was: be quick, the local managers are waiting. The team was not located within SLO because their tempo of innovation was considered by the CEO to be too slow. The team proposed developing COOR into an *e-Company*, through a large investment in programmes that create external and internal web-portals, improve customer relations management practices, procurement programmes, the use of mobile technology, etc.

The focus of this study is on the Customer Relationship Management Programme. This programme aimed to improve the relationship of employees in local enterprises with their
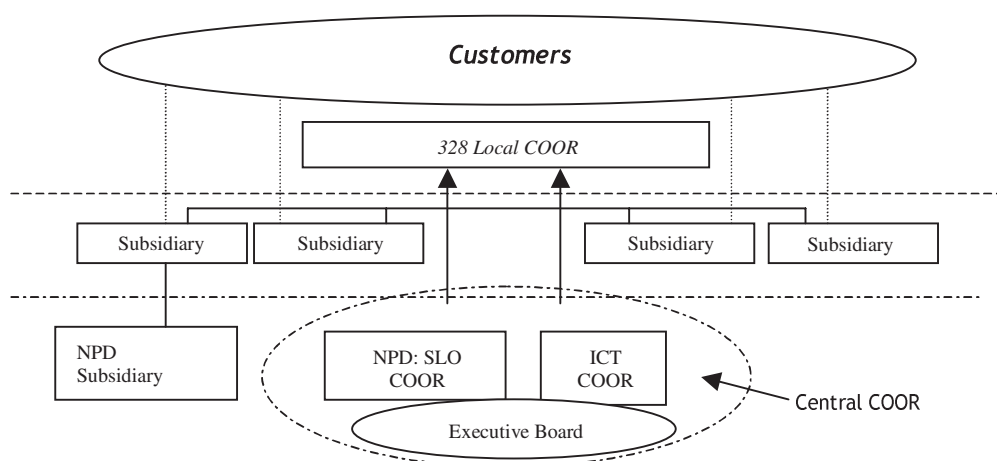

Figure 1. COOR organogram.

customers, to help them to deliver tailor-made services, to increase the turnover of the local company and to increase the added value for customer/members. As a first step this programme supported change processes in four local pilots (2002), in a next step eleven other local enterprises are meant to be involved (2003) and from 2004 onwards all other local enterprises would follow. The innovation team cooperated closely with local actors. In and around the local enterprises the team encountered problems like a strong polarization between the local enterprises and SLO, and low participation in SLO programmes. The team was unsure how to deal with this and feared that improper actions would damage the innovative opportunities and create a low return on the large investment. To prevent this, the team invested in research on the dynamics of the field, as a base for the design of appropriate innovators' actions.

Research and methodology

In 2001–2003 a team, experienced in naturalistic inquiry (Erlandson *et al.*, 1993; Guba and Lincoln, 1989) investigated the dynamics within COOR. One of the research questions the team concentrated on was: '*How can decreasing participation in innovation programs be understood?*' Various sources of information were used: observations during meetings, awareness conferences and workshops for senior management. Loosely structured interviews were conducted at the start and end of the pilots (in 2001 and 2003). The interviewees participating in the innovation team were managers of the local pilot organizations and/or managers of local COOR enterprises that did not participate in the CRM programme. After 28 interviews the criterion of saturation was met and no further information was found. The interviews were topic-guided in nature, in analogy with the interview methodology of Kvale (1996). The kernel of this method is to '*pose short questions and get long answers*', to get as close to the concepts, meanings and relations between phenomena that respondents use to make

sense of their experiences and subsequently, to build opinions on. The topics were: the local and national context of the innovation processes, participation-related considerations and actions, relations with other actors, and patterns that stimulate or hinder innovation. All local managers explained their business extensively, their ambitions and strategies to improve their performance and why they did or did not participate in the e-Commerce pilots. The topics brought up were reflected upon in an open mode.

The information gathered was structured by employing causal loop modelling (Vennix, 1996), a technique similar to cause mapping (Bijlsma-Frankema *et al.*, 1999). The maps that were constructed represent the causal belief dimensions in the actor's thinking on the context, prior history, on lateral and vertical relations between the various actors and on the patterns of behaviours of the actors. In a couple of feedback sessions and five interviews these maps were 'tested' for robustness, an approach also common in naturalistic inquiry (member check).

Results: the innovation field, a reflection of prior experiences

How can decreased participation in innovation programmes, especially the CRM programme, be explained? As was argued above, including the context, e.g. the innovation field in which these behavioural patterns are embedded, in the analysis can add considerably to our understanding. Characteristics of the innovation field can also be seen as a reflection of prior relations and past experiences. Throughout the interviews, several characteristics of the innovation field, as experienced by organizational members involved, came to the fore. The first characteristic was that two parties could be distinguished within the field who did not share their mental accounts of the nature of the relations between them. SLO representatives thought in terms of products, marketing and programmes, many local managers thought in terms of client relationships and helping

clients to achieve their ambitions in the local community. SLO members described the relationship as: '*We are headquarters, they are branches, we lead and control them*', while local managers said: '*We are independent companies, certainly not a branch or a lower tier in a hierarchy, they have to serve and support us.*' SLO experts considered themselves as leading in product development; local managers considered themselves as entrepreneurs who created value in their business services relations with customers, and also developed innovative business propositions. Since the innovators are normally based in SLO, the basic nature of the relationship experienced between innovator and local managers is *them* and *us*, a pair of terms that easily gets laden with negative emotions. One of our interviewees (a local manager) said: '*Local managers are like donkeys, when SLO wants us to go forwards, we all go backwards.*'

The second characteristic was that the power-dependence relation between SLO and the local enterprises was experienced as unbalanced by the local managers: SLO is an expert organization and has large amounts of resources; local managers run their own business, have less resources and have to pay increasing amounts of money as contributions to SLO whose support is often not evaluated positively. A third characteristic of the field was the centrality of three interrelated concepts within the mental accounts, e.g. profitability, reputation and participation in innovation programmes. This seemed a reflection of the core issue of this financial organization, which is profitability. Perceived risks and reputational or career concerns were closely bound to the matter of financial success. Participation of local managers in the innovation programmes, which, formally speaking, was voluntary in nature, was a related issue. The innovation manager was dependent on the cooperation of local managers to be able to perform his task, to create the successful programme that served his reputation. In addition, a certain level of participation in a programme was often needed to

get the economic scale on which profitability was based. Profitability was, however, more important than the number of participants. For instance, a programme with 50 participating local enterprises was not continued because the profitability was too low.

The local managers weighted the costs, in terms of investing time and estimating the disruptions of ongoing business, and expected profits of participation for their own company when deciding whether to participate or not, but personal costs were considered as well. Taking all factors into account, participation seemed to have become a matter of '*damn if you do and damn if you don't*'. If the programme turned out to be unprofitable, participation meant running the risk of reputation damage and increased control of the local enterprise by headquarters. Not participating, however, could have a negative effect on the reputation of cooperativeness of the local manager, which is a critical factor for a successful career within COOR as a whole. One of the interviewees said: '*When you do not participate, one sees you as the big-mouth. Later you pay the bill for that.*' Investments or participation that turns out to be unprofitable seem the central risk in this organization that everyone tries hard to avoid or to curb. A practice utilized by all parties involved was management of ones reputation by telling stories about results that are more positive than reality warrants.

A fourth characteristic of the field was a rather sharp division made by local managers between formal relations, the front stage, and informal relations with other local managers, the back stage scene. Because of reputation management by innovators and peers, the front stage did not provide reliable information related to the central risk of unprofitable investments. The back stage was a network of peers in which information about disappointing results flowed quickly, enabling local managers to keep track of developments in the profitability of programmes that peers were already participating in. This information influenced their decision to participate. If profitability of participation in a given programme

was low, the reputation costs of non-participation were lower than if profitability was high. It can be conjectured that if a certain tipping point in profitability had been reached, the decision to participate would follow more quickly.

A fifth observation was that local managers experienced a very high number of requests to participate but they value focus and in fact have decreased their level of participation. One interviewee stated that participation in all SLO programmes would require an extra investment in management effort. Consequently, he decided to participate in only those programmes that directly contributed to his five main business goals. The decreasing level of participation seemed in turn to trigger SLO permanently to increase the amount of new programmes and products. Innovation managers focused on their own programme and did not manage the interrelations between programmes nor analyse the absorptive capacity of the local organizations. Some local managers reported that since they wanted to be seen as loyal, they sometimes decided to participate in those programmes that they considered to be the least harmful for their local business.

Sixth, harmful behaviour in prior relations and unpleasant past experience were reflected in the mental accounts found. Notions of distrust and signs of hyper-vigilance dominated over notions of trust and successful cooperation between parties. Based on experience in the past, the local managers mentioned several success factors of innovation processes: clear and unambiguous goals, a clear relation to their business goals, fast feedback loops and corrective actions and quick results. Their recollections, however, were mainly of processes in which these factors were missing. They indicated that often the SLO programmes did not match with their own business priorities and complained about the lack of clear positive results of SLO programmes, about the quality of the SLO concepts and the SLO support. Cooperation with SLO did not guarantee them quick results and as a result their inclination to participate was low.

Dynamics of participation

Now that the field is typified, the focus is shifted to behavioural patterns that interact in a dynamic mode. The next section describes seven subpatterns or loops separately, and then discusses the overall pattern. In the description the letter 'R' represents a *self-reinforcing* loop. The letter 'B' represents a *balancing* loop: the effects are dimmed. '+' means: a change in a factor influences the next factor in the same direction. '−' means: a change in a factor has an inverse influence on the next factor. A clock in the figures means: the effect is delayed.

At the start of a programme a national programme manager of COOR-SLO — here referred to as innovator — developed promotional actions towards local organizations. He wanted to recruit participants among the managers in the local organizations who did not, as yet, participate. These promotion activities might include: presentations, speeches, discussions with a manager of a local organization, letters, articles in COOR mail, etc. They must gain local managers' trust so that they will believe the innovator's message that the programme will contribute positively to their business priorities. When the number of participants lags behind the target, the promotional activities are intensified. When the target was almost reached, the promotion actions finished. This loop (see **Figure 2**) was called *Growing number of participants through promotion* (Loop B1). B1 behaves as a *balancing* loop. The participation grew faster if the programme contributed to local business priorities and the Executive Board of COOR paid attention to it. These conditions enabled 'selling' the programme.

Loop B1 was dependent on local managers' trust in the innovator to work effectively. Trust in the innovator led to belief in the information provided by him or her, as was argued before. The expected contribution of the programme to local business priorities can strongly support building trust in innovators, because this enhances the expectation of beneficial effects and contributes to the idea
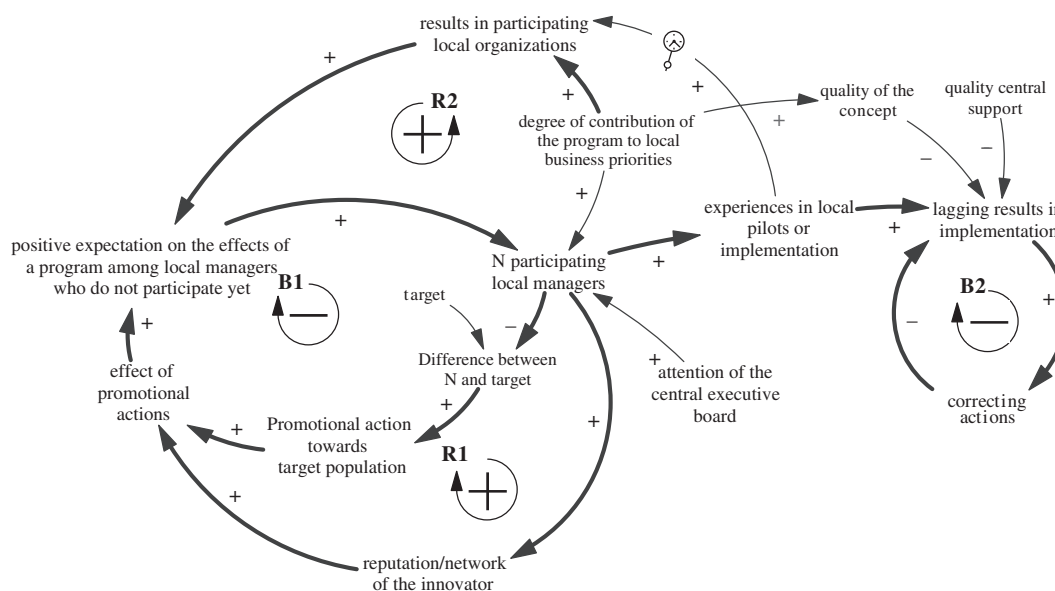
Figure 2. When things go well.

of value-congruence between innovator and local manager. The central risk of cooperating with the innovator in an unprofitable programme and being blamed and controlled as a result is also curbed, and this also contributes to trust in the innovator.

The reputation and the (informal) network of the programme manager was another factor in the effect of the promotional actions on the expectation of the effectiveness of the programme. The stronger the reputation of running programmes that are profitable and the stronger the network, the stronger the trust in the innovator. When the number of participating local organizations increases, the network of the innovator also increases, etc. This loop was called *Reputation of the programme manager as reinforcing factor* (Loop R1). R1 is a *reinforcing* loop that has a positive effect on the growth of the participation. When the reputation of the innovator is damaged, this loop has a negative effect on the participation of the local managers.

When the programme was successful with a first group of participants, a new loop started. Good results had a positive effect on trust in the innovator by managers who have not yet participated. Good results had a twofold effect on trust in the innovator. On the one hand,

they signalled that the risk of investing in an unprofitable programme and negative consequences expected was small. On the other hand, providing good results was seen as a beneficial action of the innovator in a very relevant area, which also promoted trust and the willingness to cooperate with the innovator. The programme sold itself. This loop was called *Results are the driving force of the programme* (Loop R2). R2 is also a *reinforcing* loop: the driving forces accelerate. Here the degree of the contribution of the programme to the business priorities in local organizations is important. A larger contribution means a faster acceleration; a smaller contribution means that the driving forces are weaker. In practice, the results of programmes only show after some time (see the clock in Figure 2). These driving forces only have effects in the long run. In some local organizations the results may lag behind. Problems or gaps in the programme only surface after the implementation has been taking place for some time. If correcting actions are initiated by SLO to solve these problems, the better the quality of the central support, the less the decrease in results. Since support is seen as a way to curb the central risk of unprofitable actions, effective support in repairing programmes initiated

by 'them' will boost local managers' trust in the innovator. This loop was called *Correction of lagging implementation results* (Loop B2).

When things go well we see a pattern composed of these four loops (B1, R1 and R2, B2). The map of this composed pattern is drawn in Figure 2.

Promotional actions attract a first group of participants who implement the programme. First problems in the implementation create corrective actions. Promotional actions combined with attention of the Executive Board and the reputation of the programme manager attracts an increase in trust and participation. After some time the positive results among the first participants can create a self-propelling effect: the programme sells itself.

However, the mental accounts of only a few local managers are exhaustively represented by Figure 2. These managers differed from the others in experiencing a strong sense of urgency regarding the issues raised by the innovator and a high fit of the innovation with their business priorities. To these managers a programme had already sold itself before the promotion. But too often this self-propelling process did not occur. When the results of a programme are not visible or subject to discussion, the effects of this loop are weak, other loops outshine it. In the interviews, many signals of strategic behaviour and reputation management surfaced, that were grouped into three sets of actions. These sets of actions can be drawn in a new set of loops that visualize the dynamics.

As soon as the first local managers start to participate, others are informed through a large informal network of peers in which they exchange information about the effects of programmes. Local managers who consider participation in a programme always verify the formal information with their peers. Negative stories and criticism of programmes flow especially easily in this peer network, and this negatively influences the expectations of a programme (Loop B5). Local managers felt a strong urge to preserve their autonomy towards headquarters. They tended to conceal lagging results of implementation because

they feared external control. They kept negative signals within four walls and seldom communicated them in the formal channels in order to avoid intensified control by headquarters. We call this 'shielding'. Shielding enforces window dressing as represented in Loop B4.

Local managers and innovators both saw negative reports as potential risks for their reputation, and they kept them out of the formal channels as much as they could. They tried to manage their reputation within the company by airing cooperative attitudes and intentions and by window dressing within the formal part of the field: negative signals were suppressed and positive stories were sent into the formal communication channels. The interviewees pointed to the fact that many programmes had ambiguous objectives which created room for plural interpretations and this favours 'positive storytelling'. As long as the story is positive, there is no risk of reputation loss. This loop is B3: *Window dressing.* But here prior experiences played a role. The local managers were familiar with the culture and the strategic use of positive stories. This activated their vigilant and distrustful search for correct information. Any contrast between the positive stories and criticism heard in their peer network decreased their trust in the innovator. The reputation of the innovator suffered as a consequence, the effect of further promotional actions diminished and risk awareness of potential participants increased.

Summary: the dynamics

Combining the loops together into one drawing (see **Figure 3**) creates a complex map which illustrates how the various elements interact; some have a direct relation, others an inverse relation, in some cases with a delay.

Understanding decreased participation in innovation programmes

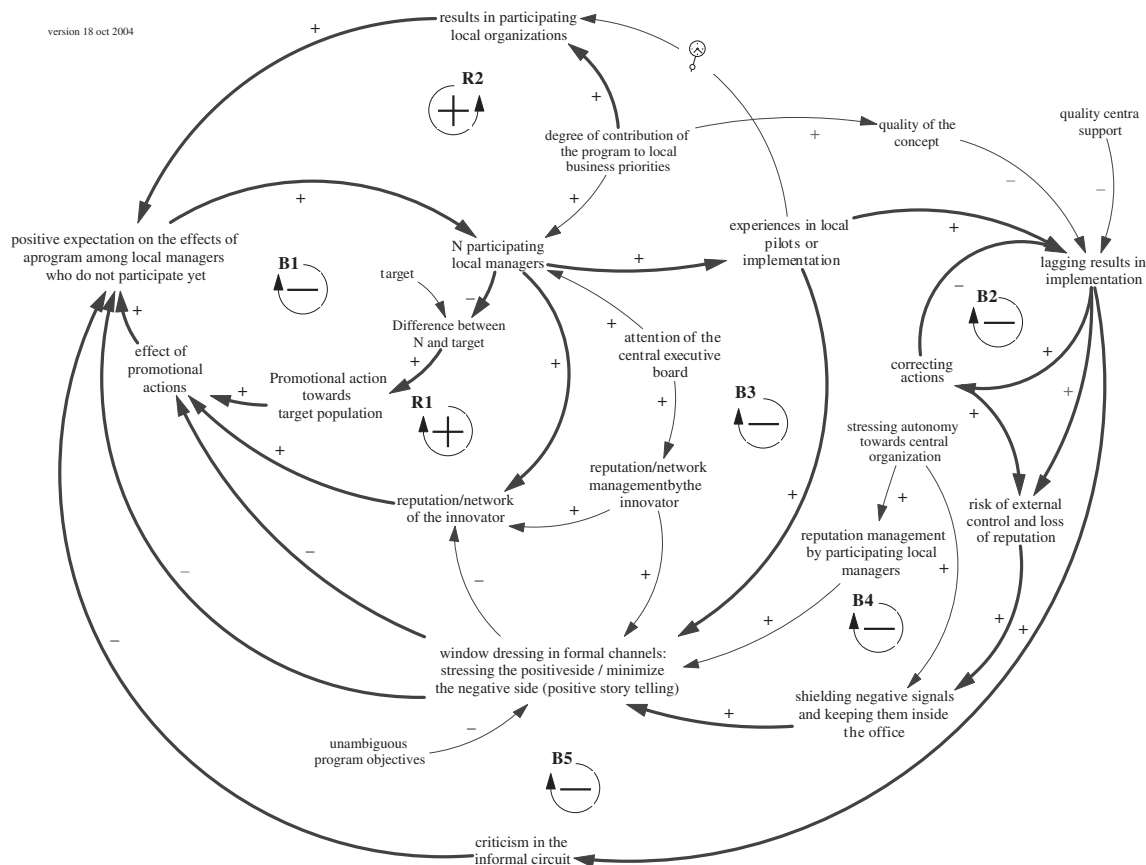Having considered the trust-related dynamics, the main *characteristics of the field* in which

Figure 3. Decreasing growth of participation in a programme.

these dynamics are embedded can be included in the analysis to answer the question of how decreasing patterns of participation can be understood. Let us start with how participation in innovation programmes was originally intended, that is: to cooperate with others in a learning process in order to find profitable new ways of handling the business. If this intention is realized, the *central risk of unprofitable actions* is optimally addressed and the reputations of innovator and local managers profit from positive results. So, *participation, reputation and profitability* were meant to be strongly and positively related in support of innovation, which makes this characteristic of the field potentially a most viable one. The behavioural patterns found, however, deviated strongly from the intended practices. The finding that the field is laden with *distrust* is central to explaining why this is the case. Cooperation with others and mutual learning

need a certain level of mutual trust to flourish and to produce results, a level that is not realized within COOR. Based on prior relations and past experiences, the field has become *divided into two parties* whose relation is typified by them-and-us feelings, distrust and accounts that border the paranoid (Kramer, 1996). The local managers experience the *power-dependence relation* with headquarters as *unbalanced*, because they get the blame and suffer negative consequences if an innovation programme turns out to be unprofitable in their business, an important factor in growing distrust towards headquarters. Distrust promotes experiences of value-incongruence (Sitkin and Stickel, 1996), avoidance of interaction, unwillingness to share seeing and liking (March and Olsen, 1975) and attribution of negative motives (Kramer, 1996) that can be observed in this case. The cycle of distrust that is set in motion

reinforces the them-and-us feelings that divide the field in two parties.

Furthermore, the strategies enacted at the *front stage*, shielding and window dressing, together with avoidance of interaction, mean that the parties did not really meet each other, they met in an 'as-if' world in which parts were played and strategic lines exchanged instead of a real dialogue in which parties exchanged their feelings, problems and insights. As a consequence, parties did not receive correcting information on their thinking, a factor that supports further development of the cycle of distrust, together with exchange of negative valuations within the peer network. Participation in programmes became more and more a matter of paying lip service and shallow investment of energy, which diminished the chances of programme success, harmed the reputation of innovation managers and reduced the participation of local managers even further. Once an organization is past the tipping point from trustful to distrustful mental accounting like COOR, distrust boosts a vicious cycle in which valuable resources like willingness to participate voluntarily become exhausted.

Consequences for innovator–actor interactions

To return to our starting point. Innovators aim to cooperate with others in a learning process in order to find profitable new ways of handling the business. Innovators who use simple or slightly more sophisticated models, like Rogers and Block, run the risk of choosing suboptimal actions towards actors in the field, because these models do not take the dynamic aspects of relations into account. Agreement on innovations and trust are dynamic phenomena. If we understand the factors that influence these phenomena, the '*why diagnosis*', insights will be gained to base more effective innovator actions on. A strategy for such a diagnosis may be to pay attention to the mental accounts of actors and the embeddedness of these accounts in the field context. These accounts reflect prior experiences. In the diagnosis the risk perception of actors and

their areas of relevance appear vital to understand which actions of innovators promote trust in innovators and the willingness to cooperate with them. Innovators can also gain valuable insights from a '*who diagnosis*': who are the actors in the field that can act as 'tipping people' whose participation (and back stage behaviour) may create a switch from distrustful to trustful accounting and reverse the spiral processes?

These diagnostics issues have important consequences for action. Innovators' behaviours that are experienced as curbing — or at least not enhancing — key risks that the local actors envision will promote trust in innovators. Innovators' behaviours that are experienced as promoting key risks will trigger escalating spirals of distrust and a concentration of negative valuations of events, regardless of the positive intentions of the innovator.

We suggest that a successful innovator first and foremost focuses on trust, i.e. on the key risks of the actors and on understanding their areas of relevance.

It also seems important that the innovator is very clear about his or her own risks and understands what kind of actor actions will curb his risks. If the innovator can create a balance in mutual risk curbing, an important condition for learning is created.

In extreme situations, like that described in the case study, we expect that innovators' actions that primarily express a clear respect for the local managers' areas of relevance will be most productive. He or she may show continuously undivided attention to the actors in the field, preferably at first on a one-to-one basis. Given the history in this case, creating psychological safety in collective meetings like management conferences may prove vital. One may invite the participants to express their perceptions of risk and create an atmosphere of risk-sharing. This may open the road towards cooperation based on a regular dialogue and sharing knowledge about similarities and differences in norms and expectations. It would be productive to make

very clear agreements, to monitor compliance with agreements, deal actively with non-compliance and agree beforehand on conflict resolution. In a cross-cases comparative study, these actions were found to be success factors of organizational change and integration processes (Bijlsma-Frankema, 2001). It is crucial that this monitoring process is interpreted in a very different mode than the practice of one-sided control. In a study of trust in managers, Bijlsma-Frankema and Van de Bunt (2003) found that trust is promoted by monitoring, if monitoring is experienced as care and is related to guidance to improve (individual) performance, support in case of trouble with others, openness to ideas of the actors and cooperation-related problem solving. A last recommendation that is stirred by the case findings is that over time, *maintenance* of the relation is essential: the risk perceptions and the areas of relevance are not static entities and in that sense even a very trustful relationship is never a permanent promise of cooperation and innovation.

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