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# Understanding the Trust–Control Nexus

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**abstract:** This article aims at contributing to the understanding of the trust–control nexus. The objective is to bring the discussion around the relationship between both concepts a step further by identifying common foundations, distinctive mechanisms and key implications relevant for theory-building and empirical research on trust and control. First, the concept of trust and related concepts are introduced. Second, the developments related to the diminished effectiveness of control and a growing importance of trust in both intra- and inter-organizational relations are discussed. Finally, the state of the art regarding the trust–control nexus and a brief summary of the four articles included in this special issue are provided.

**keywords:** control ♦ governance ♦ institutional environment ♦ interpersonal relations ♦ opportunities ♦ risks ♦ trust

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## Introduction

The idea that trust and control might be related has been recently developed after decades of scholarly focus on formal control as a mechanism to govern organizational relations. Formal control is, in short, a regulatory process by which elements of a system are made more predictable through the establishment of standards in pursuit of some desired objective or state (Das and Teng, 2001). Formal control aims at establishing task reliability by designing a set of rules that specify an actor's work and enforcing the actor's compliance with these prescribed standards. In past decades, due to developments in organizational forms, markets and

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societies, trust has been increasingly recognized as an important factor in inter- and intra-organizational relationships and has become a major focus of research in different disciplines, including sociology. Sociologists have contributed considerably to the scholarly understanding of the phenomenon of trust by drawing on classic studies such as Durkheim ([1893] 1960) on solidarity, Simmel (1950) on social ties, Weber (1947) on authority and legitimacy, Blau (1964) on choice in social relations and Gouldner (1960) on reciprocity. Among the matters addressed in studying trust, the relation with control is one of the most controversial. Over the past years, scholars have started to address these matters (e.g. Bijlsma-Frankema and Klein Woolthuis, 2005b; Möllering et al., 2001) and to explore the similarities and differences between trust-based and control-based modes of governance, by focusing on how both modes of governance work if used in conjunction: can these modes of governance go hand in hand, does control chase out trust or does trust diminish the need for control? Despite the increased interest, some of these questions have remained unanswered, or have partly been answered so far. This has led to several alternative notions regarding the relation between trust and control that have been seldom tested as competing conceptualizations.

In this special issue, four articles are presented, each offering a fresh angle to analyse the trust–control nexus. In the first article, Möllering proposes a conceptualization of trust and control as a duality instead of a dualism. This duality perspective focuses on the underlying question of how actors reach positive expectations of others. The second article, by Sitkin and George, offers an unusual approach to the relation between trust and control by asking the question how trust in managers, when threatened, can be maintained by employing control to engender legitimacy, thereby broaching the theoretical matter of how institutional frameworks influence relations between individuals.

In the third article, by van de Bunt, Wittek and de Klepper, six theoretical mechanisms for the formation of trust relationships are presented and empirically tested, three driven by the emotional value attached to social relationships and three by instrumental motives, i.e. the need to control realization of benefits or avoidance of losses. A rather uncommon idea implied by the latter three mechanisms is that a need to control may drive actors to engage in trust relations. By testing the six theoretical mechanisms simultaneously, the study provides a first comparative evaluation of the theoretical fruitfulness of each mechanism.

The fourth article, by Rus and Iglič, employs a contextual approach to the relationship between trust and control by investigating the effect of contracts and trust on small and medium firm performance in two countries with high and low coherence of the institutional environment respectively.

Before describing the theoretical matters that are dealt with in the articles, the reader is given a short introduction on the concept of trust and a sketch of the developments that underscore the growing importance of trust in relation to control as a mechanism of governance.

### **Trust: Conceptual Issues**

Although different definitions of trust abound in the literature and agreement on an exact definition of trust is seldom found, most authors seem to agree that *positive expectations* and *the willingness to become vulnerable* are critical elements to define trust. Both characteristics are worded in the definition of Rousseau et al. (1998: 395), 'trust is a psychological state comprising the intention to accept vulnerability based on positive expectations of the intentions or the behaviour of another'. This suggests, in the first place, that in essence trust is associated with the risk that the behaviours of others can do you harm. Gambetta (1988) partly defines trust as 'the expectation that another's action will be beneficial rather than detrimental'. Second, trust is related to risk-taking. In the words of Luhmann (1988: 97): '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.' Trust begins where rational prediction ends (Luhmann, 1979; Gambetta, 1988), enabling actors to take a leap of faith beyond that which reason alone would warrant (Simmel, 1950; Bradach and Eccles, 1989; Lewis and Weigert, 1985; Möllering, 2005). Some authors, including Möllering in this issue, argue that this leap of faith implies suspension of doubt about the possibility that another's action will be based on self-interest, assuming that the other will reciprocate the us-rationality that is signalled by trust (Lewis and Weigert, 1985).

#### ***Bases of Trust***

In general, two types of trust can be distinguished in the literature: *interpersonal trust*, which refers to trust between people, and *system* or *institutional trust*, which refers to trust in the functioning of organizational, institutional and social systems. Trust can be embedded in the structure and culture of institutions to different degrees, as Creed and Miles (1996) argue. They conceive of trust as a function of three variables: (1) embedded predisposition to trust; (2) characteristic similarity; (3) experiences of reciprocity. In a similar vein, Zucker (1986) distinguishes three types of trust: (1) character-based trust, based on social similarities and shared moral codes; (2) process-based trust, based on experiences of reciprocity; (3) institution-based trust, flowing from institutional arrangements that evoke and sustain trustworthy behaviours. Broad societal

norms, guarding institutional arrangements and organizational governance systems can bring about varying degrees of embedded trust, of sharing norms and expectations, and of reciprocity. The latter two variables, sharing and reciprocal exchanges, point at two general principles of social integration that can be traced back to the work of Durkheim ([1893] 1960), who coined the concepts of mechanical solidarity, based on shared characteristics and organic solidarity, based on exchanging. By integrating both principles in a theory of trust, as Creed and Miles do, instead of treating them separately, a better understanding of trust can be formed. A similar point is made by Powell (1996) in comparing rational (i.e. exchange) and social norm (i.e. sharing) models of trust, amending the latter with notions from the former: 'societal norm-based conceptions of trust miss the extent to which cooperation is buttressed by sustained contact, regular dialogue and constant monitoring' (Powell, 1996: 69).

### ***Trust Dynamics***

It is a matter of common understanding that trust is not static. Once trust is given to others it can increase or decrease, depending on ongoing interactions with these others and on features of the context in which these occur. If trusted others live up to expectations of beneficial behaviour, trust will increase, if these expectations are violated, trust will decrease (March and Olsen, 1975; Lewicki and Bunker, 1996; Buskens, 1999; Gautschi, 2002). Several studies suggest how trust is granted and tested through a process of incremental steps in which parties increase the level of interdependence (Ring and van de Ven, 1994; Larson, 1992; Lewicki and Bunker, 1996; Gulati, 1995). Based on experiences in small transactions or short relationships, trust is developed together with expectations of joint future opportunities (Klein Woolthuis, 1999). In contrast, some authors argue that in specific relationships trust can be built so fast that it is 'almost instantly there', enabling the relationships to start with a high level of trust (McKnight et al., 1998; Meyerson et al., 1996; Blomqvist, 2005).

March and Olsen (1975) offer a cyclical view on how trust and distrust develop, which can be applied to incremental and to fast trust-building alike. In their model, positive exchange experiences are seen as antecedents of trust, which facilitate sharing seeing and liking, which promote trust and social integration. Unlike most authors studying trust, they include the notion of relevance in their theory of trust, which is also found in the work of Weick (1995). March and Olsen (1975) argue that organizational members come to trust those who are perceived to bring about desirable events, or to prevent undesirable events happening, in areas that they experience as relevant. If actors trust others, they seek interaction with them, tend to like what they like and see what they see,

and to share definitions of relevance, leading to further 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 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 others that are trusted and detrimental events to those who are distrusted. Trust begets trust, while distrust begets distrust (March and Olsen, 1975).

### *Consequences of Trust*

There is little disagreement among scholars about the consequences of trust. Trust is generally acknowledged to smooth relations between actors (Dirks and Ferrin, 2002; Zucker, 1986; Powell, 1990; Gulati, 1995; Creed and Miles, 1996; Oliver, 1997) by bringing on a wide variety of positive attitudes and behaviours towards trusted others. Consequences of trust found include open communication and information exchange (Currall and Judge, 1995; Smith and Barclay, 1997), psychological safety (Edmondson, 1999), commitment (Dirks and Ferrin, 2002; Costa, 2003; Morgan and Hunt, 1994), belief in information and acceptance of influence (Blau, 1964; Tyler and DeGoeij, 1996; Smith and Barclay, 1997; Dirks and Ferrin, 2002), mutual learning (Nonaka and Takeuchi, 1995; Boisot, 1995; Janowicz and Noorderhaven, 2002; Bijlsma-Frankema, 2004), attribution of positive motives (March and Olsen, 1975; Kramer, 1996), and positive outcomes such as high levels of cooperation and performance (Morgan and Hunt, 1994; Gambetta, 1988; Costa et al., 2001; Costa, 2003). These studies support the theoretical idea that trust lubricates relations between partners and organizational processes by promoting a variety of voluntary behaviours that enhance trust-building and performance. Since many of these benefits have also been associated with modes of control, the question of how trust is related to control seems relevant enough to ask and answer. This question is first answered from a developmental perspective, before turning to the state of the art concerning the trust–control nexus.

## **Developments Related to Changes in the Trust–Control Nexus**

The idea of a conceptual relationship between trust and control has been mainly developed in recent years after many decades of scholarly focus on formal control as a mechanism of governing organizational relations. Due to developments in organizational forms, markets and societies, trust has increasingly been recognized as an important factor in inter- and intra-organizational relationships. The developments related to the diminished

effectiveness of control and to the growing importance of trust as a mechanism of governance are discussed in the following sections.

### ***Developments Related to Formal Control***

Several changes in the realm of control, its sources and its effectiveness seem related to the growing importance of trust. Control is dependent on certain characteristics of the situation that are currently under pressure. First of all, formal control is dependent on the principle of specification or codification (Boisot, 1995), which means that actions leading to successful cooperation and exploitation of value can be specified *ex ante*. Programmability of tasks and behaviours and measurability of outcomes are needed to specify expectations in formal contracts or rules, which can be used to secure equity (Ouchi, 1979; Eisenhardt, 1985; Das and Teng, 2001). This implies that the transaction, task or relationship that actors take on together should be predictable and codifiable in both its process and outcome. This seldom is the case with intangible products and with dynamic processes that are characterized by ambiguity and uncertainty, which very much typify work and organizations today. Second, formal control requires the possibility of monitoring to determine if actors deviate from the rules agreed upon. This implies that parties must be either in close interaction or have installed intelligent monitoring systems that allow them to monitor from a distance. Third, effective control requires an institutional structure that enables enforcement of the contract or rules, so that a credible threat can be made. This implies the presence of a suitable juridical structure to sanction deviant behaviour.

Several developments over the past few decades have been hollowing out the bases for formal control. Due to the speeding up of markets, continuous change, flexibilization and virtualization of organizational forms, work relationships have become looser and more distant. It can be observed that face-to-face relations make way for virtual communication, that incremental changes are speeding up, and that stable relations are subject to flexibilization. Virtualization of relations within and between organizations is also one of the side-effects of globalization, which limits the possibilities of monitoring and other forms of formal control. For instance, in e-commerce, business-to-customer relations are difficult to manage, and gaining customer trust seems almost impossible to do, especially if the Internet store is not part of a brick and stone company with a reputation to lose. Yet, Internet stores do manage to gain customer trust (Kerkhof et al., 2005).

*Within organizations*, lateral relationships and alliances have become increasingly important, in contrast to hierarchical relationships that used to dominate the framing of work relations (Sheppard and Tuschinsky, 1996). New linkages are being formed to achieve and maintain

competitive advantage in the marketplace, leading organizations towards network forms and alliances (Lewicki and Bunker, 1996; Powell, 1996). In multinational companies, cross-national and cross-cultural teams are formed that have to perform based on virtual exchange relations. Due to diminished capacities to control these exchanges, trust becomes very important in lubricating cooperation. In addition, organizations have become increasingly dependent on intangible human resources to gain and maintain competitive advantage. Extra-role behaviours such as exploration of opportunities, participation in organizational learning processes, helping colleagues and cooperation within teams are critical success factors nowadays (Organ, 1988). Control-based forms of governance are hardly effective in the leverage of these intangible resources. While the importance of extra-role behaviours is growing for organizations to function effectively, hierarchy is less likely to lead employees to behave in this manner (Kramer, 1996; Tyler, 2003). Trustful relations between organizational members become crucial because trust can promote voluntary cooperation and extra-role behaviours needed to compete successfully.

Flexibilization of work relations is another development that contributes to looser, and sometimes more virtual relations between organizational members that are less easy to monitor. It has been demonstrated that it is harder to elicit extra-role behaviours from temporary workers (Pearce, 1993). Temporary workers experience a different psychological contract with the organization than core employees, which moulds their expectations and actions in a different direction and may complicate the nature and meaning of exchanges between employees as well (Pearce, 1993; Robinson, 1996).

Besides codification and monitoring, the third reason why formal control is harder to establish nowadays is the inherent difficulty in enforcing contracts. If cooperative relationships take place across organizational and geographical borders, it might be difficult to establish a contract that 'fits' different law systems, and hard to enforce it. Formal institutions, contract laws and courts may be poorly developed in some countries, leaving the contracting partners without a system to fall back upon. The study by Rus and Iglić in this issue shows the critical importance of well-functioning institutions to the economic development of a country. However, in some situations, the institutional framework falls short of safeguarding the system. In cases of high-tech partnerships, for instance, where knowledge is 'fluid' and often of strategic value, any legal resolution of conflict will often be too late or in vain (Hoecht, 2005).

In relations *between firms*, similar developments have made control more problematic. Formal contracts may be hard to specify because of the increasing intangible nature of resources and outcomes, the high pace of



(technological) developments and inherent difficulties of predictability. It has been observed that tacit knowledge has become more important as a source of competitive advantage (Lekanne Deprez and Tissen, 2002; von Krogh, 1998). While potentially a vital resource for effective inter-organizational cooperation, tacit knowledge is also a highly mobile resource that moves with the individuals that hold it. This mobility cannot be effectively governed by formal control. Trust-based mechanisms are better fitted to deal with such valuable, intangible resources. Especially in knowledge-intensive industries where product life-cycles are short and each generation of products is expensive to develop, pooling of knowledge, managerial capacities and capital between firms and sharing risks has become a strategy on which ongoing vitality rests, as Powell (1990) noted.

With regard to predictability, it can be noted that in high-tech, high-speed markets, outcome measurability and task programmability are low. If parties *want* to specify everything *ex ante*, this raises transaction costs to an unsound level and could slow down projects to such an extent that accurate appropriation of opportunities becomes impossible. If neither the behaviour of actors nor the outcome can be specified at the beginning, formal control cannot be exercised in a meaningful way (Eisenhardt, 1985; Das and Teng, 2001). Trust is a viable alternative in governing these kinds of relations.

Monitoring has also become increasingly difficult as a result of the de-localization and globalization of markets. Over the past few decades, business contacts have been spreading beyond closed groups like local communities, regions and tribes, but also across specialist fields of knowledge. If parties are located at a great geographical distance, practical problems may jeopardize effective monitoring. Even when parties are highly complementary in complex and dynamic industries, this may entail a large cognitive distance and hence imply difficulties with monitoring, i.e. judging the execution of formal contracts or informal agreements. Trust can be an alternative mode of governance in these situations because the positive expectations trust entails can bridge these distances. Furthermore, trust can be based on newly constructed similarities (Bijlsma-Frankema and Klein Woolthuis, 2005b) and help create a common ground.

### ***Formal Control, Social Control and Trust***

If formal control has become less effective in governing relationships, the question arises whether the conditions that allow for trust-building and for exercise of control are so different that trust can be conceived of as an alternative governance mechanism.

Earlier in this introduction, trust was defined as 'a psychological state' that presupposes (1) the intention to accept vulnerability and (2) positive

expectations (Rousseau et al., 1998) based on characteristic similarities, positive exchange relations or institutional arrangements that evoke trust-worthy behaviours (Zucker, 1986; Creed and Miles, 1996). Formal control, on the other hand, comprises three underlying conditions: (1) need for codification, (2) monitoring and (3) safeguards. Apparently trust differs from control on all three points.

First, regarding codification, it has been observed that codified rules can serve as an indirect source of trust (Rocco, 2005), yet codification of expectations or agreements is not a necessary condition to trust. While formal control is dependent on codification of shared rules and exchange expectations, trust can be based on ‘new similarities’, that are discovered or created by partners in interaction or in a shared process of meaning giving to the past, the present or future exchanges, which also creates common ground (Bijlsma-Frankema and Klein Woolthuis, 2005b). ‘New similarities’ may range from codified to non-codified rules or expectations, from formal to informal, from concrete to abstract, from established rules and expectations to ones newly constructed in interaction between actors. Next to trust based on reproduction of codifiable rules, trust can also be based on exploration, learning and (innovative) meaning giving.

Trust, like control, involves alignment of mutual expectations, because lack of alignment can give rise to misunderstandings and mistaken interpretations of well-intended behaviours of the other, leading to a decline of trust (Bijlsma-Frankema, 2001). This alignment, however, can be based on explicit interaction between actors, but it can also more implicitly be rooted in social control, as Das and Teng (2001) argue. They refer to the concept of clan control as proposed by Ouchi (1979) in describing social control:

Clan control is exercised when organisations do not specify task-related behaviours and outputs. Instead, here the focus is on developing shared values, beliefs and goals among members so that the appropriate behaviours will be reinforced and rewarded. Because members internalise organisational goals, their commitment and motivation to achieve these goals will be high. (Das and Teng, 2001: 259)

Social control is intended to reduce goal incongruence among organizational members or between partners in an inter-organizational relationship. If implicit embeddedness in shared cultures or structures is lacking, parties have to invest in relationship building. A large part of this process will be devoted to developing some shared meaning giving and a shared understanding of each other and the project one is taking on (Klein Woolthuis, 1999; Larson, 1992). Especially with complementary partners that have a large cognitive distance, this might prove difficult. Shared

meaning giving and understanding is necessary to form the bases on which parties can judge both the other's competences and intention (Nooteboom, 2002).

Second, trust – like control – requires interaction, sometimes in the form of monitoring. The meaning given to monitoring can, however, be rather different in the context of trust relations. Showing interest and concern by closely keeping up to date with the progress the other is making can be positively interpreted in trusting relations. Heedful interrelating (Weick and Roberts, 1993) facilitates mutual learning and performance. Thus, monitoring may well enhance the quality of the relationship and help parties to flexibly coordinate the relationship. However, monitoring can also be perceived as a lack of trust between partners, particularly in contexts of intense group interactions (Costa, 2003). As a result, trust is more effective than formal control in support of extra-role behaviours of actors, development of intangible resources and commitment to shared goals in employing those resources.

Third, unlike control, trust is not based on the explicit threat of enforcement of an agreement. Social control does imply the implicit threat of social sanctioning if breach of trust is observed. Such sanctioning is only possible if parties are embedded in (a network of) social relations and if reputation mechanisms can support exclusion or other social sanctions, such as gossip or loss of future business relationships.

Social control thus requires less codification and allows for more abstraction and ambiguity than formal control. The mechanism of social control tolerates ambiguity necessary to explore opportunities in the beginning of a relationship, and sustains the development of consensus on the rules of the game that will guide mutual behaviours (Das and Teng, 2001). Agreement is more a continuous process that is established in recurrent stages of evaluation, negotiation and agreeing upon issues as they occur. In this sense, social control modes of governance will be more suited to sustain *exploration* of tacit knowledge and knowledge-based value creation, whereas formal control modes of governance are more adequate to sustain *exploitation* of knowledge (March, 1991; Nonaka and Takeuchi, 1995; Boisot, 1995; Janowicz and Noorderhaven, 2002; Weick and Westley, 1996; Brown and Duguid, 1998; Nonaka and Konno, 1998). Although most of these authors plead for a balance between exploration and exploitation, the increasing importance of exploration to competitive advantage and the ineffectiveness of formal control in governing exploration, it can be expected that trust will grow in importance as an effective mode of governance. Yet, it cannot be concluded that a shift to trust-based forms of governance is a panacea to all problems of governance in contemporary organizational relations. First, there is ample ground to expect that all modes of governance, including trust-based

forms, produce problems that are typical, unintended consequences of characteristics of the mode of governance itself (Bijlsma-Frankema and Koopman, 2004). Contrary to the vast literature on the negative aspects of formal bureaucratic control (Vroom, 1980), systematic data gathering on the negative aspects of trust-based governance has been scant until now. Second, if several of the aforementioned developments have decreased the effectiveness of formal control they have also weakened the sources upon which trust can be built. For instance, processes of globalization, virtualization and flexibilization reduce both the bases of formal control and of trust-building. This suggests that as trust is becoming more important, it is becoming more problematic at the same time (Lane, 2001; Bijlsma-Frankema and Klein Woolthuis, 2005a).

## Understanding the Trust–Control Nexus

### *State of the Art*

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 (Zaheer and Venkatraman, 1995; Anderson and Narus, 1990; Bradach and Eccles, 1989; Das and Teng, 1998). In particular, two main perspectives can be distinguished: the substitution perspective and the complementarity perspective.

The substitution perspective suggests that trust and formal control are inversely related, i.e. more formal control results in less trust, and vice versa (Dekker, 2004). 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, 1990). Therefore, the higher the level of trust in relationships, the lower the costs of monitoring and other control mechanisms (Cummings and Bromiley, 1996; Handy, 1993; Williamson, 1975) – also Inkpen and Currall (1997) note that lower trust levels lead to more formal operational procedures, such as more detailed contract documentation, more frequent board meetings, etc. The substitution view is consistent with more traditional management perspectives that conceptualize trust and control as equivalent strategies for reducing uncertainty, complexity and dealing with the freedom and indeterminacy of others (Knights et al., 2001). Both trust and control allow for the development of expectations with regard to social actors' future behaviours, and increase predictability (Luhmann, 1979; Nooteboom, 2002). Therefore, they are considered to be alternate routes for arriving at stable orders to which social actors can orient their behaviour (Gulati, 1995).

The other perspective elaborates on a complementary relation between trust and control (e.g. Bradach and Eccles, 1989; Das and Teng, 1998;

Sitkin, 1995; Zucker, 1986), suggesting that trust and control can be mutually reinforcing. Sitkin (1995), for instance, argues that formal control mechanisms may increase trust by providing people with objective rules and clear measures on which to base their assessments and evaluations of others. Trust and control can both contribute to the level of cooperation needed in a relationship.

So far, empirical research has not yielded decisive support for one stance over another. Within organizations, Costa et al. (2001) found that trust between members in work teams is positively related to cooperative behaviours and negatively to monitoring colleagues, indicating that trust can work as a substitute for control. Currall and Judge (1995) and Smith and Barclay (1997) arrive at a similar conclusion. In manager-subordinate relationships, on the other hand, Bijlsma-Frankema and van de Bunt (2002) found that subordinates' trust in managers is positively related to the monitoring behaviours of managers, thus indicating that trust and control can go hand in hand without tension. These contradictory findings may be explained by taking the relation between trust and risk more systematically into account. Sitkin and George (this issue, pp. 307–38), for instance found that under conditions of higher perceived threat to trust in managers, managers use more formal controls and less informal controls to legitimize their decisions.

In studies of trust between organizations, support has also been found for both points of view. Gulati (1995), for instance, suggests that trust reduces the need for equity-based structures to coordinate and control alliances. Similarly, Powell (1996) argues that in the absence of 'natural' conditions for trust development, such as familiarity based on past experiences of characteristics of similarity, inter-firm collaborations rely more on formal and institutional base arrangements, which is more costly and time consuming. In contrast, Dodgson (1993) advocates the need for formalization in order to ensure that the collaboration between firms continues successfully. He refers to fragility of trust as a governance mechanism, particularly in situations of continual organizational change and high mobility of the workforce.

### *A Matter of Theoretical Understanding*

It can be argued that since at present the relation between trust and control is far from clear (Maguire et al., 2001; Sydow and Windeler, 2003), more theoretical input is needed to fully understand how trust functions as a governance mechanism and how it relates to formal control. As Bachmann et al. (2001: v; cited in Möllering, this issue) contend: 'While there are numerous examples in the literature where control chases out trust and situations in which trust seems to remove the need for control, there are equally as many examples of trust and control being complementary or

going hand in hand.’ So far, empirical evidence has not been very helpful in sorting out which conceptualization of the relation is most adequate.

This may be due to several factors, of which three are discussed here: an empiricist tendency dominating the discussion, especially in studies of inter-organizational relations; a lack of theoretical contributions and inspiring theoretical questions; and too little theoretical and empirical attention to diversity of contexts that may differentially influence the nature of the relation between trust and control.

First, in the past years, the level of theorizing involved in argumentations and research regarding the trust–control relation has been rather low. For instance, the concepts of substitutes and complements, which are mostly used to frame the relation, are seldom supported by theoretical statements that build on robust parts of the social scientific heritage. Most of the time, these concepts are used in a rather empiricist way, describing the relation between trust and control in terms of near-operational coexistence, sometimes straightforward in terms of correlations to be found between operational measurements of both phenomena, as in the study of Alvarez et al. (2003). However fruitful such an approach may be to overcome apparent equivalency of theoretical statements, relying on statistics to *create* theoretical understanding of the trust–control relation is bound to produce poor results, no matter how much energy scholars put into this quest. Progress can be made by shifting attention to theoretical work on the trust–control nexus until sufficient understanding has been reached to test competing conceptualizations to build more robust insights. Apart from a few exceptions, including a timely study by Sitkin (1995), in which several theoretical arguments are presented for a positive effect of control on trust, the theoretical debate on the trust–control relation has been rather thin in the past decade. Another flaw in the realm of theorizing is that in the past decade hardly any questions have been asked that have resulted in exploration of new theoretical alleys and angles to address the trust–control nexus.

### *New Questions, New Understandings*

The studies in this special issue of *International Sociology* all address these theoretical weaknesses by broaching new themes or asking questions that stir up new ways of theoretically making sense of the trust–control nexus.

The study by Guido Möllering, ‘The Trust/Control Duality: An Integrative Perspective on Positive Expectations of Others’, addresses these theoretical weaknesses by offering a fresh theoretical approach to the trust–control nexus and by reframing the trust–control question in a productive mode. Möllering theoretically turns against a conceptualization of trust and control as unrelated concepts, that can vary independently. He proposes a conceptualization of trust and control as a duality

instead of a dualism. Accordingly, trust and control each assume the existence of the other, refer to each other and create each other, but remain irreducible to each other. This duality perspective focuses on the underlying problem of how actors reach positive expectations of others. By posing the uncommon question of how actors do arrive at positive expectations of others, a new light is shed on the trust–control relation and the door is opened to theoretical insights that can be employed to further theoretical understanding of the trust–control relation. On the basis of an assumption of embedded agency, the duality perspective on trust/control holds that actors form positive expectations of others by interpreting complex interactions between structural influences on actors and the possibility of either benevolent or malevolent action. As certainty cannot be reached, positive expectations also require suspension.

Implications of the proposed trust/control perspective are presented, discussing the pitfalls of ignoring or adopting it as well as the opportunities from embracing it.

The study by Sim Sitkin and Elizabeth George, ‘Managerial Trust-Building Through the Use of Legitimizing Formal and Informal Control Mechanisms’, offers a new thought of approach to the relation between trust and control by asking the question how trust in managers, when threatened, can be maintained by employing control to engender legitimacy, thereby broaching the theoretical matter of how institutional frameworks influence relations between individuals. Three versions of institutional theory are tested in a comparative design. The article examines formal and informal control mechanisms used by organizational decision-makers to engender trust by invoking the protective patina of institutional legitimacy when making potentially controversial decisions that could damage trust. Two experimental studies found consistent patterns of use of persistent formal controls and reduced use of informal controls under higher levels of perceived threat to trust. This finding is consistent with the ‘attenuated legalistic’ institutional perspective on the use of formal and informal control, and inconsistent with mainstream institutional perspectives on the use of controls. Results suggest institutional pressures manifest at the individual level provide a complementary focus to macro-organizational institutionalization.

The study by Gerhard van de Bunt, Rafael Wittek and Maurits de Klepper, ‘The Evolution of Intra-Organizational Trust Networks’, also contributes to a more theoretical understanding of the trust–control nexus by bringing insights from the field of network development into the arena, on which new questions can be based. In this study, six theoretical trust mechanisms, all based on rather robust parts of the social scientific heritage, are presented and tested on case material of network development. Based on the distinction between expressive and instrumental

motives, six theoretical mechanisms for the formation of trust relationships are elaborated and empirically tested, three driven by the emotional value attached to social relationships (homophily effect, balancing effect, gossiping effect) and three by instrumental motives, i.e. the need to control realization of benefits or avoidance of losses (signalling effect, sharing group effect, structural hole effect). While the first three motives can be recognized as antecedents of trust based on similarities between actors (Zucker, 1986; Bijlsma-Frankema and Klein Woolthuis, 2005b), the latter three motives are at present not commonly recognized as antecedents of trust. The instrumental motives approach departs from the idea that work settings generate specific constraints on the formation of trust relations. Two theoretical arguments are presented to support the idea of instrumental motives. The first line of reasoning emphasizes the impact of formal organizational structures, in particular functional interdependencies, on the one hand, and the formal control strategies associated with the hierarchical position of actors, on the other. Interpersonal trust is modelled as a function of formally defined patterns of interdependence and power. Individuals adapt to their formal work environments, they manage critical dependencies by embedding them into social exchanges. The second line of instrumental reasoning argues that interpersonal trust relations are the result of individual actors who actively try to optimize the benefits that their personal networks can generate. Individuals benefit from brokerage positions, and will therefore try to change the network structure to increase their brokerage opportunities. Data for an empirical test of these mechanisms are taken from a sociometric panel study of 17 members of the management team of a German paper mill. Actor-oriented statistical modelling shows that all effects significantly affect trust formation separately. In a simultaneous test incorporating all six mechanisms, the pattern of structural holes turns out to be the major predictor of network evolution. Thanks to the cross-fields transfer of theoretical ideas, the trust mechanisms presented and the test findings of this study can be expected to produce new theoretical challenges and synergetic effects, on which future insights may be built.

Rus and Iglič's study, 'Trust, Governance and Performance: The Role of Institutional and Interpersonal Trust in SME Development', brings up an equally fresh theoretical matter by bringing in the institutional environment as an important factor that influences the combinations of trust and control employed by small and medium enterprises (SMEs) in a given environment and the performance of these firms. The article explores the relationship between trust and control by investigating the direct and indirect effects of different types of trust on company performance. A survey of small and medium size firms in Slovenia and Bosnia and Herzegovina is used to demonstrate how the level of trust entrepreneurs have



in institutions and business partners influences the choice of governance mechanisms that coordinate economic activities among actors. The article shows that the institutional environment in Slovenia generates more trust, which enables actors to base their business relationships on trust rather than contract. In addition, when actors rely on trust it is usually institutional trust rather than interpersonal trust. In contrast, in Bosnia, a weaker institutional environment generates less trust, leading actors to base their economic relationships on contract. However, when trust is used in Bosnia as a basis of business relationships it is likely to be centred on interpersonal trust. These results have important implications for the understanding of the process by which trust affects economic performance. The use of institutional trust as a basis for governance mechanisms may lead to increased economic performance of companies due to the inclusive nature of sociability patterns and tie formation, since institutions generalize trust beyond a specific set of exchange partners. The use of interpersonal trust may limit its economic potential due to its reliance on strong ties embedded within cohesive groups marked with closure.

### ***Bringing the Context Back In***

A last factor that may have contributed to the current state of the art regarding the trust–control nexus is that little systematic attention has been paid to contextual factors that may explain a fair share of the variance in trust–control relations found so far. Reframing questions about the trust–control nexus 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. All four studies in this issue contribute to addressing this challenge by employing some form of contextual approach.

Van de Bunt et al.'s article introduces the formal structure of an organization, i.e. functional dependencies and formal control strategies associated with the hierarchical position of actors, as a contextual factor that may influence the way individuals manage their critical dependencies by embedding them in a trust relationship. Sitkin and George also take control strategies of managers, formal and informal, into account as antecedents of trust-building in intra-organizational relations and of trust maintenance under threat, but they conceptualize control in reference to the set of legitimate rules conventions, cognitions and meanings comprised in the institutional environment of organizations. This move enables the authors to reopen the dossier on institutional pressures on decisions of individuals, which since being initiated by Zucker (1977) has lain barren. Bringing the institutional framework into understanding the trust–control nexus is a major step forwards, and which lately has been advocated by several authors. Yet, this will not be an easy endeavour. The

third base of trust-building Zucker (1986) distinguished is recently typified as a rather undifferentiated, encompassing set of rules and mechanisms that is in need of further exploration. Bachmann (1998: 319), for instance, argues that many elements of the institutional framework should be taken into consideration in examining how social actors engage in exchange relations, but that insight in the nature of the relations between these factors is scarce:

As yet we equally know little about how different elements of the institutional framework such as legal regulations, the status and role of trade associations, the financial system, etc. interact with each other. These issues need to be studied very thoroughly through comparative research.

The comparative study by Rus and Iglič supports the relevance of this endeavour and opens the door to a new line of research in which characteristics of the institutional environment will play a prominent part in explaining differences in the relation between trust, control and performance of firms. The study shows that the question of how institutional pressures influence relations between individuals is a relevant one, which promises to enhance scholarly understanding of contextual factors that differentially affect the relation between trust, control and firm performance.

Möllering's study also embraces the institutional environment as an important factor in building and maintaining human relations. Möllering inventively realigns the phenomena of trust and control by asking the simple question of how actors form positive expectations of others. When an actor rests positive expectations on structural influences on the embedded other, he or she speaks of control; when an actor rests positive expectations on an assumption of benevolent agency on the part of the other, he or she speaks of trust. The concept of embedded agency (Garud and Karnøe, cited in Möllering), which is of central importance in this study, entails that actors are both constrained by social structures and carriers of structure through contingent and purposeful action. This conceptualization of the trust–control nexus has several advantages over the rather bloodless and suboptimally framed question of whether trust and control are substitutes *or* complements. First, it may prove useful in addressing the important question of how institutional pressures influence individual decisions, which Sitkin and George propose to reinstall on the social scientific research agenda. Second, if this conceptualization is adopted, the study of different elements of the institutional framework and their interaction through comparative research, as advocated by Bachmann (1998: 319), will become more urgent and more promising at the same time. A third advantage is that by thinking in terms of structural influences, a one-sided focus on constraints is replaced by a more open focus that allows analysis of constraints *and* opportunities inherent

in organizational structures or institutional frameworks at the same time. While most studies of control tend to concentrate on constraints and most studies on trust focus on risks rather than on opportunities for value creation (Bijlsma-Frankema and Klein Woolthuis, 2005b), the studies of van de Bunt et al. and of Rus and Igljč, by virtue of the network approach chosen, do pay attention to opportunity-driven tie formation. Figure 1 shows how the questions asked can be framed to do more justice to the institutional environment next to interpersonal and network relations.

The figure pictures four paths to positive expectations, which entail a favourable risk–opportunity balance: starting at interpersonal relations or at the institutional framework while each can run via trust or via formal control. In understanding different combinations of paths to positive expectations, March and Olsen’s (1975) concept of areas of relevance may prove helpful in future research to relate perceptions of risks and opportunities to combinations of paths found.

Future developments may also bring the need to develop more dynamic representations of the trust–control nexus, since the matter of understanding the processes of trust and control formation can be expected to grow in importance in the years to come. The longitudinal data that are needed for dynamic analysis will not only provide more robust ground for making causal inferences, but can also promote our understanding of how changes in one factor, for instance loss of trust in a relationship, bring about changes in another factor, for instance change in the nature of control employed. Dynamic network analysis may turn out to be a very apt way to gain a hold on complicated processes of trust and control

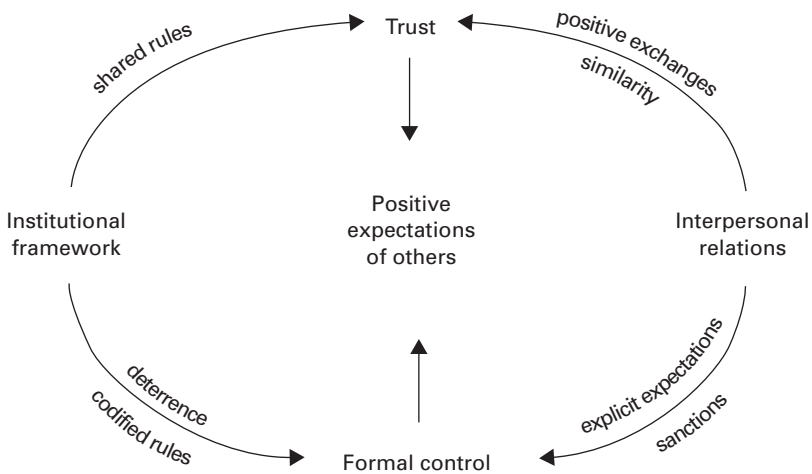


Figure 1 Paths to Positive Expectations

formation within the institutional environment. The article by van de Bunt et al. in this issue provides a taste of the theoretical and instrumental value of this new method of analysis that is at present in development.

It can be concluded that our understanding of the trust–control nexus has been and will be promoted by a shift to more theoretical explorations, as the studies in this special issue show. Given the freshness of the questions asked, it seems not too far-fetched to conclude that a lot of promising work lies ahead.

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