Trust and Human Resource Management

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Edward Elgar

Cheltenham, UK • Northampton, MA, USA

Published by
Edward Elgar Publishing Limited
The Lypiatts
15 Lansdown Road
Cheltenham
Glos GL50 2JA
UK

Edward Elgar Publishing, Inc.
William Pratt House
9 Dewey Court
Northampton
Massachusetts 01060
USA

A catalogue record for this book
is available from the British Library

Library of Congress Control Number: 2011924166

MIX
Paper from
responsible sources
FSC® C018575

ISBN 978 1 84844 464 5

Typeset by Servis Filmsetting Ltd, Stockport, Cheshire
Printed and bound by MPG Books Group, UK

3. The evolution of trust and control as seen through an organization's human resource practices

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INTRODUCTION

Several decades of behavioral research have asserted that trust is essential in organizations. Without a certain degree of trust, it is almost impossible to establish coordinated action within an organization (Kramer and Tyler, 1996), or across organizational boundaries (Sako, 1992). Conversely, control has been even more widely inveighed as a central coordination mechanism in organizational research, promoting efficiency based on decision making and action being resident in the hands of an expert (for example, Weber, 1947).

Nevertheless, these two constructs have not been well integrated and a familiar refrain in conceptual work is that little research has comprehensively addressed both at the same time (Das and Teng, 1998; Bachman, 2001). Indeed, these two constructs have often been viewed as a dichotomy (for example, Meyer and Rowan, 1977; Luhmann, 1979; Coleman, 1990), and modeled as independent variables. Although trust and control have been widely studied constructs, especially in organizational studies and human resources, attempts to integrate them have often resulted in contradictions (Skinner and Spira, 2003). More recently, scholars have convincingly argued that trust and control need to be conceptualized in an integrated fashion (Kramer, 2006; Weibel, 2007), and have examined empirically their joint and independent effects on coordination behavior (Costa and Bijlsma-Frankema, 2007).

In this chapter, we build on these integrative perspectives by asking, how are human resource (HR) practices in a fast-growing organization reflected in the evolution of trust *into* control? After establishing the theoretical basis for the study, the chapter presents an empirical test of the research question, followed by a discussion of its findings.

THEORETICAL BACKGROUND

Trust

We define trust as a willingness to be vulnerable to another, based on the belief that the other is reliable, open, competent and concerned (or compassionate) (Mishra and Mishra, 1994; Brockner et al., 2004). It is a psychological state that manifests itself in behavior towards others, facilitated in expectations (Kramer, 1999). Such a definition is consistent with one widely adopted definition which incorporates integrity, competence and benevolence as the three key beliefs that contribute to the willingness to be vulnerable to another person (Mayer et al., 1995), but differentiates two types of integrity: (i) reliability or dependability, and (ii) openness or honesty. We view trust as a cognitive, affective, and behavioral construct (Lewis and Weigert, 1985; Mishra and Spreitzer, 1998) that follows a clear path of development. In this current research, and extending Lewicki et al. (2006), we suggest that trust needs to adopt a more multidirectional approach in organizations undertaking change or when growing.

Although Rousseau et al. (1998) found that traditionally scholars focused on the static nature of trust, and some scholars have focused on the evolution of trust, to date this stream of research has been largely theoretical. For example, Sheppard and Tuchinsky (1996) argue that control evolves into trust as relationships within and between organizations evolve, or that trust and control are substitutes for each other. According to this perspective, trust evolves from personal knowledge with deterrence/calculative controls, to trust based on identification with common values or interests, with informal controls supplanting formal controls (Shapiro et al., 1992). Our own research would argue that reliability and competence-based trust is augmented by openness and compassion (Mishra and Mishra, 1994). Together, reliability, openness, competence, and compassion represent the four dimensions of trustworthiness. These dimensions are argued to contribute additively to a party's trustworthiness (Mishra and Spreitzer, 1998, p. 574).

Reliability is the first dimension of trust because it is the easiest for us to demonstrate and the easiest for others to observe. We define reliability as consistency between words and actions. It entails following through when you say you are going to do something. If we make and fulfill a commitment to have a project completed by a certain date, we have already provided a demonstration of our reliability. The second dimension is openness or honesty. This involves a willingness to share important information, and at its highest level is demonstrated by complete transparency. The third dimension of trust is competence. People will trust you if they believe that you have the ability to perform your duties as you said you are able. They want to know that they can count on you to be skilled to carry out your responsibilities. The final dimension of trust is compassion. Compassion is the last dimension because it is the most difficult to demonstrate. Compassion involves caring about the interests and needs of someone else as much as oneself. It means indentifying and fulfilling the best interests of others. Spreitzer and Mishra (2002) found that trust is positively related to organizational commitment as an additive combination of these four dimensions. With Mishra and Mishra's (1994) argument about the role of trust in downsizing strategies in mind, we assert that trust in all four dimensions will develop over time as the organization grows.

Still, trust in an organization does not develop in a linear fashion, but can be built in all four dimensions across time. Reliability and competence-based trust are easiest to start with as both people and organizations can establish their trustworthiness through their consistent and able actions. We have found that over time, when openness and compassion are present at the outset, it is often due to the determination of the leader. Zhang et al. (2008) found that the supportive behavior of a leader built organizational trust (p. 113). These personal qualities then impact the organization, influencing it to build trust with constituents through honest and open communications, and acts of caring. Weibel (2007) determined that the leader could build trust with employees 'by applying the right form of managerial control in the right way' (p. 513). This right way includes two-way communication (openness) and a concern for the collective (compassion). Otherwise, most organizations find it easiest to demonstrate reliability and competence first and then follow up with openness and compassion as they build relationships with employees and other stakeholders, getting to know them and looking out for their best interests.

Previous research has shown a positive relationship between HR and firm performance (Wright et al., 2005). In their study on employee trust in the organization, Searle et al. (2011) found that high-involvement work practices and procedural justice have a direct impact on trust in the employer. Trust is important for the implementation of HR practices because trust has been shown to be an important predictor of organizational outcomes such as loyalty (Costigan et al., 1998) and commitment (Aryee et al., 2002), which can lead to improved firm performance. If trust can improve such outcomes, it can also be effective in the implementation of HR practices. Kouzes and Posner (1996) demonstrated the positive effects of leadership on firm performance, activities which include HR practices. Gould-Williams and Davies (2005) regard trust as a critical component to an organization's climate, leading to 'positive exchanges'.

In our own qualitative and inductive investigation of a rapidly growing organization based on interviews with all four of the organization's founding top executives as well as a cross-section of employees (Mishra et al., 2008), we asked key informants in one set of semi-structured interviews to reflect back to the founding of the firm and discuss what important events, decisions, and actions took place, and the reasons for those. In our analysis of the interview transcripts, we have found preliminary evidence that over time, (i) multiple dimensions of trustworthiness serve as bases for making decisions and taking action, (ii) different dimensions are added as the organization grows, and (iii) leaders' behaviors as well as organizational practices both contribute to trustworthiness beliefs and trust among the organization's employees. For the current study, therefore, we propose:

Proposition 1 (P1): As an organization grows, its leaders' trust-building behaviors will become increasingly differentiated.

Organizational Control[1]

We define control as a rational process of regulating behavior in order to achieve goals (Das and Teng, 1998; Cardinal et al., 2004). As Tannenbaum (1962, p. 237) asserts, 'organization implies control' because its processes and mechanisms help to bring conformity and to circumscribe idiosyncratic behavior in reaching goals. Although an organization's goals may not be congruent, control is widely acknowledged as ubiquitous and critical to how organizations operate (Flamholtz et al., 1985). Often the exercise of control is understood to have a negative side with the dominant theme in this literature focused on the place of power and domination (Edwards, 1979; Pfeffer, 1992). While generating a degree of certainty and helping with goal attainment, according to this view organizations relying on control undermine employees, stifle creativity, and foster dissatisfaction (see Adler and Borys, 1996).

The dominant bureaucracy focus

There are various ways to present the diverse ideologies attributed to organizational control. The dominant view in organization studies, however – and the most visible type critiqued in trust research – posits an evolution of control stemming from a rational–legal orientation, characterized by Weber's (1947) theory of bureaucracy. His approach left a distinct mark on managerial thought and action. As Barley and Kunda (1992) argue, it also helped to establish the underpinnings of several modern management ideologies such as labor process, scientific management, human relations, systems theory, and social construction. As Table 3.1 illustrates, Weber's theory and his argument for legitimate authority has become the foundation of views on organizational control. While a

Table 3.1 A cross-section of the influence of Weber's rational legal authority on contemporary organizational control

Theorist	Weber (1947) Authority characterized as . . .		Mayo (1933) Human problems of industrialization	Burns & Stalker (1961) Organization fit	Braverman (1974) Control of labor	Ouchi & Maguire (1975) Modes of organizational control	Meyer & Rowan (1977) Institutionalized organizations	Ouchi (1979) Control mechanisms	Edwards (1979) Three types of industrial control
Rhetoric	Charismatic Legal Traditional	⇨	Normative Rational	Organic Mechanistic	Marxism Labor process Capital	Output Behavior Input	Power Authority Coordination	Market Bureaucratic Clan	Simple Bureaucratic Technical

⇩

Organizational Control: The process of regulating behavior in favor of achieving goal attainment with an explicit managerial focus

Note: This table is indicative of the commonality of Weber's bureaucracy approach, rather than a linear reading of the commonality of all his types of authority in control discussion, and should be read as such.

simplification, the table indicates the commonality of the rational–legal norm as a mechanism characterizing ubiquitous organizational control theory. From this delineation, several theorists were able to develop the legalistic, impersonal, and performance-focused mechanisms of control, such as Barley and Kunda's (1992) rational control, Burns and Stalker's (1961) mechanistic organization, and Ouchi's (1979) bureaucratic control.

In building his thesis based on the views of Mill (1861), DeBalzac (1898) and Michels (1915) on the legal basis of authority and its coordination, Weber (1947) develops generalizations of society, government, and the organization. As a subjective effort to systematically order administration, bureaucracy was a logical mode of organization because it relied on acceptance of these social norms. For Weber, common to all types of organization is the place of the official. As a perceptive observer of history and historical precedent, he noted that the story of society and the rise of civilization involved legitimating norms. He showed that different social epochs were characterized by different forms of political rule founded in legitimate authority. For a leader or a group of leaders to sustain their position of authority, they needed both to gain legitimacy in the eyes of their subordinates and to develop some kind of administrative apparatus to sustain this legitimacy (Perrow, 1986). Although Weber presents an ideal-type representation of this relationship, this rational–legal authority became the basis of bureaucratic control. As such, it differs from his prescriptions of authority founded in tradition or charisma. Weber outlined conditions that would constitute a perfectly functioning bureaucracy. It is the principles and dysfunctions of this formal control, and its associated unintended negative influence on behavior, that stimulated debate on organizational trust (Flamholtz et al., 1985). This body of literature presents trust in terms of the degree of formalization or the level of monitoring such control generates.

The defining characteristic of Weber's administrative scheme was that it was a believable, legal system that enabled order. Building on his views on the place of authority in society, Weber constructed a distinction between power and such control (that is, his 'imperative coordination'). A clear distinction was drawn between exercising power or influence over individuals and encouraging cooperation through coordination, based on legal mechanisms. It is this coordination function, however, that is often overlooked in trust critique of control. Such comment often overlooks that the defining characteristic of the formalized organization was the presence of an individual who epitomizes the highest degree of legal control attainable. Goal attainment and order is a function of control. Consequently, those in control of this rational entity have a legitimate right to the accompanying authority. The establishment of the rational authority-based organization became the dominant institution of modern society (see Clegg, 1990 for summary).

Weber's reason for creating a legal framework as the basis of organization was the order that accrued from it. A systematic, legalistic approach was established whereby rules would regulate the conduct of administrative staff and would subsequently be used by a ruling body to preserve adherence. Rules assure a mandatory order of governing the organization to which the administrative personnel are subject. It represents a movement away from social action determined by custom or self-interest toward a process of validity of action. In this model, actors orientate their actions toward a defined order based on generalized rules which then becomes habit. For Weber, order created through personality and motives of expediency, or even trust, rather than based on habit, was seen as far less likely to encompass predictable or desirable results. This dichotomy in turn, depicts the two types of control within organizations.

Two control types

Formal control is represented by codified institutional mechanisms such as rules, procedures, standard operating systems, goals, and regulations (Cardinal et al., 2004). These controls serve to influence people to take actions and make decisions at all levels of the organization which are consistent with organizational goals. It is this type of control that is most usually associated with depictions of authority in organizations. There is a long tradition in organization studies in viewing such control as a dysfunctional outcome with Merton (1940) arguing that a displacement of organizational goals by subunit or personal goals is set in place as a consequence of the disparity in authority distribution. Accordingly, there is a tendency for individuals to rely increasingly on formalization and standardization practices leading to a fixation with established routines.

The demand for formal control by officials results in rigidity that does not allow for substantive organizational change, recognized in labor process and Marxist theory (Clegg, 1990). In assuming that not all individuals have the same interests or goals, formal control becomes a mode of domination, whereby certain people acquire and sustain a commanding influence over others. Despite Weber's insistence of the rationality of his construct, adherence to rational–legal authority principles is perceived to induce labor and work-related inequalities. This control generates both unregulated and unperceived social control (Perrow, 1986). It maintains divisions within an organization, which promotes goal displacement. As Adler and Borys (1996) point out, if abused, the focus on power and autonomy can become a coercive mechanism – an argument used widely in trust research.

While formal control encompasses the pragmatic aspect of authority (that is, what people must or must not do), as Tannenbaum (1962) indicates, informal control comprises the symbolic meanings of authority influence. Informal control represents the reliance on values, emotion, culture, and beliefs in order to encourage appropriate behavior. As such, it is usually associated with the intellectual capital and HR functions of management (Boudreau and Ramstad, 2007). It consists of normative considerations and relationship building, cultivating positive expectations and assumptions about work as a cooperative endeavor (Ouchi, 1979; Adler and Borys, 1996; Cardinal et al., 2004). Such soft measures and relationship considerations are representative of the more social parts of Burns and Stalker's (1961) organic organization and encompasses Mayo's (1933) normative obligations, Ouchi's (1979) clan control, and Ouchi and Maguire's (1975) output form of control. Informal control mechanisms are viewed as an aid to coordinating action in goal attainment, resulting in a more balanced management approach.

As Cardinal et al. (2004) indicate in their case study of the evolution of formal and informal control, despite the rational–legal basis of control, authority still needs to adapt to the situation and to the people that make up the parts of the organization in order to capitalize on its qualities. This perspective establishes that absolute adherence to prescriptive controls is inappropriate and may be shortsighted for goal attainment. After all, as Arches (1991) points out, exclusive reliance on rules and regulations may not be the most effective manner of achieving organizational goals. Decreased job satisfaction and increased burnout arise from formal mechanisms and its associated compartmentalization of work. Consensus thereby implies that organizations that cultivate informal authority structures are more inclined to be characterized by empowered employees.

Thus, formal and informal controls each have been argued to both increase and decrease as organizations grow. Formal controls that promote efficiency can also induce organizational rigidity. Informal controls that develop in the absence of clearly defined goals and metrics may also promote flexibility and cooperation. With our research question in mind, we propose,

Proposition 2 (P2): As an organization grows, the number and type of informal controls will become increasingly differentiated.

Proposition 3 (P3): As an organization grows, the types of formal control mechanisms utilized will become increasingly differentiated.

Integrating Trust and Control

Historically, trust and control have been dichotomized. The basis of this dichotomy stems in part from sociological views of the labor process and deskilling, so that trust and control are opposite ends of a spectrum. For instance Marxist theorists present the organization as an inescapable struggle between managers and workers over work intensity and trust. Similarly, Weberian theorists present trust as a function of how control is managed. As Möllering (2005, p. 285) points out, this tradition has meant 'most studies focus on either control or trust'. Trust and control are seen as naturally belonging together yet are regularly presented or studied as independent variables. Within this dichotomy, two major different sets of perspectives have developed: trust and control as either substitutes (Meyer and Rowan, 1977; Coleman, 1990) or complements (Kramer, 2006; Costa and Bijlsma-Frankema, 2007) for each other.

Conceptualizing trust and control as substitutes, Sheppard and his colleagues argue that trust develops from a deterrence/calculative-based form, which is based on formal controls to knowledge-based trust and finally identification-based trust, with informal controls increasingly supplanting formal controls (Shapiro et al., 1992; Sheppard and Tuchinsky, 1996). Other scholars have posited a linear form of organizational development: that more trust leads to less control, and a lack of trust or distrust can lead to a desire for increased formal control (Zaheer and Venkatraman, 1995; Vlaar et al., 2007). For instance, Sitkin and Roth (1993) argued and found qualitative evidence that overreliance upon control can inhibit the development of trust. Empirical evidence has been found that although control relies on a minimum level of trust, it also displaces or substitutes for trust (Das and Teng, 1998). In contrast to research in favor of trust and control as substitutes, other research has posited them as complements (Bachman, 2001), with both contributing to and eventually mutually reinforcing each other's positive effect on cooperation in organizations (Kramer, 2006; Costa and Bijlsma-Frankema, 2007) in what Inkpen and Currall (2004) refer to as a 'coevolution'.

In this chapter, we endeavor to integrate the concepts of trust and control, and go beyond positing them as either substitutes or complements for each other. Using our research question as its foundation, we thus sought to empirically test our formal propositions.

METHODOLOGY

The research question and propositions were tested in the context of the life-cycle growth and change of a household moving and corporate relocation company. Founded in 1985, the family-run business was started as a way for two brothers to earn college tuition money in the summer, managed by their mother (the founder). Starting with a pick-up truck and the two boys, the firm has grown to 200 locations and 1,200 trucks, operating in over 200 locations worldwide. At its inception, the company was characterized by low formalization and family-based trust, in keeping with its size and operations. With growth and change, however, the firm naturally set in place more rule-based forms of control and operation (for example, employee training in an industry that did not train employees, and uniform and franchise requirements). As part of this growth, and in keeping with its familial culture, the company's founder instituted a regular company newsletter to keep employees and franchisees up to date with company news and growth information.

Content analysis was used to examine information from 20 years of regular newsletters from the organization we studied. The time period under investigation is from 1989, four years after the company was founded, and at the inception of the company newsletter to 2009. Newsletters were initially published twice in 1989, and then every other month on average, beginning in 1990 for a total of 122 newsletters. This archival device was chosen as the research tool because newsletters provide an in-depth, historical view into the development and growth of this franchise organization. Such qualitative information over such a long period provided us with a uniquely detailed way in which to examine the evolution of the firm's culture, HR practices including formal and informal control mechanisms, and leadership behaviors and values. The newsletters are written and distributed by the home office personnel to the franchisees, distribution information, sharing best practices, offering helpful hints, celebrating milestones, and conveying new policies. The articles included information such as best practices in moving a large piece of marble, HR suggestions about interviewing and hiring new employees, policies about the color of the moving truck, and celebrating franchise anniversaries. The newsletters were originally written by the founder, and as the organization grew, took on articles and information from other authors at the home office/headquarters, including the marketing director, franchise team leader, and director of technology.

We selected this organization because of the trust-based, long-term relationship the authors have with this franchise organization. The authors have known the family that founded this firm since before they founded the company, and have followed the development of this company very closely. Two of the authors were asked to help develop the firm's first strategic plan, and as a result, this franchise moving company has been willing to share proprietary performance and survey data with the authors. This company is the only female-owned moving company in the United States. They have revenues of over $200 million with 200 franchise locations in the US, Canada and Ireland, and are headquartered in Lansing, Michigan.

Content analysis offers an empirically grounded method to explore our research question. This research method was chosen because it provided an integrated means to analyze communication 'in a systematic, objective, and quantitative manner for the purpose of measuring variables' (Wimmer and Dominick, 2003, p. 141). To analyze the newsletter data, we used interpretive analysis, a form of content analysis, in which the researcher both observes and codes messages (Neuendorf, 2002). The analysis is presumed to be in a constant state of revision as the researcher observes new data and includes it in her/his analyses. It represents a combination of content and thematic analysis, allowing data to emerge as well as being guided by pre-existing theory (in keeping with our use of a research question and propositions).

While reading each newsletter verbatim, one of the principal investigators identified specific mentions of HR practices, which included the date in which these practices were adopted. These practices were then independently coded by two of the investigators as examples of trust, formal control, or informal control, based on explicit descriptions of each practice as provided in the newsletter. Each practice then coded as a practice initiated through trust was further analyzed as to whether or not this was a practice designed to enhance reliability, openness, competence, or compassion. Control practices were then coded as either formal controls (for example, as evidenced by a statement that the employee should affix a signature agreeing to understand these practices) or as informal controls (for example, as evidenced by a strong suggestion that this is a practice being widely used by many franchisees and will eventually become standard operating practice). Having coded newsletter data, we then organized the information by modeling category relationships and associations. In doing so, we were then able to produce simple data displays that identified trust and control groupings indicative of HR practices. An example of the codification of such practices for each newsletter is provided in Table 3.2.

RESULTS

Figure 3.1 depicts the total number of HR practices instituted each year in terms of whether they are trust based (for example, ideas for empowering employees), control based (for example, policy regarding employee uniforms), or a combination of both trust and control (for example, employee training). Each practice could be either an additional practice adopted that year, or a replacement for a previously instituted practice. As Figure 3.1 illustrates, during the time between the leadership of the founder and the first new president, the organization emphasized the use of control

Table 3.2 Newsletter codification sample

Date	TMT Newsletters: HR Practices									
	HR Practice	Rely	Open	Comp	CPass	Trust	Control	Both	Formal	Informal
Jan-96	Mover of the month				1	1	0	0		
Jan-96	First annual mover/manager meeting	1				1	0	0		
Jan-96	Develop personal mission statements			1		1	0	0		
Mar-96	Hints on improving morale	1				1	0	0		
Mar-96	Effective leadership skills	1				1	0	0		
Jun-96	Hire summer help	1				1	0	0		
Jun-96	Backup plan for days off	1				1	0	0		
Jun-96	Schedule monthly employee meetings	1				1	0	0		
Jun-96	Training procedures for employees					0	1	0	1	
Jun-96	New 401K plan					0	1	0	1	
Sep-96	Managing complaining employees					0	1	0		1
Nov-96	Tips to control absenteeism					0	1	0		1
Nov-96	Recruiting signs on the truck					0	1	0		1
1996	1996 Total	6	0	1	1	8	5	0	2	3

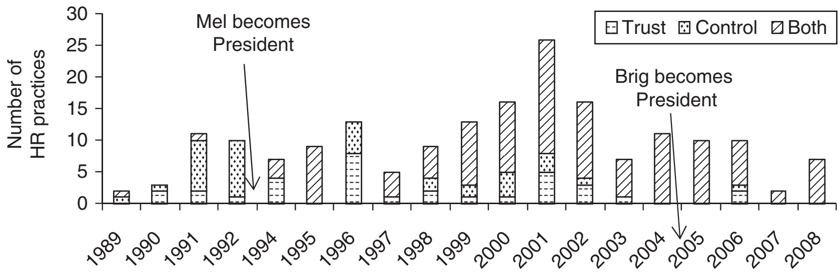

Figure 3.1 Type of HR practices initiated each year

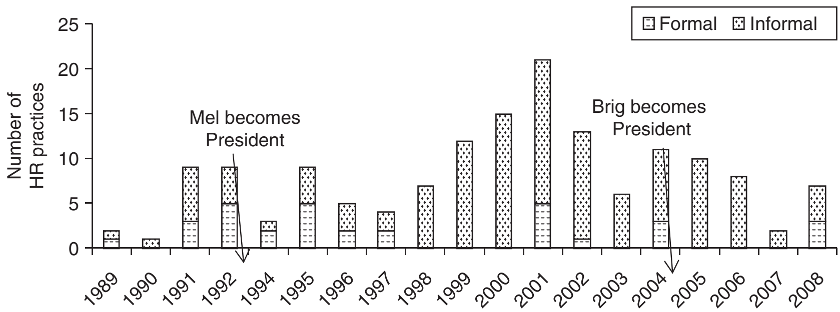

Figure 3.2 HR practices initiated each year by type of control

mechanisms through its HR practices. After the new president took over in 1993, she implemented a combination of both trust and control practices as she responded to lax financial and legal controls that allowed six of the organization's franchises to suddenly stop paying their contractual royalties. This refusal to pay royalties resulted in a legal battle taking several months to resolve, with most of the franchises agreeing to pay all of their royalties, and the rest being terminated from the franchise agreement. Finally, as the third president took over in 2005, towards the end of the data collection period, there is still a combination of both trust and control practices being implemented by the organization, a continuation of the approach favored by his predecessor. Thus, the organization did not substitute trust for control as it grew, but instead utilized both types of coordination mechanisms.

Figure 3.2 indicates the number and type of control-based HR practices instituted each year. This growth includes both informal and formal control-based practices. The control-based HR practices include practices such as the scheduling of the annual organizational meeting, a suggested list of hiring questions, directions on how to prepare a new employee

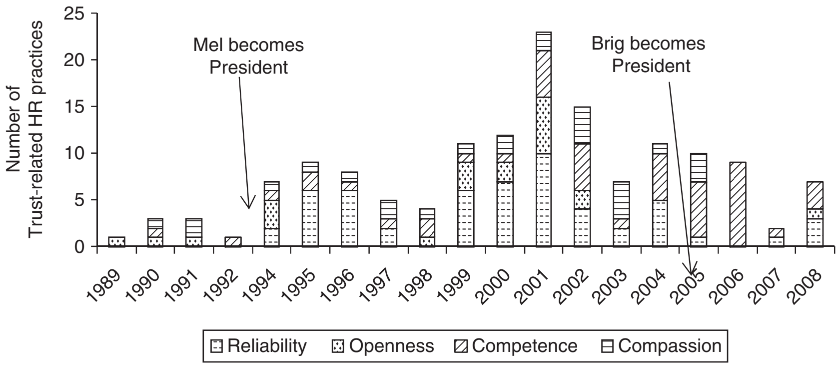

Figure 3.3 HR practices initiated each year by trust dimension

information packet, and advice about employee compensation, to name a few. The total number of control-based HR practices includes those practices that are coded as a mixture of trust and control. As Figure 3.2 illustrates, formal controls were instituted almost every year for the period studied, not surprising for a firm operating as a franchisor in which legal agreements govern the duties and expectations of the relationship. Formal controls primarily focused on the hiring and monitoring of employees. This would be of importance because in a service industry, service quality is determined in part by the quality of the service the individual employee provides. Of greater interest is the prevalence of informal controls throughout the firm's history, but especially during the second president's tenure and beyond. These informal controls also focused on employee hiring, but were suggestions such as the best places to put hiring notices, or encouraging drivers to be safe. These all seemed to be focused on 'nice but not necessary' whereas the formal controls were deemed necessary. These primarily took the form of best practices shared by other franchise units. Thus, P1 was supported.

Finally, Figure 3.3 illustrates the utilization of trust-based HR practices over time. The total number of trust-based HR practices includes those practices that were coded as a mixture of both trust and control. The founder emphasized trust-based practices in terms of the openness and compassion dimensions, which is consistent with her self-described leadership style and approach to running the business. She is a self-proclaimed introvert, yet encouraged her employees to feel that her company is their family. She does not ask them to call her Ms or Mrs, but Mary Ellen. She remembers birthdays, weddings, anniversaries, and deaths. She makes the effort to get to know her employees as people and empowers them to do their best. As an example of her compassion, in her first year of business, she gave away all $1,000 of profit to 10 different charities. This act of compassion became institutionalized in the development and widespread use of the organization's trademarked motto: 'Movers who Care'. In successive newsletters, they would highlight the good things their franchisees are doing in their communities that demonstrated the organization's motto. Today, this has extended into social media where they regularly share their caring acts on their Facebook fan page.

When the founder's daughter took over as the next president, trust-based HR practices emphasizing reliability became the primary approach to coordination through trust. Once the business was an established franchise organization, the next step was to maintain standards. This would be true for any type of organization, regardless of whether or not it was a family-run organization. Being a family-run organization, however, they were acutely aware of each other's strengths, and encouraged each other to build on their own strengths as they led the business. The founder's daughter had a background in the pharmaceutical business that she brought with her, which provided the groundwork for her attention to reliability. Given that several franchises had stopped paying their contractual royalties as noted above, this emphasis is not surprising. The attention to reliability was given to the entire franchise organization, not only to those franchises that were defaulting on their royalty payments. This was precisely to demonstrate the company's commitment to holding each franchise to the exact same high standard, which also assured each franchise that the company had their best interests at heart and that their franchise agreement would hold its value.

In addition, as this is a service organization, reliability is very important to achieving high levels of customer satisfaction and additional revenue. This focus on customer satisfaction has not wavered from the founding of this organization and has always been a part of their mission statement. Competence-based HR practices also became an increasingly important way to build trust with constituents, resulting in national recognition by J.D. Power and Associates in 2008 and 2009 for customer satisfaction. This recognition is very important in an industry that has not had the best reputation for customer satisfaction. This organization wanted to send a message to their competitors as well as to their customers that customer satisfaction is paramount and that this distinguishes them from the competition. The emphasis on competence-based approaches to building trust has become even more emphasized under the third president, who is one of the founder's sons. The organization has emphasized competence as a means both to continue differentiating the firm and to combat a weakening economic environment. This emphasis on competence is important for the firm to distinguish itself from the competition, which are both other movers and do-it-yourselfers. In a weak economy, people will choose to move themselves rather than hire a moving company. If this firm can demonstrate its competence and prove how they add value, then they can retain some of that DIY market. Thus, P2 and P3 were supported.

DISCUSSION

This chapter refines and extends ideas about trust and control when an organization grows, as seen through an HR lens. Several decades of behavioral research assert that trust is essential in organizations. Yet, the centrality of formal control to organizations is just as widely rationalized in organizational research. As a consequence, trust and control are seen as belonging together but are presented as independent variables. While the concepts are broadly theorized, they have not been well integrated. A familiar refrain in theorizing is that little research has comprehensively addressed both at the same time. In reconciling these perspectives, contemporary organizational studies have tended to focus on the symbiotic relationship between the two entities – that organization is based on a mixed regime of trust and control. However, decades of studies suggest that these concepts are largely at odds with each other – that efficiency comes from the rational and legal controls inherent in the mechanistic organizational model, but at the expense of affectively-based decision criteria such as compassion. In this context, trust arises in response to controls. In making substantive and critical inroads into the field, however, this antagonistic stance between trust and control has been rebuked primarily because of the negative effects inherent in control. Instead, trust is viewed as a central mechanism and control is downplayed. In this chapter, we reverse this prevailing convention and explore the evolution of trust into control. In doing so we endeavor to integrate the concepts of trust and control, and go beyond positing them as either pure substitutes or typical complement. Using the newsletter data, we examine how leadership behaviors as well as organizational practices that are aimed at building trust coexist and influence control mechanisms, and are in turn influenced by those mechanisms.

Twenty years of organization newsletters provide a comprehensive view of this family-owned, franchise organization. Newsletters provide a historical record of what transpired, instead of relying on expert interviews to remember what happened each year of this organization's life. These newsletters demonstrate the transition this organization went through from its start as a sole proprietorship to its growth to a $200 million franchise organization with 200 locations in the US, Canada, and Ireland. Because this organization is a moving company, it is very dependent on people to implement its service. Good HR practices ensure commitment, trust, and reduced turnover in an industry traditionally beset by heavy turnover. The pattern of results illustrates that in its HR practices, this organization did not exclusively rely upon either trust or control-based HR practices as a basis for coordination, but depended instead on an increasing integration of both forms as the organization grew.

This outcome is reflective of both the organization's leaders and the challenges that it faced at each juncture of its growth. Each of the three leaders brought with them their own strengths that they were able to implement in their HR practices. For instance, the founder felt that building trust through openness and compassion with her employees was critical to keeping good people who could help the organization grow. As a franchise organization, the leaders also recognized that their franchise agreements would only be valid as long as they maintained consistency throughout the organization by implementing controls, as implemented by the second president. The third president relied on competence- and reliability-based trust and informal controls as he now seeks to improve the level of service his organization provides yet balances this with encouraging entrepreneurialism in his franchisees through those informal controls. As the organization experienced its own growing pains, the leader had to also adapt the HR practices to reflect the changes being felt by the organization, and had to determine whether trust- or control-based HR practices would best benefit the organization.

The results also demonstrate that trust and control may serve as complements for each other over time as an organization grows. When the organization has built enough trust with its franchisees, it can dictate certain HR practices that the franchisees must carry through because they know that the home office has their best interests at heart. In addition, the organization knows which practices must be strictly followed versus those where there is leeway. In that way, it is allowing its franchisees to truly be the owners of their businesses and to grow them to the best of their ability.

Although it is not clear from the newsletter data how the leader or the context directly influences the use of trust- and control-based practices, there is evidence to suggest that both sets of practices accompany leadership changes. As the founder transferred authority to her daughter during the crisis of the mid-1990s, more formal controls were introduced, and the emphasis was on building trust through building reliability and competence. As the daughter transferred the presidency and then the CEO position to her brother, a renewed emphasis was placed upon building competence in response to the very difficult economic circumstances of 2008 and to the present time.

A Challenge to Convention

By suggesting that HR practices reflect the evolution of trust into control in a growing organization, the view that we present in this chapter differs significantly from previous trust-building and control research. Typically, formal and informal control depict control respectively as either directive based or compliance based, delineating different forms of management style and management skills. Scholars have argued that control and trust are substitutes for the formal and informal coordinating action within and across organizations. Perspectives on the evolution of such debate assume that control and trust are bipolar opposites (Meyer and Rowan, 1977; Coleman, 1990). Taken at its extremes, this view implies that formal control represents all that is bad within organizations, and the trust of informal control all that is desirable in encouraging social freedoms. We assert, however, that this assumption is imprecise because the development of HR practices as an organization grows shapes, modifies, and alters trust just as much as it does control. The perspective that we present expands approaches to organizational control research that has focused primarily on how aspects of trust affect the control-based actions that managers take (for example, Ouchi, 1979). Specifically, through our data, we indicate how managers are able to concurrently apply multiple forms of control and influence strategies while invoking trust building as its basis.

This perspective contrasts with what Inkpen and Currall (2004) refer to as the 'coevolution' of trust and control, where control chases out trust, and where trust removes the need for control. Typically, such convention presents the two as a dualism – as substitutable – with researchers looking for the various connections between these distinct concepts. From this perspective, researchers present an inverse relationship whereby low trust requires more control, and vice versa. In this regard, trust and control are viewed as complementary, suggesting that the more trust an organization exhibits, the more positive organizational outcomes eventuate (see Kramer, 2006; Costa and Bijlsma-Frankema, 2007). The basis of this dichotomy stems from the view that control in organizations is strongly influenced by the sociological tradition of labor process and deskilling, so that trust and control are opposite ends of a spectrum. Trust and control are seen as naturally belonging together yet are regularly presented or studied as independent variables. This dichotomy has helped cultivate the dominant assumption in trust literature that trust is always a convenient and simple solution for organizational relations because formal control negatively influences trustworthiness. We contend that trust building and control actions comprise overlapping rather than distinct managerial activities.

From this perspective, the two are mutually reinforcing and build a level of cooperation in organizations. Traditionally, as an organization grows and ages, so its control mechanisms develop. Similarly, as the organization follows this path, it is assumed, its employees become more trusting, resulting in a balance in cycles of control creation and reformation. When positive expectations are formed about a relationship or interaction, there is a reflexive relationship between trust and control, typical for a duality. In this context, trust and control are viewed as substitutable with trust influencing control, and being influenced by the type of controls implemented. From this complementarity comes the impression that control and trust represent a linear form of organizational development – that more trust leads to less control, and a lack of trust or distrust can lead to a desire for increased formal control. We challenge this convention and assert that the relationship between trust and control is often oversimplified, doing so by illustrating that trust can just as easily evolve into control, dependent on the HR practices an organization adopts.

Limitations and Directions for Future Research

One limitation of this study was that we used newsletter data as a proxy for data on actual HR practices. One reason for this focus is that as a young franchise organization, this organization did not employ a director of human resources until 19 years into its existence and so specific HR data do not exist. Another limitation of the study is that newsletters were not published each month or every other month early in the company's history, and so there is the possibility of missing data. None the less, given that subsequent newsletters referred to changes in HR practices that did take place in the intervening months, it is likely that we have captured all of the significant HR practices that were instituted or changed.

Future research should look at the differences between family-based and corporate-owned franchise organizations to determine whether or not there is a difference in the pattern of results and the use of trust or control-based HR practices. HR managers can learn from this study that trust- and control-based HR practices are not mutually exclusive, and can work in harmony to create an atmosphere of empowerment for employees. When organizational members are provided with a strong foundation of control-based HR practices, yet are supplemented with trust-based HR practices, this combination can be powerful for growing a business, as this business has grown. Future research can also examine why managers use certain combinations of trust-building and control activities when undertaking or facing growth change. This research should seek to evaluate trust through the goals that managers adopt or the response that they exhibit towards growth. Through this research, we anticipate a broader understanding of the role of HR practices regarding how control is linked to trust.

NOTE

1. What follows is nothing like a comprehensive literature review of rational–legal control and its history (see Aldrich, 1999 or Jaffee, 2001 for such commentary), but simply a means of context setting for testing the research question and its thesis.

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