

## The role of control and trust in a transition process to new ways of work

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**Abstract.** This study analyses the role of control and trust as important determinants of organizational culture in the transition process of a company to flexible work arrangements. A comprehensive case study in a medium-sized organization comprising qualitative interviews and online surveys prior and after the implementation of flexible work arrangements highlights the crucial role of trust between management and employees in the transition phase. Furthermore, it sheds light on adversarial effects of increased behavior control implemented through electronic performance monitoring and emphasizes the importance of normative control.

**Keywords.** new ways of work, flexible work arrangements, trust, control

### 1. Introduction and theoretical background

Enabled by information and communication technologies new ways of work encompass the flexibility of workers to decide *when* and *where* to work. For the organizations, this bears the potential to save office and infrastructure costs and to increase productivity. For the employees, it bears savings in commuting time and costs and potentially an increase in autonomy and self-regulation, which in turn should lead to an increase in job satisfaction and health (Hill et al., 2008).

However, there are challenges associated with these changes: leadership and control are affected due to the lack of the employees' physical presence. What is more, the changes directly interlink with trust. Trust is assumed to be a key determinant for remote working (e.g. Avolio & Dodge, 2000). *Interpersonal trust* is considered as the willingness to be vulnerable towards the action of another person (cf. Dietz & Hartog, 2006). When the object of trust is not an individual, but a social system such as an organization, it is referred to as *system trust* (Bachmann, 1998). In the context of flexible work arrangements, both forms of trust are relevant. Supervisors have to trust that dislocated subordinates contribute as much to the achievement of organizational goals as they would do when working within the office and employees have to trust that managers value their contributions instead of their physical presence. Furthermore, the implementation of management systems and organizational structures associated with flexible work arrangements (i.e. performance measurement, etc.) need to be trusted by employees and management.

In general, the relationship between control and trust has been discussed controversially in literature (Weibel, 2007): On the one hand, it is argued that the two constitute functional equivalents and therefore are interchangeable. Reduced possibilities

of direct control can be balanced with more trust into employees and vice versa. On the other hand, it is argued that trust and control amplify each other; e.g. hard working employees might prefer supervisors who control work performance and sanction the social loafing of colleagues. This establishes fairness and fosters trust in the supervisor.

In this paper, we argue, that trust is strongly linked to adaptation of control systems in the implementation phase of flexible work arrangements. Traditionally, organization theory differentiates between three main types of control, depending on the availability of output measures and the knowledge about the transformation process: behavior control, output control and clan control (Ouchi, 1977, 1980). In flexible work arrangements, these forms of control have to be adapted and supervisors have to adjust their strategies to assess how employees contribute to the achievement of organizational goals (Hartner-Tiefenthaler, Gerdenitsch & Koeszegi, 2014):

First, organizations may try to retrain *behavior control* by the implementation of electronic performance monitoring such as controlling log files, GPN surveillance, etc. This strategy seems to be the most obvious as it replaces not the logic but only the means of control. However, it probably has adversarial effects on performance and trust relations since the implementation of electronic performance monitoring can be regarded as a sign of distrust in employees.

Second, organizations strive to implement *output control* instead of behavior control and focus on the results obtained by the employees. Supervisors can resort to a broad range of well-established management tools such as “Management by Objectives”, etc. This strategy might foster trust as transparent performance control allows increasing autonomy, the establishment of fair treatment and enabling performance based remuneration systems (Das & Teng, 1998). However, this shift is only possible if the individual output of work is measurable easily and directly and work interdependence is relatively low.

Third, organizations may try to move towards *clan* or *normative control*. Here, control is based on shared norms and beliefs. This form requires that employees internalize the organization’s goals and norms and are highly identified with the organization. This normative control represents the most challenging but at the same time most fruitful – because internalized - form of control. Here, mutual trust between managers and employees are inherent characteristics of the organizational culture.

In relation to this discussion but irrespective of the chosen strategy, organizations have to manage the issues of trust and control in a virtual communication environment. Organizational trust is mainly established in informal, non-task related communication (De Ridder, 2004). Despite predominant electronic communication in flexible work arrangements it is important that the management establishes possibilities for informal encounters to foster trust and relationship building in both, the virtual and real work environment. Although research shows no difference in effectiveness of communication between virtual and conventional teams (Potter & Balthazard, 2002), the way trust is established tends to be different for remote workers. Using text for communication (e.g. e-mails), slows down the establishment of trust compared to video or audio conferencing tools (Bos, Olson, Gergle, Olson, & Wright, 2002).

In this following empirical case study, we want to shed light on the role of trust and control in the transition process towards flexible work arrangements. As working propositions derived from the theoretical analysis above we suggest:

1. The replacement of direct (physical) control through electronic performance monitoring will be perceived as a sign of mistrust and lead to defying behavior by employees.

2. The increase in output control will not be perceived as a sign of distrust. Instead, it

will contribute to foster trust.

3. Forms of normative control are perceived to be most facilitating but also most challenging in flexible work arrangements.

4. As a prerequisite to implement normative control, communication structure and facilities have to be adapted: In particular, informal communication encounters have to be promoted in order to support trust and relationship building.

## 2. Methods

A case study is provided by a medium-sized organization (approximately 57 employees in total) where flexible working was introduced. Data was obtained by means of quantitative online surveys as well as qualitative interviews for the purpose of triangulating the results. Passive observation results as well as company policies are analyzed complementarily.

The studied organization is a subsidiary of a multi-national company in the field of technology. Due to cost reasons, the organization moved to a new office building from the centre of Budapest to suburbia. This resulted in an increase in commuting time for most employees. To reduce the strain on the employees, the management decided to implement flexible work so that employees could decide on their own where and when to work. A further motivation for this flexibilisation of work was a competitive advantage for the organization. The aim is to be viewed as a pioneer and provide a showcase for the distribution of technologies promoting this new way of working. Accompanied with a change in working style, the office layout was also changed completely with the provision of several working zones.

### 2.1 Online survey

The online survey (provided in English and Hungarian) was distributed to all employees at two points in time (two months prior and six months after the change). In total, 38 employees answered the questionnaire twice. Due to the field, the majority of respondents are male (65.8%). The mean age is 39 years old ( $SD=7.3$ ,  $Md=38.5$ ).

Regarding the measurements, all items were provided on a ten-point Likert scale. Due to space limitations, the details on the items are not given here and can be obtained from the first author.

### 2.2 In-depth interviews

Interviewees varied in terms of division, hierarchical affiliation, and length of employment to obtain a heterogeneous sample. Since the interviews were held in English language, the knowledge of English represents a selection bias. However, the company language is generally English and, furthermore, the organization offered assistance for translation (i.e. a student regularly working there for translation purposes). In total, eleven interviews (each took about an hour) were conducted by one researcher at the premises of the former office, approximately three months prior to the office move. The interviewees were asked about their understanding of the organization's culture, prevalent norms and rituals, their working habits, the prospective change and their feelings about it. All interviews were transcribed using the software f5 and coded using the software atlas.ti.

## 3. Results

### 3.1 Control

*Behaviour control.* Supervisory control is perceived higher prior to the change

( $M_1=6.21$ ,  $SD_1=2.11$ ) than after the change ( $M_2=5.32$ ,  $SD_2=2.71$ ), however, statistically not significant with  $t(37)=1.90$ ,  $p=.08$ . Some managers obviously believe in behaviour control related to physical presence.

„Almost every day I have to visit [...] and check what's going on and make a control on the [...] activity as well, I like to see what's going on. (Interview 8, 7:11)

A possibility to exert control despite physical absence is by means of technology. An example of electronic performance monitoring is provided here.

„[The engineers] are editing this digital worksheet on the mobile phone and they are closing the work on this device as well and all this data is coming back to the system here and there is a dispatcher who is following their work on the screen, where they are, what they finished what they [did] not.“ (Interview 4, 3:11)

*Output control.* A further way to exert control without physical presence is the focus on results instead of behaviour. There seems to be a general move towards enforcing output control by the headquarters. Although reported in the interviews and illustrated by company regulations, this increase is not yet perceived by all employees ( $M_1=6.30$ ,  $SD_1=2.11$ ;  $M_2=6.57$ ,  $SD_2=2.39$ ;  $t(36)=-.62$ ,  $p=.54$ ). However it shows a clear link to system trust ( $r=.41$ ,  $p<.05$ ), but not interpersonal trust ( $r=.18$ ,  $p>.05$ ).

„[...] performance regulation system, it's a big [...] project, the management had to use a totally different management regulation.“ (Interview 5, 11:11)

“Employee is entitled to organize his daily working hours for himself, tailored to the duties to be performed.” (company regulation)

*Normative control.* The satisfaction with rules for collaboration remains stable and is at a rather medium level ( $M_1=6.37$ ,  $SD_1=1.82$ ;  $M_2=6.95$ ,  $SD_2=1.85$ ;  $t(37)=-1.88$ ,  $p=.07$ ). Results indicate a high correlation with system trust ( $r=.81$ ,  $p<.01$ ) and a medium one with interpersonal trust ( $r=.40$ ,  $p<.05$ ). However, rules to perform are not always accepted by all employees. Thus, there are ways to defy the rules as long as “you are not alone” it might be generally accepted although it is adverse to the overall teams' efficiency.

“Yes, we have a problem that engineers are not closing the calls on the site. [A] couple [of] engineers are doing differently and they go home and they do the administration part at home, so the dispatcher is not seeing it 100%, who does what.” (Interview 4, 3:15)

The following quote underlines the importance of normative control and illustrates the threat of deficiency.

“When I joined [...] there where division meetings which start at 8:30 and a lot of people were late, so we decided to start at nine and not a lot, but a few people where late. So now it's 9:15, [...] from 8:30 we reached 9:15.” (Interview 2, 1:74)

### 3.2 Trust

*System trust.* The introduction of new ways of work contributes to an increase in trust in the organization ( $M_1=7.13$ ,  $SD_1=1.96$ ;  $M_2=7.30$ ,  $SD_2=1.87$ ;  $t(37)=-.70$ ,  $p=.49$ ). Generally, new ways of work are considered as possible means to communicate a mission. However, it is important to transport enough and transparent information to the employees. Otherwise, mistrust is created.

„I think this will be our value, this new way of business. Because nobody else did it and I think nobody else are [is] thinking on it from our competitor. It can be a big value.“ (Interview 2, 1:89)

“Generally, what I feel from people, they are angry, they are frustrated, they are disappointed about this whole thing, they don't have enough information about the thing and they don't see the benefits, because on [a] personal level, there are not many benefits of this whole process, office move and work from home, at the moment.” (Interview 4, 3:41)

The focus on trust can also be seen in the company regulation. Here, a link to control is addressed as there will be different treatments in case of defiance.

“Working remotely is based on trust. Trust is given to you in advance. So behave in a way that this trust is well invested and will not be lost.” (company regulation)

*Interpersonal trust.* In terms of perceived trust of managers in their employees, trust did not change ( $M_1=7.50$ ,  $SD_1=1.41$ ;  $M_2=7.69$ ,  $SD_2=1.63$ ;  $t(37)=-.92$ ,  $p=.37$ ). One reason

for it could be that the managers' beliefs about the performance of their subordinates vary greatly - from a rather high level of trust to the opinion that work has to be carried out in the office and employees are lazy when they are out of the supervisor's social control.

„You know they can say that's not working, that's not working, but they are still doing their job and they are doing it quite good. I mean, of course I can only tell the performance of my group, but I think it's quite good and we are providing high level of service.“ (Interview 10, 9:10)

„The problem is that sometimes some people, some managers, they cannot accept that you are not in the office. It doesn't mean that you don't work. [...] So when [then] they can see you in the office, they think or they know that you are working. Even if I'm working at midnight at home, nobody cares, if I have to be here in the office, just to see me.“ (Interview 9, 8:45)

*Establishing trust.* In order to establish trust, there needs to be room for informal, non-task communication. Previously, this form of communication was carried out in the kitchen, particularly during lunchtime. However, this does not work anymore for flexible work arrangements and new forms of communication need to be established in order to communicate, negotiate, and define social norms (especially for new hires).

“Many colleagues use this kitchen to have a lunch at the same time and lunchtime is all the time [a] good way [of opportunity] for networking and sharing the information.” (Interview 8, 7:41)

„What will happen with the new employees, how can I keep, build, the contact with anybody in this way [if one doesn't know the other person], so it's [there are] a lot of new questions and it's not easy at all“ (Interview 5, 11:10)

For new ways of work, it is important to promote informal communication encounters to support trust and enable relationship building. The increased use of a chat tool was observed. After the change, 18.4% (before: 7.9%) of participants reported chat being more important for urgent issues than telephone or e-mail. However, for fostering trust, non-task-related communication would be of eminent importance.

"It's a direct chat, and if I send a chat then a window came out and he or she can see it online. So it's a very quick and efficient communication tool. [...] [I use it] for questions and just for short information. So if I need something very important [...] I send an email." (Interview 2, 1:65)

#### 4. Discussion and Conclusion

A case study conducted in an organization undergoing a transition process to new ways of work sheds some light on the nexus of (behavior, output and normative) control and trust. Although the test for differences of the survey data did not show significant changes, the interview data highlights its importance and further research is needed to fully understand the relationships between these highly relevant concepts.

The results illustrate that behavior control is rather deficient. Excessive control (e.g. electronic performance monitoring) might communicate mistrust of the management. As a consequence, employees strive to defy the control mechanisms. Therefore, it is of particular importance to clearly communicate the underlying reasons for their introduction. The use of this system facilitates the distribution of work indeed, but at the same time leaves room for suspicious thoughts.

Regarding output control, no negative quotes were found in the interviews. Although the shift towards output control is a major issue in the organization, it is not perceived negatively by the employees and, thus, does not have an adversary effect on trust. Based on the survey data, it was shown that output control relates positively to trust. However this positive relationship did only show for system trust, but not for interpersonal trust. Output control, however, is only reasonable when the desired behaviour is known, the results are clearly measurable and the level of achievement can be influenced by the individuals. In case these criteria are not given, normative control should be exerted.

The major role of normative control is clearly illustrated in the interview data. When the prevalent norms are not in line with the organizations' goals, they are inefficient;

otherwise they can be very powerful and effective. Since normative control is based on internalized norms, it is only successful when the individuals are highly identified with the organization which requires high levels of trust. Norms have to be defined, negotiated and communicated. This is often done in informal communication processes. However, when new ways of work are introduced, different forms of communication have to be established. A space for informal, non-task-related communication is needed for establishing trust and communicating the prevalent social norms. Concluding, it is argued that the implementation of new ways of work can be a very successful possibility to respond to demands of employees and organizations when the above stated points are considered.

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