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Personal trust between hierarchies within Chinese organizational settings

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Abstract

With the fast pace of globalization and knowledge-driven economy, the notion of trust in intra- and/or trans-organizational relations has attracted enormous attention both in academic research and business practices. It has been recognized that trust as a central mechanism within and between organizations plays a crucial role for economic performance. Trust relationship at personal levels is particularly important in an environment where the institutional foundations for trust are still underdeveloped. China is commonly regarded as a country with low levels of institution-based trust. As a consequence, the quality of business relations, economic transactions and strategic alliances are strongly dependent on the degree of trust at personal levels.

The objective of this study is to contribute to our understanding of trust relationships between hierarchies within Chinese organizational settings. In this paper, we present our empirical research on trust at personal levels carried out in a large Chinese state-owned enterprise. Three hypotheses that characterise the subordinate's trust in the superior are developed and tested. Based on the statistical evaluations from 1216 samples collected, factors that influence the trustor's propensity to trust are outlined. The determinants for the trustee's trustworthiness are analysed. In conclusion, we emphasize that further research on trust at personal levels in different enterprises, and trust at organizational levels are needed in order to draw a generalised picture on trust relationships in organizational settings.

Key words

trust, trustworthiness, organization, superior, subordinate, institution, China, culture

Introduction

The notion of trust had primarily attracted philosophers, psychologists and sociologists at institutional level. This can trace back to from Confucius' Analects in ancient China to Plato's Republic. More recently, economists, management theorists and business practitioners appear to have increased interest in the study of trust. The globalization of markets, the advances of communication and transportation technologies, and the rise of emerging economies have intensified inter-organizational co-operations. It has been broadly recognised the significance of building trust in promoting adaptive organizational forms, coping with complexity and uncertainty (Luhmann 1979, Lane 1998), reducing transaction cost (Coleman 1994), as well as enhancing competitive advantages. (Barney and Hansen 1994, Sako 1998). Fukuyama claims that a nation's economic performance is dependent on the level of trust inherent in its society (Fukuyama 1995). According to his opinion, The United States, Germany and Japan belong to high-trust countries, while China, Korea are low-trust cultures.

As a social phenomenon, trust is a concept with many meanings. In early research, trust was defined as the expressions of confidence in others' intentions and motives (Deutsch 1958, 1960). The emphasis of researchers more recently is on behaviour, where trust is associated with one party's optimistic expectation of the behaviour of another. From an integrative model of organizational trust, trust has been taken as an aspect of relationships with dispositional characters (Schoorman et al. 2007). Although there is no universally accepted scholarly definition of trust, confident expectations and a willingness to be vulnerable are common components of all definitions of trust reflected in the literature (Rousseau et al. 1998). For the purpose of this study, we adopt the definition of trust as 'confident positive expectations regarding another's conduct', i.e. a belief in, a propensity to attribute virtuous intentions to, and a willingness to act on the basis of another's words, actions, and decisions (Lewicki et al. 1998). In this paper, we examine personal trust within Chinese organizational settings with focus on the trustworthiness of superior (trustee) in hierarchical relations. We

argue that the perception of the superior's trustworthiness involves traits of the subordinates (truster), hence the individual propensity to trust is taken into consideration. Further, we analyse to what extent the objective characters of the trustee have impact on the trustworthiness. In doing so, the behaviour factors that determine the trustworthiness perceived by the truster are hypothesized and tested by means of field survey. Based on the measures obtained from one large Chinese state-owned company, we use statistical model to estimate the influence of discrete items on trust quantitatively. In conclusion, we summarise factors that have strong positive influences on the truster's propensity to trust and the determinants for the trustee's trustworthiness.

In the next section, we first outline briefly the theoretical framework of trust relationships in organizational settings. The hypotheses on the determinants of trustworthiness and objective parameters that influence the propensity to trust are classified. In the following section, the empirical study method and evaluation process are described. Test results are presented thereafter. Some preliminary conclusions and implications in management are discussed in the last section.

Trust relationship in organizational settings

To date, the organizational literature has made important contributions in our understanding of the meaning of trust and how it comes into play in certain facets of organizations (McEvily et al. 2003). Scholars from different disciplines have analyzed the pervasive influences of trust on job attitudes, organizational justice, psychological contract and the effectiveness of leadership. In view of the vast pool of research on this topic, there have been continuous efforts made in order to identify trust's various forms, phases and levels. The interactions between trust and other mechanisms such as control, power, sanction and threat regulation have presented insightful perspectives in organizational context (Schenker-Wicki 2006, Williams 2007). In order to support the theoretical models and hypothesis, much has been investigated in connection with business performance, typically in cooperative relationships

between firms, partnerships, strategic alliances, and networks of small firms (Child 1998, Zaheer et al. 1998). Because there are only certain individuals who involve in the cooperative partnership, their propensity to trust, equally, the trustworthiness of the trustee for the success of collaboration have been seen as decisive. Therefore, trust between organizations is actually an interpersonal phenomenon. Trust between individuals is usually analyzed in two dimensions. Horizontal trust exists between members equally in ranking in a group, team or community, while vertical trust characterises linkages between leaders and followers. In the following sections, our discussions are along the vertical dimension of the trust relationship. Why some leaders gain higher degree of trust than the others do? According to Mayer (Mayer et al. 1995, Mayer and Davis, 1999), there are at least three attributes to the concept of trustworthiness: ability, benevolence and integrity. In a corporate context, ability refers to the competences and skills that allow a leader to have power and influence in the organization; benevolence refers to a leader's unbiased kindness to do good or generous to the organizational members; and integrity refers to a leader's adherence to principles or fairness that an organizational members find acceptable. Trust in leaders can also be categorized into relationship-based and character-based. Relationship-based trust emphasizes the importance of how followers construct their relationship to a leader. Character-based trust is influenced by their perception of leader's fairness, competence and trustworthiness (Dirks and Skarlicki 2004). Because some characteristics in character-based trust can at the same time reinforce the relationships across hierarchy, these two categories of trustworthiness in fact are intertwined.

In this study, characteristics discussed in both categories are considered in an integrated way. Besides considerations discussed above, trust relationship is also influenced by some intrinsic characteristics of the trusters and the trustees, the role of education or gender, for example. Evidence that females score higher on measures of generalized trust in others has been demonstrated (Johnson-George and Swap 1982). We also assume that the knowledge of the

truster about the trustee's personal background and future plan is correlated with trust relationships. In this study, we propose the trust relationships between hierarchies within an organization to be characterised in the following hypotheses:

Hypothesis 1: The propensity of individuals as trusters is influenced by factors such as the truster's gender, age, educational level, cultural aspect, and so on.

Hypothesis 2: The degree to which the truster knows the objective characters of the trustee, such as trustee's gender, age, educational level, and so on is relevant to trust relationship.

Hypothesis 3: The behaviour factors that reflect the trustee's competence, benevolence and integrity are of importance for trust relationships.

As part of a larger study, we have conducted the investigation on trust relationship in organizational settings in China. The reason why we choose to test our trust hypotheses in a state-owned Chinese enterprise (SOE) is twofold.

- Since China's opening up, it has been the largest recipient of foreign direct investment (FDI) among developing countries. Joint ventures (JVs) with Chinese local firms have become the major vehicles for the FDI of international companies. There are many cases showing JVs in China problematic, not least due to the lack of mutual trust between partners. Trust has been considered as a crucial issue in this regard and there are substantial researches with focus on identifying the cause and effect, and formulating strategies to overcome this dilemma (Child 1998, Child and Möllering 2003). We believe a close look at the trust relationship within China's local companies can shed light on our deep understanding of this topic. In practice we need to know to what extent the role of trust plays in the current Chinese institutional environment.
- Another motivation of our choice is the challenges to conceptualise organizational behaviour in management dynamics of modernising process. Since 1993, China's SOEs have undergone transitions with major shifts in ownership. The corporate

culture in the SOEs has been changing but most SOEs have persisted in top-down management with emphasis on vertical links within hierarchies (Child and Warner, 2003). The fact that China's fast pace of economic development and intensified competitions in domestic and international markets has impacted the course of management in the SOEs. This circumstance provides a special context for both theoretical and application studies.

Empirical study method

The organizations

To investigate vertical trust relationships in organizational settings, one large Chinese company was selected. This company locates in a relatively developed costal city Qingdao, funded in 1947 mainly producing chemicals for basic raw materials. In 1999, the company was transformed from state-owned enterprise into 'state-owned limited liability corporations'. In recent years, this corporation has been rewarded as 'model enterprise' at provincial level, the second most densely populated region. It has kept over 2000 employees and achieved from money-losing to a moderate profit. We conducted the present survey in this specific company mainly because of the accessibility to a large size of samples.

The survey - questionnaire

The objective of this survey is to identify the trust relationship in Chinese organizational settings. To reach this goal, our hypothesis developed for this specific context are tested. This comes in three parts. First, (see Hypothesis 1), factors that influence the subordinates' willingness or propensity to build trust in their direct superior; second (Hypothesis 2), in what manner the objective characters of the superiors take effect on the trustworthiness; third (Hypothesis 3), the behaviour factors that characterise trustworthiness of the superior in this organization.

A questionnaire was constructed in Chinese. During the formulation of the questions, several employees at different ranks in this company were consulted regarding the accuracy, trueness

and interpretation of the terms. Considering the limitation of Internet access in China, traditional paper form of this survey was prepared for the respondents. The data collection was a quick process. By order of top management, all the employees including managers who were available in their workplace on that date completed the questionnaire during one tea break.

- Questions concerning Hypothesis 1

In part one of the questionnaire, independent variables to specify individuals' characteristics were collected, which included gender, age, educational level, if he¹ has children, duration of employment, if he already knew the superior when he applied the job, hierarchical level (4 ranks: staff, group or project leader, division head, manager), if he worked more than three months in abroad.

- Questions concerning Hypothesis 2

Part two provides information about individuals' knowledge of his direct superior, which include gender, age, educational level, if he knew his superior has children, how long he has worked under this superior, if they spent now and then free time together.

- Questions concerning Hypothesis 3

In terms of trustworthiness of the superior, there are different behaviour factors that have been intensively explored (Elsbach 2004, Dirks and Skarlicki 2004, Den Hartog 2003). By referring the three main dimensions developed by Mayer and Davis (1999) and taking account of the specific context in contemporary China such as predictability, we proposed twelve discrete measures as the determinants and constructed them in a group of 12 items (see Appendix). The measures for competence comprising physical presence, supportiveness, knowledgeable, and proficiency; for benevolence comprising provide information and feedback, listening, free space²; for integrity including fairness, discretion,

¹ In this paper, he or his is equivalent to she or her.

² Here free space means the degree of freedom a subordinate enjoys.

loyalty. In addition, we asked the respondents to give an overall subjective judgement on the trust in their superior according to 6-point Likert scale ranging from ‘very untrustworthy’ to ‘highly trustworthy’.

Evaluations

From total of 1355 respondents, 1216 samples (829 males and 387 females) are valid, which accounts for more than 60% of the employees. Figure 1 visualises the framework of trust relationships in this study. The number in brackets indicates the respondents received at corresponding hierarchical levels.

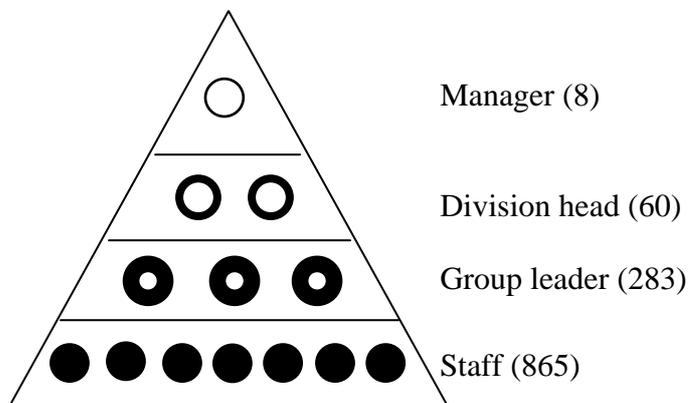


Figure 1 Trust framework of the organization. The triangles represent the organizational structure of the company operating in China. The solid points symbolise the subordinates as basement on which the pyramid hierarchy rests. The thickness of the circle represents reversly the rank level. Each individual sits at a certain level as truster vis-à-vis the direct superior(s), the trustee(s).

The collected trust data were evaluated with the help of a non-linear ordered probit model.

Thereby the maximum likelihood estimation has been introduced. Details of the evaluation procedure and the statistic method applied are documented in our research archive (Burch,

2007). As an example, Figure 2 illustrates the regression output of the personal trust

(dependent variable) with regard to objective characters of the subordinates (independent

variables). In this regression process, all the objective characters listed in the left column were

taken into account. Since these objective characters are defined as Dummy-variables, one

Dummy of each variable may not be included in the regression. As such, all the excluded Dummies build the basis of the regression. From Figure 2 we can interpret the measures in reference to the basis as following: a male, between 30 and 50 year-old, works as staff, has a middle school level education, no child, no experience in foreign country, has worked under the same superior more than 1 year, and has not spent free time with this superior. The estimated probability values displayed under the probability distribution represent the changes in comparison with the basis probability values, where the asterisk indicates the level of significance (* =10% somewhat significant, ** = 5% significant, and *** = 1% very significant).

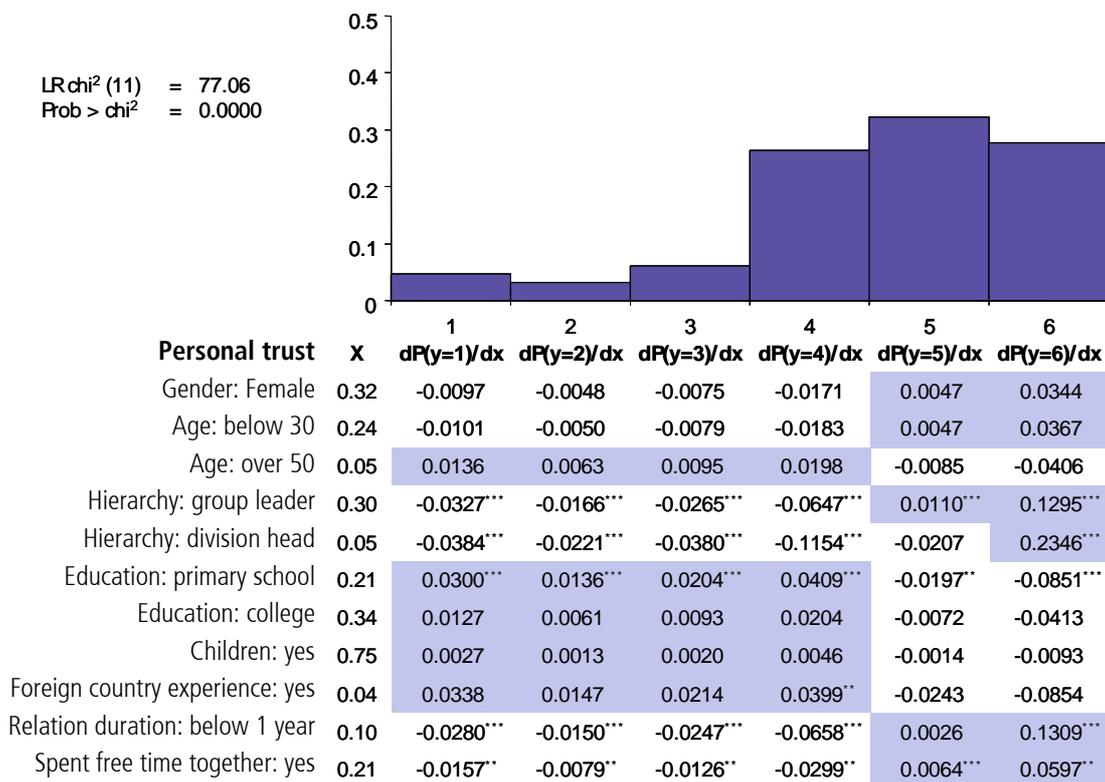


Figure 2 Probability distribution of personal trust and the objective characters of the subordinates

Results and discussions

Hypothesis 1 - propensity to trust at personal trust level

Based on the regression estimation (Figure 2), the effects of the individual's objective characters on the willingness or propensity to trust are summarised as following:

Gender - females exhibit with higher probability trust in their superior, but the effect is not significant. See the row labelled 'Gender: Female' in Figure 2.

Age – the effect of age is not significant on personal trust, however there is a tendency that the older a person is, the more reluctant he is to be willing to trust.

Hierarchy level – there is an obvious correlation between a person's propensity to trust and the hierarchical position he sits. The higher the person's rank is, the bigger the probability of that person who trusts his superior.

Education – there is a strong linkage between a person's educational level and the willingness to trust. If a person has a relative low level of education, primary school for instance, the unwillingness to trust reveals very significant. To a less significant degree but slightly higher unwillingness to trust applies also to people with college or higher level of education.

Children – the effect of a person having children on the propensity to trust is negative but not significant.

Foreign country experience – because there are only 4 people out of the 1216 collected respondents had been in abroad for more than 3 months, the estimated values are not representative.

Duration of relation to the company – this parameter is very significant. It shows when a person joins the company shorter than 1 year, he has a strong propensity to trust his superior.

This is consistent with the hypothesis of Luhmann (1979). When a person is situated in an environment that is alien or uncertain for him, to trust or to distrust are the two options that are inevitably exercised. In the case of Chinese new employees, the adoption of positive thinking, optimistic and hopeful attitude is part of Chinese culture.

Free time – personal ties are very important in Chinese society. There is no clear line between professional activities and private life. The time spent outside the company has very positive input in regard to trust relationships.

Hypothesis 2 - the objective characters of the superior

Figure 3 represents the evaluation results of the objective characters that are statistically significant regarding the trustworthiness of the superior perceived in the Chinese company.

From the average values of trustworthiness expressed in 6-point Likert scale, a female superior (with a slightly higher probability, about 3% than males) at the age between 30 and 50, with higher level of education appears more trustworthy. Confucian culture regards education as of paramount importance, and once done the greatest achievement in life. It is not the question if he is gifted, suitable or likes to study, rather a proof that he has moral beliefs, follows the rules, hard working and knowledgeable. Here there are two points need to be specially noted:

- One is the higher the position of the superior sits, the stronger the positive correlation between hierarchical level and the trustworthiness. The measured mean score for the trustworthiness of 283 group (and project) leaders perceived by 865 staffs was 4.44, the mean score for 60 division heads given by the group leaders was 4.87, the 8 top managers scored at 5.05. Historically Chinese society was built on hierarchies and status because it was widely believed this was for the benefit of order and stability. This political culture has shaped unique relationships between individuals and authority. Although, corruptions and privileges of many officials at higher rank are repugnant to most Chinese, deference to authority and respect for power continue to have influence over people's attitude towards trust in higher level of authority.
- Another point is the general knowledge of the superior, which may not necessarily relate to work, is crucial in the trust relationship. Staffs, who do not even know what and where, or if at all the superior had studied, show less trust in him. About 2500

years ago, Mr. Sun, a Chinese general, wrote in his famous book ‘The art of war’ that only those who knew themselves, and equally the others would be able to be ever-victorious. This conception ‘knowing others’ has been carried on through generations as it is proven to be an effective way to protect oneself in lack of legal enforcements.

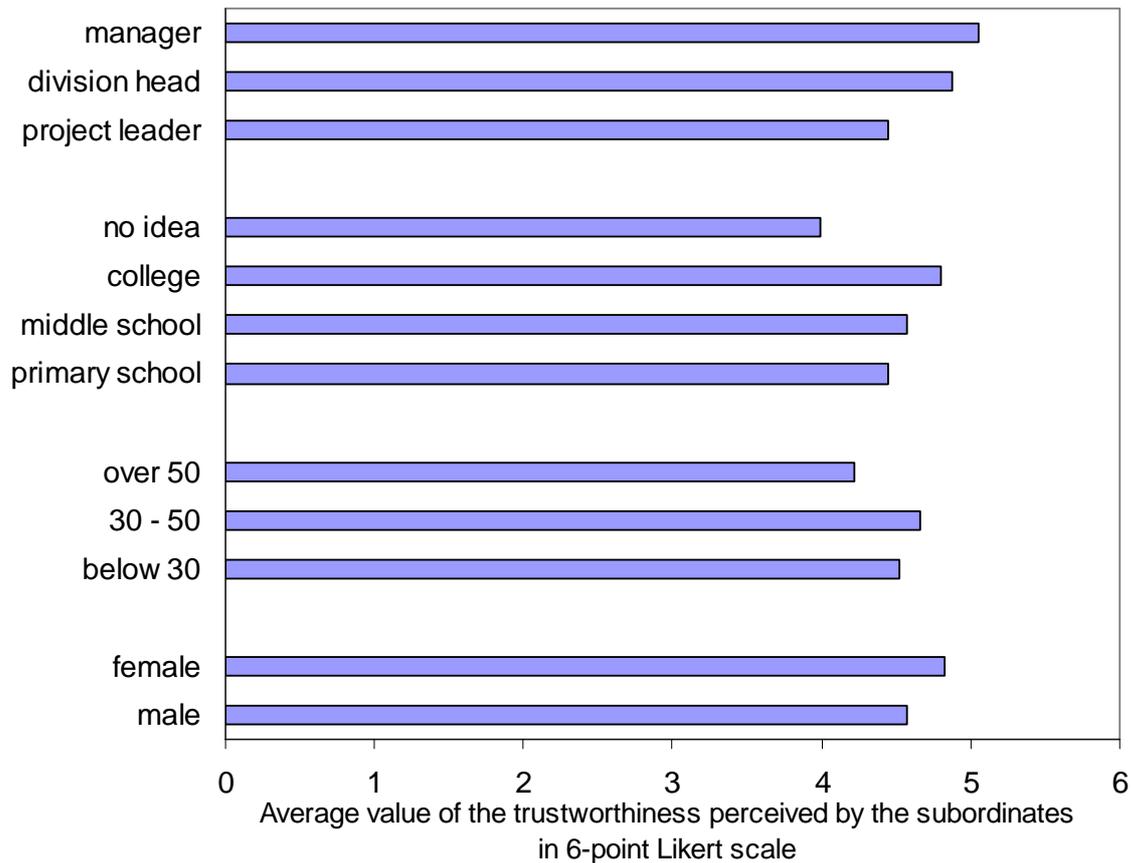


Figure 3 Effects of objective characters of the superior on the trustworthiness perceived by the subordinates

Hypothesis 3 – behaviour factors perceived by the subordinates

The set of twelve measures to test Hypothesis 3 has produced the level of Cronbach’s alpha 0.8763. Based on the responses (Likert scale 1 to 6, 1= strongly disagree, 6= strongly agree), we have quantified to what extent each parameter influences the subjective views of the individuals on their direct superior’s competence, benevolence and integrity. The evaluated results are reported in Figure 4. From competence perspective, a broad knowledge has very strong positive influence on the trustworthiness, the same valid for the ability to solve specific technical problems in a sense of insourcing. Neither the physical presence nor the

LR χ^2 (12) = 1101.01
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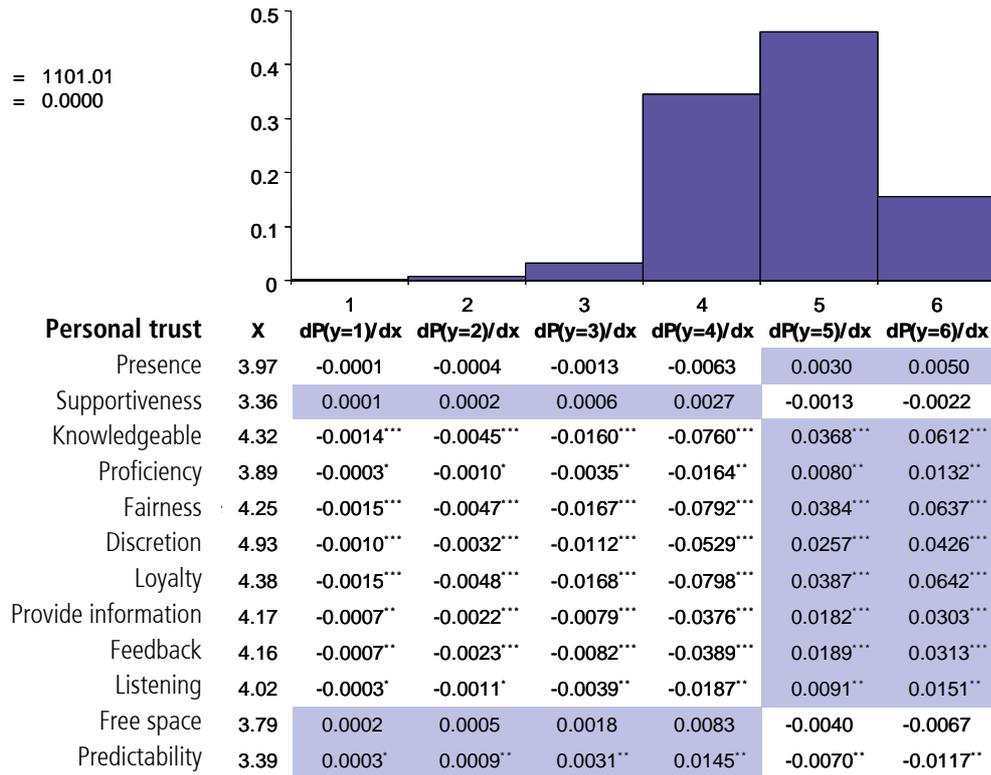


Figure 4 Probability distribution of trustworthiness estimated through 6-point Likert scale of twelve subjective characteristics

supportiveness of the superior has significant effect on the trustworthiness. Probably Chinese are used to rely on their intimates and families especially in distress or disaster, and do not expect leaders there for problems. In regard to benevolence, providing timely information and feedbacks are very important for trust. This can be interpreted that information in China has always been a means of power. The access to the level of information is categorised in accordance of hierarchy. To a less extent but still notable is the readiness of the superior for listening has positive influence on trustworthiness. The scope of freedom provided by the superior is not significant for trust. To many Chinese, a clear definition of tasks and control are much more preferred and accepted. Concerning integrity, to give everyone the greatest possible equal consideration, show discretion and loyalty to the subordinates correlate positively with trustworthiness. Another factor yields to have strong influence on trust is the predictability of the superior. The more the subordinate knows about his superior, the lower

the level of complexity of the relationship involved, and therefore the concept of trust is not so important any more.

Concluding remarks

This study provides some new insights into the trust relationships within organizational settings with particular reference to Chinese SOEs. China is commonly regarded as a country with low levels of institution-based trust. As a consequence, the quality of business relations, economic transactions and strategic alliances are strongly dependent on the degree of trust at personal levels. Given the Chinese cultural characteristics of large power distance and collectivism (Hofstede 1980, 1983), a close look at trust between hierarchies has practical significance for cross-border business management. Western mindset for building trust by encouraging employee empowerment or co-decision may not effective in Confucian culture. From our study, the trust relationship between superiors and subordinates in Chinese organizations are strongly influenced by:

- Factors such as subordinates' educational level, rank, duration of work relationship, familiarity with and knowledge of the superior. The higher the position the person sits, And/or when the work relationship shorter than 1 year, the bigger the probability that he has trust in his superior. A strong unwillingness to trust is found for people having low level of education. The probability of the subordinate's propensity to trust is reduced if he knows little about the background of his superior.
- Objective characters of the superior such as age, education, and rank. The higher the rank the superior has, and /or if he is at the age between 30 and 50, the higher probability of the trustworthiness is perceived. When the superior is older than 50, the chance he receives trust is much reduced.
- Determinants that reveal very significant positive influence on the perceived trustworthiness such as broad knowledge, proficiency, information, feedbacks,

integrity of the superior. The predictability of the superior has, however, clear negative effect on the trustworthiness.

On the basis of our statistical evaluation, the trustworthiness of superiors within the investigated Chinese organization can be summarised in Figure 5. It shows that leaders are generally considered to be trustworthy.

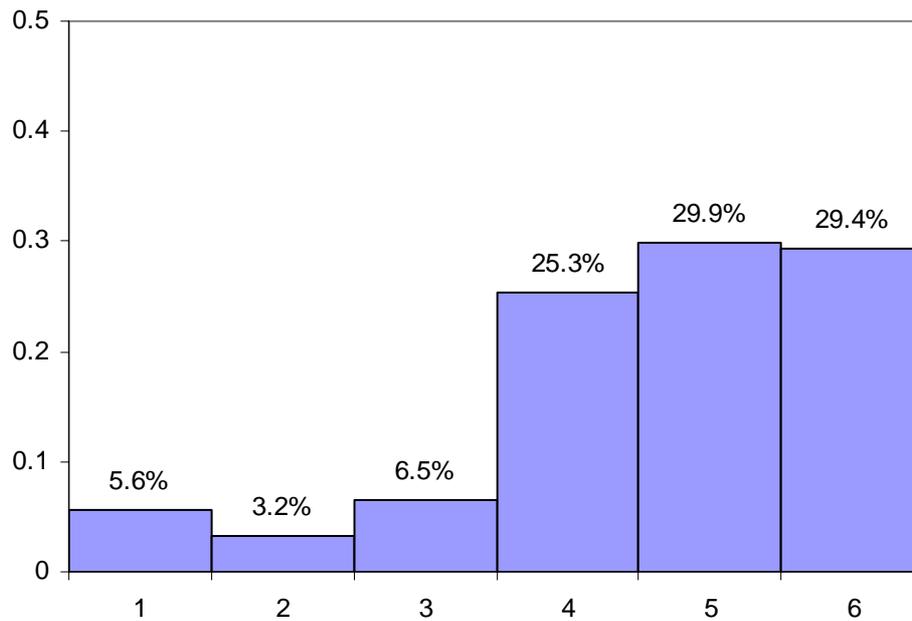


Figure 5 Distribution of trustworthiness on 6-point scale (from very untrustworthy to highly trustworthy) perceived by the subordinates in the Chinese company

We emphasize that these conclusions should be taken as preliminary because they are based on a single survey in one large company in industry production sector in China. The relatively high level of trust in managers in this specific company may partially due to the performance of management is well graded for keeping jobs, profit and reputation. Further investigations on trust at organizational level and sampling in other SOEs are needed in order to draw a generalised picture on the trust relationships of SOEs in China.

Appendix

The following statements are about your direct supervisor. Using the 1-6 scale, indicate to what extent a statement **applies to your direct supervisor** in your subjective opinion.

1= strongly disagree, 2=disagree, 3=slightly disagree, 4=slightly agree, 5=agree, 6=strongly agree

1. My direct supervisor is always nearby.	①	②	③	④	⑤	⑥
2. My direct supervisor tells private things about other employees in the company.	①	②	③	④	⑤	⑥
3. My direct supervisor actively listens to me.	①	②	③	④	⑤	⑥
4. My direct supervisor is very knowledgeable.	①	②	③	④	⑤	⑥
5. My direct supervisor allows me a lot of latitude in my work.	①	②	③	④	⑤	⑥
6. My direct supervisor always has time for me.	①	②	③	④	⑤	⑥
7. My direct supervisor provides me with enough information to execute my work well in the company.	①	②	③	④	⑤	⑥
8. My direct supervisor could do my work if necessary.	①	②	③	④	⑤	⑥
9. My direct supervisor is trustworthy.	①	②	③	④	⑤	⑥
10. My direct supervisor treats all employees equally.	①	②	③	④	⑤	⑥
11. I can foresee what my direct supervisor will be doing professionally in the next 3 years.	①	②	③	④	⑤	⑥
12. My direct supervisor supports me in difficult situations.	①	②	③	④	⑤	⑥
13. My direct supervisor gives me regular feedback about my work.	①	②	③	④	⑤	⑥

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