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Linking Trust and Performance Evaluation Style

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MRes, MAcc, BComm**

**Submitted in fulfilment of the requirements for the
Degree of Doctor of Philosophy**

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Abstract

Researchers have long called for broader perspectives of performance evaluation style (Ferreira and Otley, 2009; Noeverman and Koene, 2005; Hartmann, 2000; Vagneur and Peiperl, 2000). Trust is relevant to performance evaluation and meaningful to other aspects of management control. However, little research exists on the relationship between trust and aspects of management control (Hartmann & Slapnicar, 2009; Noeverman, 2007). The primary purpose of this thesis is to explore the linkage between trust and performance evaluation style from a multidimensional perspective. Evaluation style encompasses perceptions of use at three stages of the evaluation process (i.e. target-setting, evaluating, and rewarding). Similarly, trust encompasses perceptions of beliefs about self, beliefs about other, and behavioural outcomes in the superior-subordinate relationship. This thesis reports on a field study conducted within subsidiaries of two multinational firms in the financial services industry. The study of trust and performance evaluation style followed an innovative middle range research approach. Using vignettes and probing questions in semi-structured in-depth interviews, meanings around the constructs of trust and performance evaluation style were elicited. Such a multidimensional context-specific perspective answers calls for further development within both literatures, and therefore contributes to a better theoretical understanding of how evaluation style is linked to trust.

The results of the research project reveal a bi-directional association between trust and performance evaluation style. In so doing, it highlights contributions towards further theory development through relating performance evaluation style as influential to trust, and likewise, trust as influential to performance evaluation style. Moreover, trust and performance evaluation style can be both complements and substitutes. A theoretical matrix is also developed which provides useful insight into the potential linkages. Additionally, this thesis shows the importance of context and functional role in defining individual perceptions on trust and evaluation style.

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Preface

*The race is not to the swift
or the battle to the strong,
nor does food come to the wise
or wealth to the brilliant
or favour to the learned;
but time and chance happen to them
all.
(Ecclesiastes 9:11)*

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Finally, to God, my wonderful saviour in whom I trust, thank you.

Author's declaration

I declare that, except where explicit reference is made to the contribution of others, this thesis is the result of my own work and has not been submitted for any other degree at the University of Glasgow or any other institution.

Signature _____

Printed Name _____

Chapter 1 Introduction

For decades, research into management control, in particular, RAPM or Reliance on Accounting Performance Measures research has emphasised the importance of organisational and behavioural consequences to particular evaluation styles. Yet the literature still lacks in-depth examination into human influences on particular styles.

Therefore, the primary purpose of this research is to investigate the concepts of trust and performance evaluation style, taking into account the shortcomings of the existing Reliance on Accounting Performance Measures (RAPM) and trust literatures. Synthesis of the two research streams of trust and management accounting should enrich insight into behavioural aspects of management control. In this vein, the central research objectives are divided into three main questions:

- 1) What is performance evaluation style in the particular research contexts?
- 2) What is trust in the particular research contexts?
- 3) How is trust linked to performance evaluation style?

In attempting to answer these questions, this research addresses the various gaps in the literatures on trust and performance evaluation style including multidimensionality of constructs, context-specificity, as well as garnering evaluator (trustor) rather than evaluatee (trustee) perspectives in services-based settings. I also address a secondary issue – the need for in-depth qualitative research in the management accounting field.

As the ‘Overview and Structure of the Thesis’ details, this study consists of several sections including an extensive review of the existing literatures in the management accounting and control and trust disciplines (Chapter 2), and chapters that detail the actual field study conducted within two multinational financial subsidiaries.

Overview and Structure of the Thesis

As introduced above, this thesis aims to examine performance evaluation style, trust, and their linkage. Chapters 2, 3, and 4 lay the theoretical foundation for an in-depth field study

on evaluation style and trust, and the remainder of the study describes the empirical part of this research project. More precisely, Chapters 5, 6, and 7 report the results of the field study research.

Chapter 2 outlines a synopsis of the management accounting and control literature, with particular emphasis on the emergent themes within the area. Hartmann (2000), Briers and Hirst (1990), and other studies provide useful critiques of the RAPM literature, revealing problems to the existing literatures as well as identifying opportunities for future research. In Chapter 2 it is argued that traditional studies of trust and performance evaluation style do not often consider their multi-dimensionality, nor do they consider alternative perspectives other than that of the subordinate such as superior manager perspectives. Studies have also not duly considered context in their approaches to research trust and/or performance evaluation style, and few studies have considered the relationship between trust and formal control. There is also opportunity to develop theory-relevant research that considers the complexity of the relationship between formal control use and various elements of management control including human influences such as trust¹. This perspective indicates the need for further research on evaluation style which assesses meanings and relevance of evaluation style and trust dimensions from superior managers' perspectives. I also explain how the seminal papers of Hopwood (1972), Otley (1978), Sako (1992), and Mayer et al (1995), despite their theoretical limitations, provide foundations for conceptualising and operationalising trust and performance evaluation style constructs. An original theoretical matrix of the potential linkages between trust and performance evaluation style is also developed in Chapter 2. The matrix provides an open formulation of association in which complementary or substitutive associations can exist (especially because it was not clear as to the exact nature of the causal relations until after the field evidence was collected and analysed). In addition, the chapter ends with a specific set of empirical questions, propositions and assumptions around trust and performance evaluation style, derived from prior theoretical and empirical literatures.

The various figures and matrices introduced in Chapter 2 are just the 'basic vehicles' of theory development, and Chapter 3 builds on the foundations of Chapter 2 by detailing the

¹ For instance, Hartmann (2000, pps. 465-469) states, "[O]verall, the evidence suggests that factors concerning superior-subordinate relationships may be important, but so far only limited evidence exists...the RAPM paradigm can profit from developments in the wider organisational behaviour literature." Also, Hartmann (2000) and Covaleski et al (2003) argue that theory is lacking about the appropriateness of RAPM from the perspective of the superior and also lacking consideration of context.

chosen research design of this study, including choice of middle range thinking as methodology, and the development of the research protocol. Field data was primarily obtained from in-depth vignette-based interviews, and supported by other sources including archival documents. Chapter 3 explicates operationalisation of the constructs of evaluation style and trust in hypothetical scenarios (vignettes) and probing questions. The chapter also highlights the iteration which takes place in the research process. I also argue in this chapter for consideration of function (i.e. task contractibility) as influential to managerial perceptions on trust and performance evaluation style. The subsequent chapters also describe the analysis of the main field evidence through division of managers between quality function and sales function.

Whereas Chapter 3 described and explained the research methodology and methods of this thesis, Chapter 4 provides a general description of the site visit organisations and a more detailed description of the performance management systems that are used within each organisation, including discussion on the visions, missions, and key success factors for each field site. Chapter 4 provides an organisational background against which the findings and story development in Chapters 5, 6, and 7 are interpreted.

Next, in chapter 5, the concept of evaluation style in the context of the particular site visited organisations is examined with an emphasis on perceptions of managers by functional group. The examination of the concept of evaluation style in chapter 5 is mainly based on evidence from second stage (main) interview data in which supervisory managers provide meaning to the importance they attach to multiple properties of the performance evaluation process. More specifically, the chapter relates managerial perceptions on performance evaluation approaches to target-setting, evaluating, and rewarding.

In Chapter 6, the concept of trust in the context of the particular site visited organisations is investigated with an emphasis on perceptions of managers by functional group. In particular, Chapter 6 relates trust to beliefs about self, other, and behavioural outcomes in role as well as interpersonal trust perceptions. The analysis shows that trust within organisations is divided into two layers: role trust (which is more general and functionally established), and interpersonal trust (which is contingent on specific cases; individual superior-subordinate relations).

Chapters 5 and 6 provide the basis for substantiation of the linkage between performance evaluation style and trust. Adoption of a particular evaluation style and trust level by each

superior manager includes multiple dimensions and is likely dependent on functional role (as the theoretical chapters also relate). The analysis reveals quality managers generally operate under a more process-oriented evaluation style and trust beyond contractual, whereas, sales managers generally operate under a more outcome-oriented style and contractual trust.

Chapter 7 discusses the linkage(s) between the concepts of performance evaluation style and trust. The chapter presents a revised matrix of interaction between levels of trust and styles of performance evaluation based on interpretation of the interview narratives. Chapter 7 reveals that formal control use can be altered by individual managers in light of the presence of higher levels of trust than contractual. More precisely, a level of trust beyond contractual can influence application of performance evaluation style/formal control use in a substitutive manner; and formal control use / formal performance evaluation style can influence contractual trust in a complementary manner. A bidirectional link is therefore specified.

Finally, Chapter 8 discusses the contributions and limitations of this study, as well as implications for future research. Importantly, the chapter argues that recognition of the potential role of trust in management control systems design and implementation provides a vital answer to prior research gaps. It also argues that my research approach is most appropriate to theory development and novelty.

Chapter 2 Literature Review and Theoretical Framework

2.1 Introduction

This chapter provides an in-depth review of relevant literatures on trust and management accounting and control. Based on the review, I identify several research gaps to study of trust and performance evaluation style. It has been found that relatively few studies consider their multi-dimensionality; there is a dearth of empirical research from the perspectives of superior managers; few studies consider their potential associations; and very few research studies duly consider the relevance of context. I attempt to fill these gaps through the central purposes of this research study, which are to investigate sent performance evaluation style and trust as multidimensional, context-specific constructs, and to examine their associations from the perspectives of superior managers in financial services-based settings.

In the subsections of this chapter I attempt to provide the conditions for distinguishing: types of sent performance evaluation style (section 2.2), levels of trust (section 2.3), and plausible associations of trust and performance evaluation style (sections 2.4 and 2.5). The chapter ends with a series of propositions, research questions, and a conceptual matrix of potential association between trust and performance evaluation style (section 2.6).

2.2 Performance Evaluation Style as a Management Accounting Process

This section reviews the literature of management accounting and control. Analysis of the management accounting and control literature is based on the view of performance evaluation style as a process which can encompass technical design characteristics of management control in each organisation and/or deviations from these based on managerial interpretation of use (Vagueur and Peiperl, 2000; Otley and Fakiolas, 2000). Emmanuel, Otley, and Merchant (1990) define management control as the process by which managers attempt to account for performance and ensure that their organisation

adapts to its environment. The environment is recognised as dynamic and ever-changing, in which processes can vary and range from formally specified control devices such as allocation of responsibility/accountability to use of more informal control mechanisms such as trust in a specific individual. On this note, performance evaluation is still a significant management issue (Otley and Fakiolas, 2000). Otley (1987) purports that performance evaluation is often referred to as the ‘cornerstone of management control’ and it concerns the discharge of accountability between subordinate and hierarchical superior. Performance evaluation is also viewed as a procedure and control mechanism, which is essential to ensuring efficiency, goal congruence and greater symmetric information flows (Kunz and Pfaff, 2002). Tomkins (2001, p.164) argues that management accounting requires further empirical research that focuses on the use of accounting in business processes. Ahrens and Chapman (2007, p.309) also argue for treatment of management accounting phenomena as “processual”, existing by virtue of certain practices, routines, and promises. Indeed, this present study recognises the fundamental importance of garnering meanings around managerial use of control system features or management accounting processes such as performance evaluation style in the contemporary management control environment. One way to begin this new discourse is to propose a new definition of performance evaluation style based on my review of the extant literature. The next section (2.2.1) attempts to surmise a theoretical definition of performance evaluation style in this vein.

2.2.1 Defining Performance evaluation style

Issues in management accounting and control have a long history. Argyris (1952, 1965) promoted one of the central ideas in the management accounting and control field which is that behavioural outcomes are not always the result of conscious interpretations of overall system design. Anthony Hopwood, inspired by the evolutionary ideas of Anthony (1965), Argyris (1952), and similar studies, was one of the first to investigate the link between accounting information, performance evaluation, and behaviour. In particular, the seminal paper by Hopwood (1972), provided distinctions between management styles for performance evaluation. The study by Hopwood (1972) was conducted in cost centres of a US manufacturing firm in two phases – firstly a questionnaire element was used involving 167 respondents and subsequently a series of interviews with twenty heads of department. Hopwood (1972) highlighted three alternative performance evaluation styles in his study: budget-constrained, profit-conscious, and non-accounting. A budget-constrained

performance evaluation style is normally identified as a short-term, rigid style, involving high emphasis on budgetary/accounting data. A profit-conscious style is defined as a between “rigid” and “flexible” style, involving reliance on both qualitative and quantitative criteria. A non-accounting style is identified as a subjective, flexible style, addressing wider information content, with emphasis placed on qualitative factors such as worker attitude.

Various extensions on Hopwood’s original ideas were later replicated and developed by Otley (1978); Govindajaran (1984); Brownell and Hirst (1986), and others in the management accounting discipline. These studies are grouped into RAPM (reliance on accounting performance measures)-related studies. Reliance on accounting performance measures (RAPM) is defined as “...the extent to which superiors rely on, and emphasise those performance criteria which are quantified in accounting and financial terms, and which are pre-specified as budget targets” (Harrison, 1993, p.319). Hopwood’s styles and their distinguishing features are most commonly included in reliance on accounting performance measures (RAPM) studies and related literature to date. Styles have traditionally been distinguished by one or two features, that is, extent of rigidity, time span, and extent of reliance on accounting/financial data². However, Hartmann (2000) and other studies suggest that single-factor or two-factor models are insufficient to apply to management accounting research.

Undoubtedly, Hopwood’s style typology and RAPM-related studies provide a strong starting point for examining managerial use of control system characteristics and related concepts (i.e. the concept of ‘formal control use’ / performance evaluation style; Hartmann, 2000). Yet, Hopwood’s style definitions are possibly insufficient for encapsulating the entire scope of alternative choices of use which superior managers may have available to them in contemporary organisations. In the words of Hopwood (1972b, p.190),

“...the three categorical styles are overly simple...it is necessary to empirically investigate the full range of behavioural dimensions subsumed within the present categories.” This statement clearly suggests the need to examine performance evaluation style using a more comprehensive framework which incorporates multiple dimensions of formal control use.

Additionally, recent studies in the RAPM literature suggest that performance evaluation style is a multi-dimensional concept (Otley, 2008; Ferreira and Otley, 2009) that depends

² In particular, ‘RAPM’ is characteristic of a budget constrained evaluation style.

on interpretations of general technical design characteristics (Otley, 1980) and in which choice of use can involve wider information content than previously considered. The interpretations may differ by organisation or division (Hartmann, 2000). Briers and Hirst (1990), Hartmann (2000) and other fundamental studies provide reviews of literature that focus on the use of budgetary information in performance evaluation, in which they recognise that budgetary (accounting) information is used in a variety of ways, and possibly comprise a variety of factors. These suggestions warrant future examinations along a context-specific multidimensional line of reasoning, which should provide a richer and more realistic perspective of performance evaluation style³.

Moreover, recent works in the management accounting literature regard performance evaluation / management accounting process as involving three stages. For example, Hartmann and Slapnicar (2009) argue that since performance evaluation is broader than performance measurement alone, “subordinates’ trust responses are likely to be a reaction to all stages of the performance evaluation process...We regard these three phases of the performance evaluation process as three-dimensions of the performance evaluation system that determine its overall formality” (Hartmann & Slapnicar, 2009, pps.3-4; Dirks & Ferrin, 2002). Dirks and Ferrin (2002) also support a broader perspective on use (performance evaluation style) as a process which encompasses multiple stages of accounting information use – performance measurement, evaluation, and assignment of rewards (see also Ittner & Larcker, 2001; Otley, 1999; Ferreira and Otley, 2006, 2009)⁴. Various studies in the area of performance management provide similar frameworks (i.e. a three-stage approach) to understanding performance evaluation style (e.g. see Chow et al, 1999 which investigates management accounting and control functions including planning, evaluating, and rewarding). Therefore, investigations into performance evaluation style must consider the choices that superiors make with regard to the development of performance targets (target setting), assessments of performance (evaluating), and the way in which superiors assign performance rewards (rewarding) (cf. Hartmann and Slapnicar, 2009; Fisher, Maines, Pfeffer, and Sprinkle, 2005; Greenberg, 1986; Zimmerman, 2003). More precisely, the use of budgetary information could relate to factors in formal control use including managerial perceptions on information content / extent of emphasis, level of

³ Hartmann (2000, p.475) states, “...an alternative level of analysis would be the superior, and a related question would be whether superiors’ evaluative behaviors (*formal control use*) can be explained in terms of contextual ‘appropriateness’.”

⁴ Bijlsma-Frankema and Koopman (2004, p.211) also note, “Management control systems differ according to the extent to which they rely on formal rules and procedures and the extent to which they prescribe and control the ways in which specific tasks are performed and rewarded.”

employee participation / negotiation, and manner of information usage (see Hopwood, 1972; Briers & Hirst, 1990; Noeverman and Koene, 2005; Chenhall, 2003). Firstly, perceptions on information content / extent of emphasis in formal control use may comprise consideration of range/scope of key performance indicators (narrow versus wide), time horizon/ time span (short versus long), nature of trends (past versus future), and focus on type of information (quantitative indicators, financial or other accounting type information versus qualitative indicators, non-financial information) in setting targets. Secondly, perceptions on manner of information usage likely relate to rigidity / flexibility in setting targets. Moreover, studies also relate formal control use to factors including frequency of assessment interactions (whether frequent versus infrequent), supervisor focus in assessments (objective assessments versus subjective judgment), and extent of scope for flexibility in evaluation (flexible versus inflexible) (c.f. Briers & Hirst, 1990 1990). Thirdly, studies relate formal control use to perceptions on reward type for employee motivation (monetary versus non-monetary), and flexibility in rewarding (stringency versus leniency) (see also Briers & Hirst 1990; Merchant, 1982, 1984)⁵. However, these factors have often been identified in piecemeal fashion. Similar to Hopwood, other researchers have made calls for more comprehensive study of performance evaluation style to consider variety of factors (see also section 2.2.2). To begin with, Figure 2.1 illustrates the basic conceptual framework for the study of performance evaluation style, considering the aforementioned range of potential characteristics of performance evaluation style.

⁵ The function of performance evaluation is normally to control and motivate subordinates to improve performance (Hartmann and Slapnicar, 2009; cf. Das & Teng, 1998; Malhotra & Murnighan, 2002), and as such it is often linked to remuneration as per an organisation's performance evaluation and reward system (PERS). The association between target-setting, evaluation, and rewarding is highlighted in the literature on performance evaluation, budget emphasis, and associated rewards, which has mainly focused on behavioural differences in cross-cultural contexts (for example, Harrison 1992; Ueno and Wu 1993; Merchant, Chow, and Wu 1995; Awasthi, Chow and Wu 2001). However, the purpose of this study is not to investigate the cultural aspects, but rather the individual interpretations in the organisation and social contexts (see section 2.2.2).

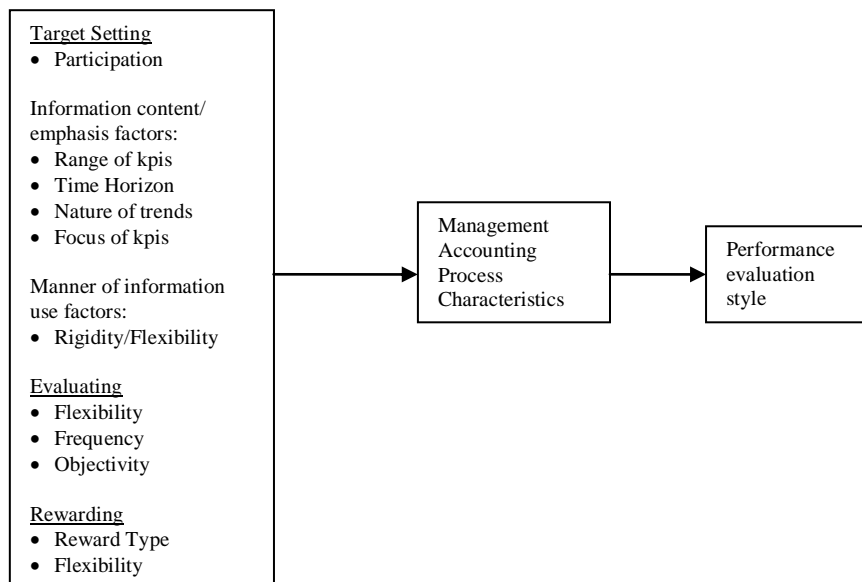


Figure 2-1 Basic conceptual framework for performance evaluation style

The arrows in figure 2.1 show that a particular performance evaluation style is derived from a combination of characteristics within the management accounting (MA) process. The particular style is likely to vary within an organisation due to alternative choices of characteristics made by individuals (i.e. individual perceptions of characteristics of formal control use are likely to vary across the three stages of the MA process). In developing the theoretical basis for study into performance evaluation style, it was thought that a conceptual framework could best illustrate the potential characteristics of alternative performance evaluation styles. Therefore, figure 2.2 shows a few more details which relate to conceptualising performance evaluation style.

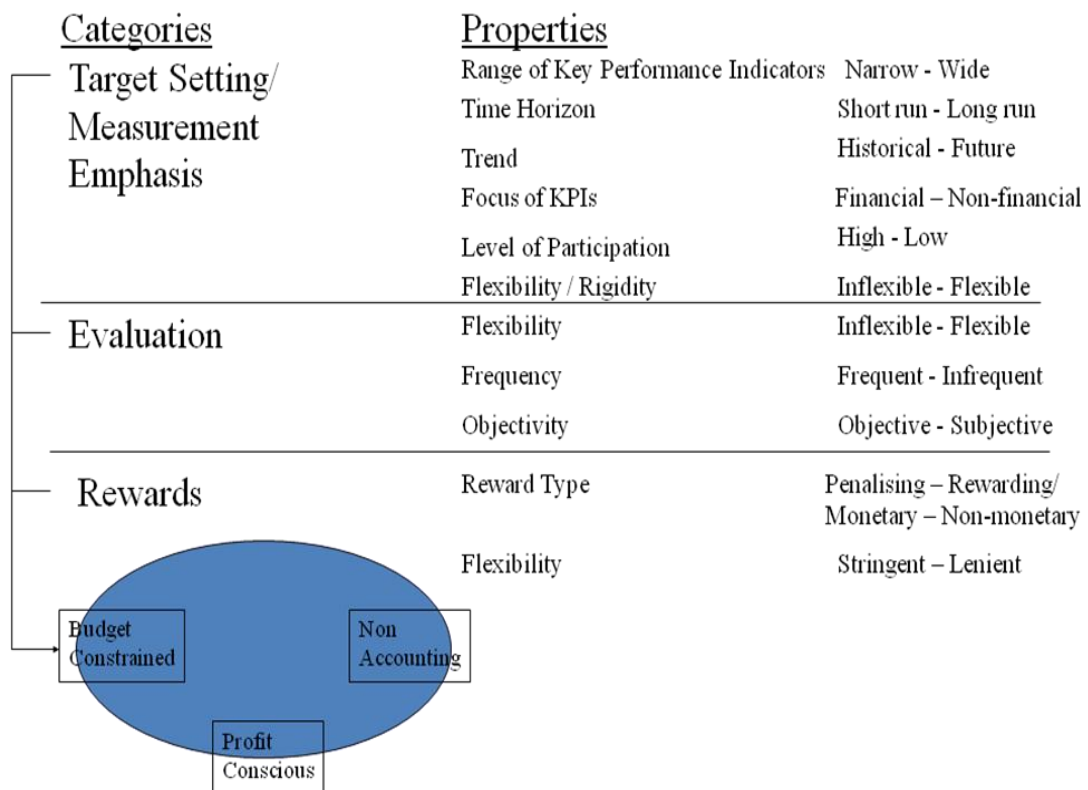


Figure 2-2 Initial Conceptual Framework for PES

For purposes of theoretical conceptualising and to aid research interpretations (see Chapter 3), the three stages in the process are grouped under the heading ‘categories’. Within each category / stage, there exist features, which this study conceptualises under the heading ‘properties’. Within each property, there exist alternative features (alternative choices of use) which are distinguished under the heading ‘dimensions’ e.g. for reward type, monetary versus nonmonetary. The factors in the conceptual framework may or may not all matter to defining performance evaluation style in the empirical research setting, and a performance evaluation style is conceptualised as determined by features of target-setting, evaluating, and rewarding, occurring along a continua, from budget-constrained at one extreme to non-accounting at the other end.

The combination of characteristics in the conceptual framework assists with redefining performance evaluation style as a potentially multidimensional construct. Furthermore, recent studies call for reassessments of evaluative style to consider how superiors use performance measures in different ways within organisational context. For instance, Noeverman et al. (2005) confer that two general dimensions of evaluative style need specific attention in future research: the evaluative focus of the superior (e.g. budgets, other quantitative targets, short or long-term targets, etc.); and the superior’s way of

handling the evaluation process (e.g. rigid or flexible approaches). Hence, performance evaluation style is defined herein as the use of different types of information, as well as the different ways of information use by supervisory managers. This definition regards evaluation style as characteristic of superior managers' attitudes / preferences as well as their interpretations of technical system design (interpretations resulting from the three different but related stages of information usage – target setting/measurement emphasis, evaluating, and rewarding), which might align with policies, practices, and procedures or deviations from these in the organisational context; and which may also be applied differently to individual subordinates in particular instances⁶.

In greater detail, at the target-setting stage, nature of trends refers to the extent of past, present, or forward looking information especially for purposes of setting targets and feedback (Kaplan & Norton 1996). Chenhall (2003) provides a critical review of findings from contingency-based research, from which he derives propositions relating management control system elements to organisational context. The paper recognises target-setting based on trends as an important element of management accounting practice. Chenhall refers to this element of practice as the extent of reliance on forward-looking (predictive) or non-forward looking (past, historical) information in setting targets. Historical information or lagging indicators are often viewed as constraints to future prospects. Interestingly, research into contemporary management accounting systems supports convergence of managers from sole reliance on historical information to reliance on both historical and future information (see Epstein and Manzoni, 2002).

Chenhall (2003) and other studies (such as Hopwood, 1972) also show that extent of focus/reliance on financial information or accounting performance measures is fundamental to determining a particular type of performance evaluation style. In this thesis, extent of focus refers to the extent to which financial accounting data or non-financial values is emphasised in measuring performance. Perceptions on extent of focus are vital to research as prior studies have shown that views on performance indicator priorities can determine performance evaluation and the budgeting process (O'Connor, 1995 and Harrison, 1992). For instance, Hakansson and Lind (2004) study accounting and network coordination via a case study and find that the choice of accounting methods and accounting information used, that is whether financial or non-financial, could support

⁶As posited by my proposition of style as a 3-stage process, this definition differs from the extant literature, which normally defines performance evaluation style as the manner and extent of use of certain criteria and data in order to measure (or evaluate) performance on a regular basis, applied equally to all subordinates.

decision-making and performance evaluation (c.f. Ittner & Larcker, 1998). Nonfinancial (qualitative) measures are often considered as broad and varied. They include balanced scorecard indicators such as customer service orientation, and employee relations and development (Lau and Sholihin, 2005). In practical terms, emphasis on nonfinancial information can also be reflected by managerial focus on timeliness, accuracy, or precision (Luft and Shields, 2009). Merchant (1984, p.291) examined budgeting as the primary financially-oriented organisational control mechanism.

Furthermore, Hopwood (1973) and later studies such as Otley (2008) pointed to the potential for distinctions between management accounting practices by degree of narrowness versus broadness. More specifically, the range of indicators relates to the extent to which a narrow versus a wider range or scope of performance criteria are used in setting targets (Hopwood, 1972, 1973). The distinction between a narrow and wide range is determined by the number of key performance indicators emphasised in the performance evaluation process; as well as the broadness of the indicators, that is whether the indicators are general (wide/broad) or specific (narrow). A narrow range covers a small number of goals; whereas a wide range involves a less restricted set of goals. A wide scope / range is therefore also likely to cover pursuit of goals that are more future-oriented (Ezzamel and Hart, 1987). Otley (2008) notes that a wider set of goals are evident in BSC implementation, and normally involve non-financial targets.

Moreover, Otley and Pollanen (2000, p.495) state that target-setting can be based on the degree of individual or “relative emphasis placed on short-term versus long-term indicators of performance” (also see Hansen et al, 2003, p.109). Some studies relate short-term indicators of performance to financial, accounting information (see also Govindarajan and Gupta, 1985; Hopwood, 1972, 1973). Therefore, this thesis also focuses on time horizon as another property of information content at the target-setting stage. The time horizon property refers to managerial expectations of extent to which objectives are handled in a given time period (i.e. whether in the short or long run).

Researchers also note that participation is a fundamental part of performance measurement / target-setting, and hence, fundamental to the performance evaluation process in that it consists of some form of affiliation or involvement, and reciprocal exchange to achieve outcomes. The majority of studies that research into participation and RAPM note a

positive correlation between high budget emphasis / reliance on accounting performance measures and high participation in target-setting (e.g. Bruns and Waterhouse, 1975; Merchant, 1984; O'Connor, 1995; Lau and Tan, 2003⁷). On the impact of participation, Argyris (1965, p.21) states, "an individual's growth and learning is inexorably tied up with his fellow man". This statement suggest an imperative for subordinate participation in setting targets— as through participation, mutual exchange, sense of belonging, and innovation can all be established among team members. Likewise, Shields and Young (1993) define participative budgeting as the extent to which subordinates contribute to the development and selection of the performance plan which their superiors will hold them responsible for achieving. However, managers are likely to differ on perceptions of the level (and type) of employee participation in decision-making. Argyris (1952) terms the extent of expression of opinions about budgets/targets at meetings 'pseudo-participation', and the enhanced expression of opinions (e.g. on training in human relations) 'full participation'. Similar to Argyris, Hofstede (1968) notes that participation can vary in that it could involve the use of (departmental) meetings in order to create "game spirit" or otherwise. Ezzamel and Bourn (1990) view participation as a vital opportunity for negotiation and control of contracts to protect against opportunistic behaviour (i.e. to manage discretionary behaviour and align interests). Therefore, managerial perceptions on subordinate participation in target-setting in this present study will be garnered in order to deduce whether participation is high (i.e. full participation) or low (i.e. pseudo participation) in the particular research settings. Milani (1975) is a very well-known study which provides several indicators of participation in budgeting. These include subordinate involvement in budget setting, explanations provided and accepted by superior when budget revisions made, frequency of stating opinions on budget without being asked, frequency with which a superior requests subordinates opinions when budgets are being set, influence on the final budget, and importance of contribution to the budget. Whilst I do not use the items provided by Milani (1975) in my research instrument (see Chapter 3), they are still vital indicators for interpreting managerial perceptions.

Also, regardless of the type of information used or level of participation, such information or metrics used in setting targets can be interpreted and enforced in either a rigid (formal) manner, flexible (informal) manner, or a combination of both (Hansen et al, 2003, p.109). Prior researchers have posited that rigidity in setting targets is synonymous with low tolerance for ambiguity (Chenhall and Morris, 1986; Ittner and Larcker, 1997). As such,

⁷Contrary to Lau and Tan (2003) and other studies that establish positive links between participation and

superiors with low tolerance for ambiguity may not need to implement elaborate systems of monitoring or to micro-manage (i.e. they may not need to know what subordinates are doing at all times). However, they are likely to prefer traceability and hence, such managers will use rigidity in the performance evaluation process. On a similar line of reasoning, extent of flexibility is likely to inform the degree of formality versus informality. Formality of evaluation can be reflected in different types of criteria. Studies (e.g. Moers, 2005; Hartmann & Slapnicar, 2009) also suggest a rigid, largely inflexible perspective may be indicative of a highly formal and uncompromising attitude toward setting targets. Establishing a clear, means-ends link between targets and goal achievement also reflects a rigid approach. Conversely, a lenient, largely flexible perspective may be indicative of a low formality attitude or context (see section 2.2.2).

At the evaluation stage, objectivity is one identified property and refers to the extent to which objective estimates of performance are used in assessment or the degree of superior reliance on formulaic approaches versus subjective approaches toward subordinate assessment (Govindarajan, 1984). Ferreira and Otley (2009, p.272) state that performance evaluations can be “objective, subjective, or fall in-between these two extremes”. They define subjective performance evaluations as the specific weightings determined subjectively by the evaluator, and which can allow for adjustments to standards of performance. The evaluator may make these weightings more explicit by flagging which aspects are more important. Ferreira and Otley (2009, p.272) also define objective performance evaluations as formulaic approaches, possessing no scope for ambiguity in the weightings and assessment which is based only on the actual results. They also state three circumstances in which objective evaluations are likely: 1) where the input-output relationship is clear, 2) where the performance is controllable, or, 3) when it is accepted as part of organisational practice. Besides Ferreira and Otley, Epstein and Manzoni (2002) relate performance evaluation as a subjective process that requires managerial judgment. This suggestion presents the possibility that no performance assessment can be objective but rather involves individual superior manager interpretations. Subjective evaluations may draw on superior manager perceptions of individual subordinate manager ‘skill’ to meet the targets, and may even assess subordinate performance based on subunit performance in comparison to other subunits in the company and/or others in the industry. In addition, Ittner et al. (2003) study on how different types of performance measures are used in a subjective BSC bonus plan in a financial services firm reveals that the varying

subjective weighting given by managers to performance measures allow supervisors to ignore many of the (leading) performance measures when undertaking evaluations and awarding bonuses (Chenhall and Langfield-Smith, 2007, p.276).

Evaluative scope is also important to defining performance evaluation style. Evaluative scope refers to a particular approach taken to evaluate subordinate performance. Briers and Hirst (1990, p.377) states that flexibility in assessments involves the extent of scope with which variances from standard are interpreted by managers. The particular approach can vary in extent of flexibility or evaluative scope of assessments – such as an uncompromising focus on negative results in assessing performance, or extent of flexibility in use – such as a manager may or may not be flexible in using accounting data in performance assessments (Lau and Tan, 2003; Hopwood, 1972, 1973). Moreover, frequency of assessment interactions is also an important factor to research on performance evaluation style. It refers to the frequency of interaction such as one-to-one conversations between superior and subordinate regarding performance achievement (Argyris, 1952; Hofstede, 1968; Merchant, 1984). Feedback is also a likely element of assessment interactions, in which information transmitted could be exclusively based on performance information of role duties i.e. results-oriented measurement (see also Spreitzer and Mishra, 1999; Rousseau, 1995), or information transmitted can relate to feed-forward control. Assessment interactions can also be formal or informal in nature.

Lowe and Shaw (1968) and Merchant (1982, 1984) indicate that understanding the extent to and manner in which targets are linked to rewards is vital. In circumstances of objectivity in management accounting practices such as objectivity in targets set, the system of rewarding is likely to be deemed as transparent/unambiguous. Similarly, if rewards are linked to targets then there is likelihood that reward types will be extrinsic and monetary. Most studies in the RAPM literature (e.g. Demski & Feltham, 1978; Waller & Chow, 1985; Cools et al, 2008, p.608) make mention of financial compensation being contingent on comparison of actual performance to set objectives. Therefore, reward type and flexibility/transparency in rewarding are important variables to consider when investigating performance evaluation style. Ferreira and Otley (2009, p.273) note that rewards can involve financial and non-financial components for purposes of positive motivation of individuals and group behaviour, such as bonuses and salary increases (monetary rewards), short-term expressions of approval and recognition by immediate supervisor and senior management, as well as long-term progression and promotion.

In their review of the control and accountability literatures, Merchant and Otley (2007, p.796) also contend that extrinsic rewards and punishments are vital to an accountability-oriented environment (e.g. an environment where hierarchical structures dominate such as evident in formal superior-subordinate relations). They cite rewards as varied in nature including salary increases, bonuses, promotions, praise, and public recognition. On the other hand, punishments include criticism, loss of autonomy, non-receipt of bonus or other monetary rewards, and even job loss. Merchant and Otley (2007) also note that intrinsic rewards (i.e. inner feelings of satisfaction and accomplishment of responsibilities) can also motivate, but do not form part of an accountability-oriented control system (Merchant and Otley, 2007, p.796). Hence, the role of intrinsic rewards may have little bearing to a particular performance evaluation style.

Govindarajan (1984, p.124) also relates one element of differences in managerial styles to transparency or formality in rewarding. Moers (2005) defines transparency of reward distribution as involving clarity in rewarding through formulaic and traceable procedures. Transparency is the extent to which the subordinate is rewarded strictly based on objective criteria such as a formula/rating scales tied to their financial performance and general criteria set by company guidelines versus disregard of objective criteria in favour of reliance on subjective judgment of the superior in rewarding the subordinate, or a combination of both. This can also be viewed as a measure of degree of flexibility.

The combination of choices of use which a superior manager makes at each stage (category) in the performance evaluation process will determine his / her particular performance evaluation style. Certain dimensions are more representative of a particular performance evaluation style than others in the literature. For instance, a financial (e.g. quantitative) focus is typically associated with a budget-constrained style of evaluation and a non-financial (e.g. qualitative) focus is normally associated with a non-accounting style of evaluation. However, superior manager perspectives from the field may reveal financial and non-financial focuses are actually perceived along similar lines of reasoning (i.e. despite theoretical misalignment between these dimensions, managers might still perceive each information type as providing 'accounting' information, and therefore, as establishing accountability) (see Chapter 5). Does this potential outcome mean conceptualisations of performance evaluation style hold little relevance in today's environment? I do not think so. Therefore, using Hopwood's (1972) original taxonomy of performance evaluation

style as a basis⁸, and bearing in mind the additional plausible characteristics of each type of sent performance evaluation style, each type of performance evaluation style which might be found in contemporary empirical settings is elaborated as follows:

Budget constrained style:

- This is a more rigid style of evaluation than the other two styles. Evaluation of subordinate performance is based on superior focus on subordinate ability to continually meet targets set e.g. budgets/deadlines on a short-term basis. Targets are set based on historical trends, a short-time horizon, and a narrow range of indicators. Pseudo-participation (as per Argyris, 1954) is likely high. The superior relies heavily on accounting information, and uses accounting information in an unquestioning manner in performance assessments (i.e. an inflexible approach to evaluating; no room for reasons for subordinate deviations from performance standards e.g. an “either you met the target or you did not” attitude). It is a “formula-based” style – where the subordinate is evaluated and rewarded strictly based on a formula tied to financial performance, and therefore, monetary rewards and transparency in rewarding are likely emphasised.

Profit conscious style:

- Evaluation of subordinate performance is based on superior focus on subordinate ability to increase the general effectiveness of unit operations in relation to medium to long-term purposes of the organisation (e.g. concerned with the minimization of costs and improving profits overtime). Targets are set based on present trends, reliance on both quantitative and qualitative information. Accounting data must be used in a more flexible, questioning (problem solving) manner relative to a budget-constrained style. This style can also be viewed as a mixture of “formula based” and “subjective” styles where the subordinate is evaluated and rewarded based on a mixture of objectivity and subjective judgment, and in which a mixture of monetary and non-monetary rewards are emphasised.

⁸Assuming evaluation styles exist along a continuum, each of the dimensions in the framework relate to formal control use of managers, representative of a budget-constrained performance evaluation style at one extreme and of a non-accounting performance evaluation style at the other extreme. See Appendix 1 for review of alternative taxonomies of performance evaluation style. Notably, Hartmann (2000, p.467) states, “Neither the RAPM construct itself, nor any of the styles conceived by Hopwood have found their direct theoretical counterpart in the management control typologies outlined by Merchant (1982, 1985a), Ouchi (1977, 1979), Anthony (1981), Anthony and Govindarajan (1995) and others.” Therefore, I argue that Hopwood’s (1972) style typology provides the best conceptual foundation for performance evaluation style in this present study.

Non-accounting style:

- This is a more lenient style of evaluation than the other two styles. Evaluation of subordinate performance is based largely on superior focus on non-accounting information. An example of non-accounting data is emphasis on quality of output or worker attitude. Budgeting plays a relatively unimportant role in target-setting and superior evaluation of subordinate performance. Therefore, pseudo-participation is likely low. In setting targets, managers place emphasis on a wider range of information, long-run targets, and focus on future trends. Also, managers who evaluate performance in this manner are concerned with wider information content of accounting data and especially other data; not concerned with rigid analysis of accounting information, e.g., variances in budget. This style can also be called a “subjective” evaluation style – where the superior disregards financial data / formulaic approaches and relies totally on subjective judgment (discretion) in evaluating the subordinate’s performance and deciding rewards. Non-monetary rewards (e.g. recognition) are likely emphasised.

Certainly, there is considerable scope for developing theory on performance evaluation style. Identification of constructs (multiple categories, properties, and dimensions) from the literature enables development of a dynamic perspective on performance evaluation style as a multidimensional management accounting process. There is also opportunity for context-specific empirical research which ascertains the characteristics of types of performance evaluation styles, the causes and effects of different styles from superior manager perspectives in context (Ferreira and Otley, 2009, p.239). On this note, the next section (2.2.2) provides further argument for the relevance of organisational and social context in examining ‘sent’ performance evaluation style.

2.2.2 The relevance of organisational and social context for understanding performance evaluation style

The previous section (2.2.1) argued for performance evaluation style to be studied in a manner which recognises multidimensionality. This section takes the argument a step further. A number of researchers in the Management Accounting discipline have concurred that performance evaluation style should also be studied in a manner which

considers context. Earlier studies in the management accounting and control area extensively focused on the role of RAPM (budgeting) or the behavioural impact of accounting information in the context in which it operates. In particular the conflicting findings Hopwood, 1972 and Otley, 1978, motivated a long academic debate⁹, followed by a range of subsequent studies that examined the behavioural effects of RAPM (e.g. Brownell and Merchant, 1990; Brownell and Hirst, 1986; Hirst, 1983). Despite these studies attempts, Briers and Hirst (1990) conclude that very little is known about the “processes” by which supervisory styles are chosen/emerge and the way a particular style affects behaviour (Briers and Hirst, 1990, p.392; Dent, 1986). A number of more recent reviews (e.g. Chenhall and Langfield-Smith, 2007; Hartmann, 2000; Hartmann and Moers, 1999; Shields and Shields, 1998) also provide similar directions for management accounting research. For example, Hartmann (2000) concludes that future research on the appropriateness of RAPM might consider building on studies in organisational behaviour and in various contexts such as generation of theory on superior evaluative choice perceptions and behaviours. On a similar note, Atkinson et al (1997) emphasise the need to extend current research to alternative theories which explain ‘new’ performance measurement behaviours, such as reasons for a shift from use of financial to non-financial measures (Atkinson et al., 1997, pps.88-89). In the seminal text, *Accounting for Management Control*, Emmanuel et al (1990, p. xi) contend, “one set of formal controls appear to be used, albeit in differing ways and to differing extents, in all business organisations” (also Merchant and Van der Stede, 2007; Flamholtz, 1983). Therefore, new research inquiries could consider how managers make use of accounting performance information and attributes such that the attributes link to particular contextual features within organisations¹⁰. The internal routines and procedures of managers may define

⁹Otley (1978) attempted to replicate Hopwood (1972) using a similar research design and instruments as Hopwood. However, contrary to Hopwood, Otley findings reveal that style of budget use does not impact job/budget-related tension or role ambiguity. Otley (1978) even contends that accounting performance measures are emphasised more in units with low profitability. It can be argued that the studies’ contradictory findings were due to systematic differences in their investigations (i.e. research designs: Hopwood investigated cost-centre managers, whereas, Otley investigated profit-centre managers). Such differences also draw attention to divergent evaluation style choices based on social and environmental factors such as function differences within organisations.

¹⁰Other studies also identify contextual factors as vital to understanding perceptual differences in evaluative style and its link to behavioural outcomes such as job related tension / satisfaction (e.g. Noeverman, 2007). Chenhall (2003) related organisational structure to “the formal specification of different roles for organisational members, or tasks for groups” which influence information flows and management control (2003, pps.144-145). Again, this provides due reason to consider features of context such as functional role in researching alternative management accounting and control arrangements (see Chapters 3 and 4 for further details on features of context). In addition, Chenhall (2003, p. 135) states, “Researchers attempted to explain the effectiveness of MCS by examining designs that best suit the nature of the environment and other contingency factors”. My description of the research context includes discussion of structure, strategy, external environment (market climate), technology, national culture, and organisational size (see Chapter 4). However, as my research is primarily not looking at the effectiveness of MCS design

relationships within organisations especially superior-subordinate relations, and as such may assist with defining accounting processes that help map management control system features to the external environment (see Lewicki and Bunker, 1996, p.115). Accounting processes such as responsibility accounting, budgetary control, reward structures and relative use of profit measures, which according to Ezzamel (1994) all relate to hierarchical coordination and performance management. Another study which demonstrates the importance of context to examining differences in approaches to performance management is Hartmann and Slapnicar (2009). The study argues that superiors define performance targets in quantitative and written terms (rigidity) in a high level of formality environment. Whereas, set performance targets are more qualitative and explained in more implicit terms (e.g. 'do your best', 'make your best effort'; that is, characterised by leniency), and are communicated informally in low formality or informal environments (also see Locke & Latham, 1990). Furthermore, they propose that performance-based rewards are determined and assigned in a formulaic fashion in high formality environments. On the other hand, subjective personal judgment about rewards and bonuses are used in low formality environments (cf. Gibbs, Merchant, Van der Stede, & Vargas, 2004). They also argue that task contractibility of managers can primer formality of use (see section 2.4 and Chapter 4). Mia and Chenhall (1994) also demonstrated that differences in use can be explained by task uncertainty or contractibility (function of groups or individuals). The study illustrated that marketing departments could face more task uncertainty than production departments and as a result marketing departments use broad scope information to enhance performance in comparison to production departments (Chenhall, 2003, p.140). Thus, it is relevant to examine accounting processes within the wider organisational context of job function, bearing in mind the way management control / accounting information is used by humans.

In addition to research on traditional contextual factors that may give rise to a particular use (e.g. job function, task uncertainty, or business strategy), RAPM studies have also identified psychological and behavioural effects of alternative control uses (e.g. dysfunctional behaviour or intrinsic motivation) (see Briers and Hirst, 1990). Sociological and psychological variables have also been shown to determine the choice of performance

but rather perceptions of use, those contingency factors were deemed as forming the basis of understanding the design rather than interpretations of use. Hence, the variables are not represented as focal characteristics of conceptualising trust and/or performance evaluation style in this literature review. Nonetheless, these factors will be brought out in my investigation of other variables. For instance, one property of nature of information focus in setting targets investigates whether managers place emphasis on external environment (market conditions, competitors) or internal environment (e.g. customers).

criteria / performance evaluation style characteristics in behavioural accounting research (Hartmann, 2000; Judge and Ferris, 1995). However, as yet the existing literature in management accounting and control does not duly consider the broader social contexts in which performance management and relationships between superior and subordinate exists (Costigan, 1998). Management accounting can be regarded as both social and institutional practice (Busco et al, 2006). With this agenda in mind, sections 2.3 and 2.4 will discuss the relevance of trust to management control, placing emphasis on its potential association to performance evaluation style. Importantly, my first research question is ‘what is performance evaluation style in the particular research contexts?’ The conceptualisation of sent style of evaluation as a multidimensional construct will enable me to answer this research question through empirical means. It is anticipated that performance evaluation style perceptions differ among managers in the research setting.

2.3 Trust as a Social Process

Trust can play a crucial role in work relationships. Tomkins (2001) purports that all relationships depend on trust to some extent. There is overwhelming evidence that trust is a fundamental lubricant of social interaction (Gambetta, 1988). Nooteboom (2002) suggests the concept of trust be carefully considered as a process embedded within contexts of interaction and beliefs among organisational members. Trust has been described as a form of social and self control that is operative within organisations, and forms a part of the control-filtering process (Briers and Hirst, 1990). Zucker *et al* (1996) claim that interpersonal trust building requires each individual in a dyad to open themselves up to social influence and learning about the other’s trustworthiness. If interaction is avoided then no experience can be gained and no learning can take place. Similarly, Six (2004) conceptualizes interpersonal trust building as an interactive process in which both individuals learn about each other’s trustworthiness in different situations. According to her conceptualisation, trust involves bounded rationality in human behaviour, is context dependent, and normatively embedded in perceptions. I also argue that trust is a complex social process, which is multidimensional in nature and context-dependent. In this regard, the next subsections attempt to articulate the concept of trust as a social process with multidimensional features of beliefs and behaviour (2.3.1) and dual layers (2.3.2).

2.3.1 Defining Trust

It has long been accepted that trust is an unstructured and multi-dimensional concept (Madhok, 2006; Butler, 1991). Some authors suggest that it is a complex, ambiguous, and socially-constructed phenomenon, which is difficult to define and operationalize (Mayer *et al.*, 1995; Nooteboom, 1996; Gabarro, 1978; Busco *et al.*, 2006; Blomqvist *et al.*, 2002; Bigley and Pearce, 1998). Trust can have divergent origins and manifest itself in different ways. Trust itself is seen as dynamic – evolving and changing over the life of a relationship (Madhok, 2006). Indeed, due to such quandaries previous attempts to research on trust have resulted in vague definitions and different interpretations (see also Rousseau *et al.*, 1998; Blomqvist, 1997). For instance, various studies have proposed trust as helpful to manage complexity and uncertainty, through expectation that a trusted person will seek to reduce one's vulnerability to unpredicted contingencies (McAllister, 1995). Conversely, authors also define trusting behaviour as consisting of actions that increase one's vulnerability and social uncertainty (Deutsch, 1962; Mayer *et al.*, 1995; Zand, 1972).

Researchers consider trust as essential to organisational performance (e.g. Zaheer, McEvily, & Perrone, 1998; Dirks & Ferrin, 2002). Barney and Hansen (1994) view trustworthiness as establishing a competitive advantage for firms, in that trust improves cooperation and commitment (e.g. Lewis and Weigert, 1985; Barber, 1983), is vital to predicting outcomes (Butler, 1991), enhances informational symmetries and reduces opportunistic behaviour (e.g. Ouchi, 1979; Fisher *et al.*, 2005). As such, trust can be viewed as an alternative form of governance (Bijlsma-Frankema and Costa, 2005; Alvarez *et al.*, 2003).

Similar elements of trust are identified in seminal works within the areas of inter-organisation and interpersonal trust (e.g. Rotter, 1967; Gabarro, 1978; Lewis and Weigert, 1985; Butler, 1991; Sako, 1992; Bromiley and Cummings, 1992, OTI, 1996, and Mayer *et al.*, 1995; Mayer and Gavin, 2005; Serva *et al.*, 2005). Gabarro (1978) identified nine bases of trust in organisational partnerships, including integrity (honesty and moral character), motives (intentions), predictability (consistency of behaviour), functional/specific competence (knowledge and skills related to a specific task), and judgement (ability to make good decisions). Approximately a decade later, Butler (1991) extended Gabarro's original framework to include other conditions of trust in interpersonal relations among managers including openness, fairness, receptivity, availability of the superior, and promise fulfilment. Dimensions of trust in the literature mainly relate to trustworthiness of

a trustee which equates to a trustor's degree of confidence in trustee (Luhmann, 1979) or propensity of trustor to take risks in trusting (Mayer and Davis, 1999; Mayer et al, 1995). Recent research also supports trust as broadly classified into affective, behavioural and cognitive categories (Gillespie and Mann, 2004).

In addition, Busco et al (2006) define trust as a psychological condition built in and on practices, as well as manifested in behaviour (Busco et al, 2006). Another well-established study, Rousseau et al (1998, p. 395) also explicitly define trust as a psychological state "comprising the intention to accept vulnerability based upon positive expectations of the intentions or behaviour of another." In addition, Rotter (1967, 1971) developed an interpersonal trust scale from a standardised survey of students that implicates trust as a generalised expectancy of reliance on the oral or written statements of others. Therefore, Rotter describes trust as an intention such as willingness, dependence, as well as confidence in one dimension of trust - reliability (Rotter, 1967).

Most of the studies on trust either provide theoretical foundations without any empirical support (such as Rousseau et al, 1998), or only research generalised trust in personal (spousal) relationships with little regard for trust in the workplace (e.g. Lazelere and Huston, 1980) developed a dyadic trust scale which is widely used; however, the scale was developed to be applicable to interpersonal trust in the home rather than trust in the work place), and without due regard to the possibility of dual bases of trust (e.g. Rotter 1967, 1971). Also, existing literature on trust only apply partial approaches to research multidimensional constructs. Studies on trust either emphasise beliefs about self such as propensity to trust or beliefs about other such as trustee's trustworthiness/characteristics (for instance, Wekselberg, 1996, p.303 states, the scope of study on trust is limited primarily to psychological processes of the trustor; see also Rotter's 1967 study as an example).

In spite of such shortcomings, authors of organisational studies such as Bhattacharya *et al.* (1998) detail trust as linked to individual beliefs about the likelihood of receiving positive outcomes from interactions of authority as well as the nature of social bonds. The relationship between beliefs (attitudes) and behaviour could be vague (McAllister, 1995) however recognition of beliefs about self, other, and behavioural outcome interactions is a more comprehensive view of trust. McAllister (1995) reports on past measures of trust in organisational settings, which suggests reliability, competence, and concern are central elements to the notion of trust within organisational settings (see also McCauley and

Kuhnert, 1992; Costigan et al, 1998). Very often honesty and responsibility relate to reliability. The degree to which people's statements and actions are consistent is reflected in expectations of reliability (Tyler and Kramer, 1996; McAllister, 1995). Reliability also includes personal integrity or one's adherence to a set of principles. This also relates to dedication and other aspects of trustworthiness including commitment, punctuality, and making the effort. The degree to which an individual's actions are correct is also related to ability and competence beliefs. Ability (or competence) relates to skills, competencies and characteristics that enable an individual to have influence within some specific domain or situation (Mayer et al., 1995, p. 717). It also relates to the trustee's consistency, skills including, technical knowledge, expertise and interpersonal competence. In addition, McGregor (1967) posits that managers are more likely to involve their staff in decision making if they are able to trust that staff care about the interests of the entire organisation. Mayer et al. (1995, p. 718) state that concern is "the extent to which an individual (*trustee*) is believed to want to do good to the trustor". Facets of concern include willingness to share information with others on the team. Distinctions are also made in the literature between mutual concern and self interest (Spreitzer and Mishra, 1999).

Notably, Mayer, Davis and Schoorman (1995) define trust as the willingness of one person to be vulnerable to the actions of another, based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control the other. Crucially, they present a theoretical model of organisational trust which considers characteristics of the trustor and the trustee. Characteristics of the trustee for which trustor will evaluate (i.e. determine their degree of confident expectation) include integrity, ability, and benevolence (concern). The study also introduces one characteristic of the trustor in the conceptualisation of trust: trustor perceptions of risk-taking in the relationship or propensity to take risk, which could potentially encourage a more participative management style.

Trust presupposes a situation of choice in risk-taking and social engagement (Luhmann, 1988). Level of trustor tolerance to certain actions is associated with risk propensity in any relationship¹¹. In business settings, higher risk propensities imply greater probability that

¹¹ Hartmann (2000, p.476) contends "Personality factors have been mentioned before as important determinants of managerial behavioral and attitudinal reactions to budgeting...Likely candidates for investigation are personality variables related to individual preferences for risk and uncertainty...Especially a construct called tolerance for ambiguity...Tolerance for ambiguity expresses an individual's demand for information in uncertain environments (Frenkel-Brunswick, 1949; Martin & Westie, 1959; MacDonald, 1970) and seems, therefore, closely related to the conceptualization of uncertainty as a 'deficit in information' (cf. Galbraith, 1973, 1977)." Therefore, managers with low tolerance for ambiguity (low risk preference) are

managers will take risks and permit others to do the same, e.g. carry out new ideas, additional autonomy on tasks. Das and Teng (2004) contend that trust is relevant due to perceptions of uncertainty in interactions. They state, "...when trust is low, risk is perceived as high. The more efficient approach here will be risk averting" (Das and Teng, 2004, p.112). Therefore, high propensity to take risk (i.e. risk willingness) should positively relate to trust. Lewis and Weigert (1985, p.968) perceive trust as a social phenomenon which is based on relationships between individuals in a social system. The study explains that behaviours are reinforced by a combination of cognitive beliefs and affective feelings which may lead to particular attitudinal tendencies in relationships. Managerial perceptions may be skewed towards affect or cognition. In terms of the basis of superior-subordinate relations, cognition-based trust is described by Lee (2004) as "a rational evaluation of an individual's ability to carry out obligations, and reflects beliefs concerning the individuals reliability, dependability, and competence; whereas, affect-based trust reflects emotional attachment" (Lee, 2004, p.625). Cognition-based trust is also defined by Lane (1998) as an expectation-based trust, the common thread that links predictable behaviour and the formation of trust. Hence, cognition-based perceptions are most relevant to contractual trust and competency trust. Affect-based trust can be perceived as similar to goodwill trust (as per Sako, 1992)¹².

Researchers in organisation studies have also identified trust as involving a transaction between two parties in which one party (the trustor) has confident expectation based on the perceived predictability of another party's behaviour (Sako, 1992, 1998). Therefore, another characteristic of the trustor could be trustor degree of expected prediction. Predictability of behaviour is a construct which explains personal attitudes, behaviours and information preferences in situations of uncertainty. It can also be conceptualised as tolerance for ambiguity which expresses an individual's demand for information in uncertain environments, that is, in situations where deficit in information exists (Hartmann, 2000, p.476). Doney et al (1998) identifies prediction as one type of cognitive trust building process where trust is dependent on the superior's ability to forecast the subordinate's behaviour. The higher the level of trust, the less need there is to gather information about behaviour, and hence, a low predictability preference (Langfield-Smith, 2008). The seminal paper of Sako (1992) presents a model based on empirical evidence in

more likely to request greater levels of information from the subordinate, such as progress reports on a task assignment or progress in meeting set targets.

¹²Also applied by Heffernan (2004) Trust formation in cross-cultural business-to-business relationships *Qualitative Market Research: An International Journal*, Vol. 7, No.2, pp.114-125

which a trust typology is introduced identifying three levels of trust: contractual, competence, and goodwill, along with their features, which are quite similar to the Mayer et al. (1995) model of trust¹³. Sako (1992) also associates trusting beliefs with behavioural aspects in exchange relationships, including predictability.

Most of the studies of trust relate trust to beliefs. However, beliefs do not exist in isolation within an individual. Beliefs derive from particular sources including psychological, social, and even institutional sources. Beliefs are generally linked with other factors in an individual's 'world'. An individual's beliefs can be influenced / modified by their actions (behaviour) and reaction to the attitudes and behaviours of others. Trust as a behavioural outcome can involve nature of interactions and interdependencies (Sako & Helper, 1998, and Whitener et al, 1998). Individuals within organisations are dependent on each other to achieve individual and organisational goals. Extent of dependency varies and is often reflected in their behaviour (Mayer et al, 1995). Examples of behavioural outcomes include cooperation or collaboration among managers and trust in role (Zand, 1972). Gillespie (2003) also notes the level of interdependence in the working relationship creates an incentive to build trust. Other studies also find that trust development enhances coordination and information sharing (e.g. Zaheer, et al., 1998), which are necessary elements for purposes of control.

Importantly, the dominant properties of trust in prior studies are: confidence, predictability of behaviour or mutual exchange, and personal characteristics that may encompass such attitudes (beliefs about self e.g. level of risk willingness (level of uncertainty, perceived willingness to be vulnerable), and beliefs about other e.g. confidence in another's ability).

¹³ Appendix 1 presents alternative taxonomies of trust, from which the trust taxonomy of Sako (1992) was viewed as a good choice.

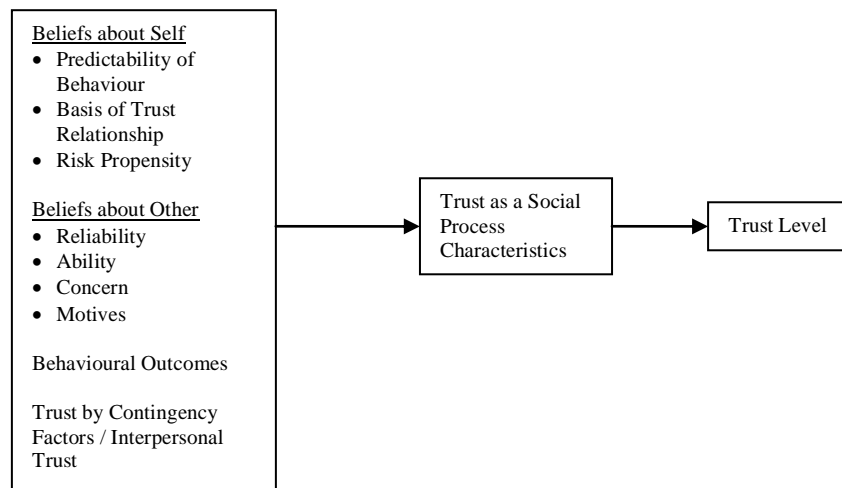


Figure 2-3 Basic conceptual framework for trust

In addition, Figure 2.3 above illustrates the basic framework for the study of trust in this research. It relates trust to a social process in which there are various characteristics that are likely to vary within an organisation as a result of an individual's beliefs about self, beliefs about others, and as involving behavioural outcomes in role as well as interpersonal trust factors. The combination of characteristics alludes to a particular level of trust.

Figure 2.4 shows a few more details which relate to conceptualising trust in context¹⁴. Figure 2.4 represents potential characteristics of trust as categories, properties, and dimensions. More precisely, it relates beliefs about self, beliefs about other, and behavioural outcomes to categories. Within each category there exist features, which this study conceptualises under the heading 'properties'. Within each property, there exist alternative features (alternative perceptions) which are distinguished under the heading 'dimensions' e.g. for perception about basis of trust relationship, cognitive versus affective. Certain dimensions are more representative of a particular level of trust than others. For instance, a perception of high need for prediction of reciprocity in behaviour alludes to a contractual level of trust. Using a similar logic, a perception that subordinates are motivated by self-interests rather than mutual interests alludes to a contractual level of trust, and so forth.

¹⁴ Also, please note that Table 1 in Appendix 1 presents a synthesis of the primary studies of trust and evaluation style.

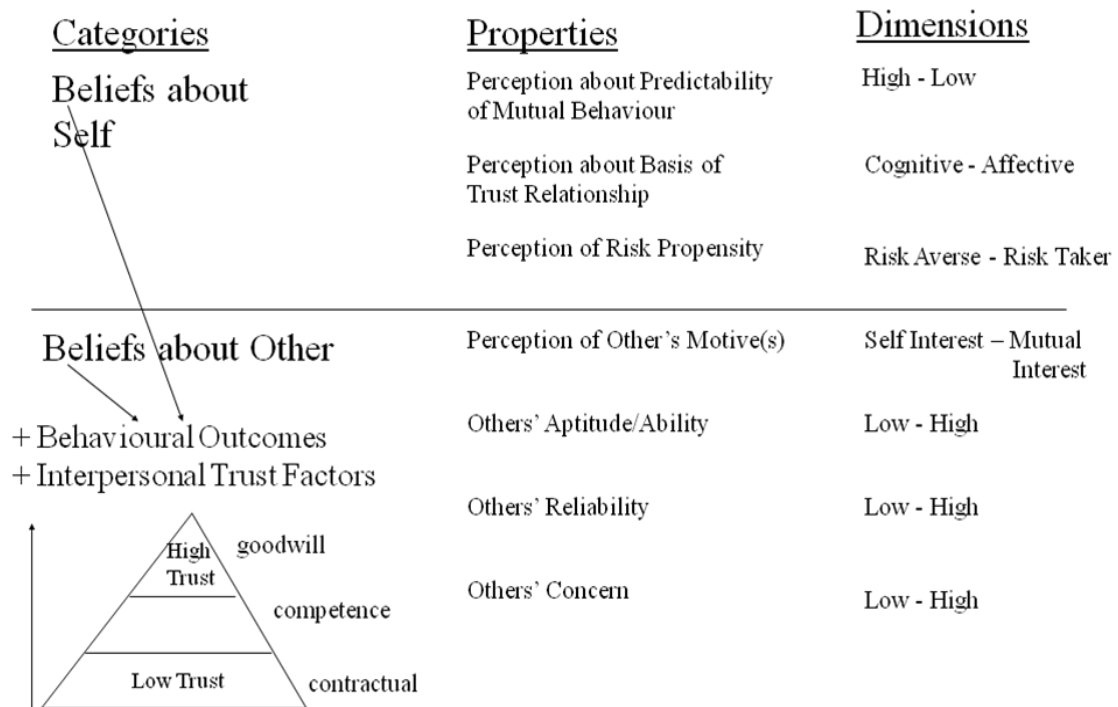


Figure 2-4 Initial Conceptual Framework for Trust

The initial conceptual framework of trust depicts that trust may be determined by features of beliefs about self, beliefs about other, behavioural outcomes, and interpersonal trust factors, occurring along a continua, from contractual trust at one extreme to goodwill trust at the other end. Therefore, trust in this thesis is theoretically defined as the degree of confidence a superior manager has as expressed in beliefs about self (trustor) and beliefs about other (trustee), and as is manifested in behavioural outcomes¹⁵. Using the trust typology of Sako (1992) as a starting point along with other studies to develop definitions of trust levels, the superior-subordinate relationship is characterised by at least a minimum level of trust, which I deem as contractual trust (see also Atkinson, 2004). In addition, each trust level is elaborated as follows:

Contractual trust:

- Contractual trust is conceptualised as a low form/level of trust. Superior manager trust at this level refers to a managerial belief that subordinates will merely adhere to written agreements, keep commitments as typically defined by their contract or

¹⁵ In relation to beliefs, character and characteristics are interchangeable elements that form trust perceptions. Furthermore, investigations into the degree of confidence suggest diverse levels of trust along a continuum, from contractual trust (low trust) at one extreme to goodwill trust (high trust) at the other extreme. Defining trust as a behavioural outcome suggests outcomes of interdependence and reciprocal exchange (e.g. interdependence, sharing information, cooperation) between a dyad (i.e. between superior-subordinate) (see also Chapter 3).

company policies. This level of trust could also involve specific verbal agreements that can also be shown in upholding ethical standards such as keeping oral commitments (Sako, 1992). There are various elements that define a manager as having a contractual level of trust including preference for high prediction of behaviour and risk-averse attitude in role relationship (beliefs about self), belief that subordinates have high ability, are reliable, will meet role definitions but not expected to go beyond written commitments (beliefs about other), and anticipated behavioural outcomes (e.g. monitoring others to ensure their actions are in compliance with standards/rules).

Competence trust:

- Competence trust is conceptualised as a level of trust between contractual and goodwill. Superior manager trust at this level refers to managerial belief that each party can (rather than will) perform at a pre-established level, and therefore, it is defined as “that group of skills, competencies, and characteristics that enable a party to have influence within some specific domain” (Mayer *et al.*, 1995, p. 717). This can include beliefs in the other party’s: expertise at role responsibilities (e.g. exceptional performance; timeliness, accuracy), interpersonal skills, and/or skills to adjust to tasks beyond role responsibilities. Related to the aforementioned, various other elements define a manager as having a competence level of trust including beliefs about self (e.g. cognitive basis of the relationship – that is assumptions are based on the knowledge about others’ characteristics in relation to a specific domain or task, and risk-tolerant attitude to initiative-taking due to knowledge on subordinate), as well as anticipated behavioural outcomes (e.g. less need to monitor others actions in process of task achievement).

Goodwill trust:

- Goodwill trust refers to a willingness to do more than is formally required or expected. According to Sako (1992) goodwill trust is enhanced when a party commits to be responsive to certain requests outside the norm (also Sirdeshmukh *et al.*, 2002), that is, his or her willingness to go beyond the call of duty. Goodwill trust can also be defined as behaviour from one organisational member to place the other member’s interest(s) ahead of their own (Sako, 1992), and is therefore,
-

conceptualised as a high form of trust. There are various elements that define a superior manager as having a goodwill level of trust including beliefs about self (e.g. preference for low prediction of behaviour in role relationship, risk-willing attitude to initiative-taking, and affective basis of the trust relationship i.e. opinions based more on feelings rather than facts), beliefs about other (e.g. belief that subordinates will act out of mutual interests, high concern and go beyond contractual obligations), and anticipated behavioural outcomes (e.g. low monitoring of others, or monitoring as deemed necessary e.g. for needs-based assistance).

So far, trust (and performance evaluation style) from the perspective of the superior has been largely ignored. Despite recognition that trust development in the workplace should be initiated by management (Creed and Miles, 1996; Shaw, 1997; Whitener et al., 1998), the majority of studies have focused on subordinate trust or trust towards management (e.g. Mayer *et al* 1995, and Dirks and Ferrin 2002 research trust in superior). Trust relations based on studies within individual firms are also largely ignored in the extant literature (see Hartmann and Slapnicar, 2009; Connell, Ferres, and Travaglione, 2003; Cook and Wall, 1980).

I have proposed relations between properties of trust and certain levels of trust in role within a work context. As mentioned earlier, trust in superior-subordinate relations is also contingent on several other variables as identified in the literature. The variables time in the relationship (including level of familiarity or knowledge gained from past associations between the trustor and trustee; Lipparini & Sobrero, 1994), nature of the relationship (whether personal or impersonal interactions are preferred), and views on track record of trustee / subordinate experience¹⁶ (Joyce, 1995) are potentially influential properties of trust and in particular trust at the interpersonal layer. Strength of dyadic relations were previously measured by frequency of interactions at work and outside of work (Becerra & Gupta, 2003; Doney & Cannon, 1997), the length of working relationships, and the duration of face-to-face contact per week (McAllister, 1995). Therefore, a first step in beginning to develop an understanding of interpersonal trust in superior-subordinate relations is to examine the nature of interpersonal relationships (Argyris 1965). Relationships do not have to be intimate or personal. Relations can be viewed as impersonal by one or both parties. Superior manager emphasis on familiarity gained from time in the relationship and personal interactions with subordinates may be indicators of

trust beyond the contractual level and potentially the likelihood of use of a more flexible e.g. non-accounting style of evaluation. Familiarity increases use of judgment or gut feelings including as relates to task suitability. It can be assumed that the longer a superior has known a subordinate, the more likely the supervisor is aware of the subordinate's capabilities; hence, it is plausible that the superior will not merely base subordinate task assignment and performance grading on the terms of the contract/cognition, but on affect and subjective judgment (Judge and Ferris, 1993). Lane (1998) observes that interpersonal trust in business relations is rarely offered spontaneously, but requires an extended period of experience. Experience is required in order to know the other person. Tomkins (2001) also propose trust development as dependent on information and learning in the relationship. Experience can happen either through direct contact or through a reliable third party or source. In the case of direct contact, trust develops through personal interaction, given the assumptions on which human expectations / beliefs are based (e.g. general beliefs in others' reliability, ability, and concern such as leading to contractual trust, or a level of trust which is beyond contractual trust). On the other hand in the case of indirect contact, 'symbolic tokens' such as reputation are used to establish experience (Giddens, 1990). Although subordinate experience (track record) is perceived as influential to superior manager use of cognition or affect in the relationship with a particular subordinate, and hence, influential to trust development, trust can also be influenced by actual experiences with the subordinate. Trust is believed to develop over time through duration and the strength of superior-subordinate relations (Blau, 1964; Zand, 1972; Currall and Judge, 1995). Both layers of trust can influence superior-subordinate relations, and indeed may influence managerial perceptions of formal control use. The next section (2.3.2) relates studies that reveal trust in superior-subordinate relations exists in dual layers.

2.3.2 Dual layers of trust

Trust is perceived as crucial to role and interpersonal relations. Authors consider trust as the most vital element in developing good and lasting relationships. In addition to defining trust as a social process comprising beliefs about self, beliefs about other, and behavioural outcomes, trust is conceptualised in this study as potentially existing in two layers. Firstly,

¹⁶ Subordinate experience was not identified as an interpersonal trust variable until after the initial conceptual framework was developed (see Chapter 6).

trust in superior-subordinate relationships is likely to exist in terms of a role basis. To expand on this point, trust is likely at least initially based on the formal work relationship (i.e. a general form of trust which does not consider a specific individual or circumstance, and which is often influenced by functional role responsibilities). Trust is also likely to exist on an interpersonal realm in which trust may be influenced by more interpersonal relational elements. In such cases, trust is perceived as contingent on particular variables or circumstances of the interpersonal relationship with a specific other.

The literature supports trust in business / superior-subordinate relationships as existing in dual bases (e.g. Rousseau et al, 1998). As an example, Dirks and Ferrin (2002) analysed trust research from dual character-based and relationship-based perspectives in order to provide a parsimonious framework on the development and consequences of trust. They conclude that in recognising the multi-dimensional nature of trust it is vital that trust research distinguish between general and specific forms of trust. Other studies that provide evidence for division of trust into two layers or dual bases include Butler (1991), Butler and Cantrell (1984), Johnson-George and Swap (1982), Scott (1980), Driscoll (1978), Ring and Van de Ven (1994), and Six (2004). More specifically, Driscoll (1978) and Scott (1980) treat trust as two sub-constructs – a global component (trust in generalised others) and a specific component (trust in specific others). Ring and Van de Ven (1994) note that execution of commitments in relations may occur through role interactions as well as through personal interactions. They also consider the importance of distinguishing between role relationships and interpersonal relationships as there may be variance in superior assumptions about subordinate intentions and behaviour in role and interpersonal relations, and hence differences in trust perceptions at each layer. Six (2004) also suggests aspects of trust are defined by role (i.e. role relations), and also makes reference to trust in more specific, interpersonal terms as potentially relevant for effective governance. Therefore, investigating beliefs and behaviour in functional interactions are vital to understanding trust in general terms and investigating beliefs and behaviour in more personal interactions are vital to understanding trust in specific terms.

Moreover, Gillespie (2003) also distinguishes between generalised and specific trust (see also Rotter, 1967; Farris, Senner & Butterfield, 1973). She proposes the nature of trust in work relations as two dimensional in which trust has both personal and professional bases. In her study, general trust refers to a personality trait reflecting an individual's willingness to trust others in general across situations and an orientation towards professional aspects of trust including reliability, in comparison to specific trust as relates to more personal

relational bonds. It is also noteworthy that McCauley and Kuhnert (1992) found a general trust in management associated with professional development opportunities at work. Creed and Miles (1996) define general trust as a broad baseline of trust, which exists as a set of expectations among managers who share similar philosophies on organisational realities¹⁷. Busco et al (2006) also define trust along two dimensions – trust in a systematic logic (e.g. routines, procedures, and role) and personal trust. Similarly, Madhok (2006) views trust as comprising two elements – the structural and the social; each of which reinforce the other.

¹⁷ This definition suggests functional context might explain general trust perceptions.

Hence, it is of great importance that research on trust within organisations investigates trust based on role and interpersonal perceptions. Atkinson and Butcher (2003) find little attention has been given to the process of trust (development) in the managerial context, and argue for the existence of alternative forms of trust in managerial relationships; differences in the role and degree of trust by types of social relationship. In particular, they propose that perceptions of trust will differ between networks of short-term relationships, hierarchy, and interpersonal relations (see also Atkinson, 2004). One conclusion of the study is that trust exists in both role (impersonal/general) and personal (interpersonal) forms. From the study's perspective, impersonal trust is based on roles, systems and reputations from which inferences are drawn about the trustworthiness of an individual. Conversely, the personal/interpersonal form of trust is based on specific (intentional) interaction within a particular relationship. Lastly, Gabarro (1978, p.180) provides strong support for role interactions and personal interactions in trusting relationships. He observes that roles and role expectations are part of the context of all social interaction, but are particularly explicitly defined in superior-subordinate role relationships until the development of personal relations (see also Ring and Van de Ven, 1994, p.96). As such, investigations on trust should treat trust as a dual-layered concept. Along these lines of reasoning, I have described the potential characteristics of different levels of trust in role and trust in interpersonal relations (see section 2.3.1). Therefore, my second research question is 'what is trust in the particular research contexts?' It is anticipated that the conceptualisation of trust as a multidimensional construct will enable me to answer this research question through empirical means. Ferrin *et al.* (2006) and others (e.g. Makinen and Seppanen, 2007) claim that the most comprehensive view of such a complex concept as trust can be gained by a multi-disciplinary perspective.

In summary, the literature on trust is generally considered interdisciplinary and broad (Blomqvist, 1997; Hosmer, 1995). However, such diversity may be due to the context in which the trust relationship is situated rather than the research method undertaken (Lane, 1998). Crucially, Hardy and McGrath (1989, p.570) maintain that the components of trust differ in importance and nature according to context, relationship, tasks, situations and people. Trust can be the result of situational circumstances such as functional role differences and interpersonal variables such as time in the relationship. Schoorman *et al* (2007) identify the development of context-specific models of trust as one promising avenue for future research. This section (2.3) has attempted to provide a sound conceptual framework for examining and defining trust in consideration of the research context of

trust in superior-subordinate relations. Harrison et al (1997) purports that frameworks of trust tend to ignore other factors that may affect trust such as the role of management control systems practices (see also Tomkins, 2001, p.169). In attempting to address this gap, I develop a theoretical framework on the associations between trust and performance evaluation style (section 2.5) prior to which the following section (section 2.4) identifies some prior research on associations between trust and aspects of management accounting practice.

2.4 Associations between trust and aspects of management accounting in prior research

There is now a growing body of literature on the relationship between formal (accounting) controls and trust. The majority of these studies have focused on control and trust between organisations (see for instance, Merchant, 1984; van der Meer-Kooistra and Vosselman, 2000; Tomkins, 2001; Langfield-Smith and Smith, 2003; Dekker, 2004; Hakansson and Lind, 2004; Coletti et al., 2005; Mouritsen and Thrane, 2006). Very few studies have focused on the potential association between control and trust within organisations (see for instance, Ross, 1994; Johansson and Baldvinsdottir, 2003). Despite the main concentration of research on the association between trust and control mechanisms in inter-organisational relations, many studies point to potential convergence between organisational and interpersonal perspectives on trust and formal control (see Dekker, 2004; Tomkins, 2001; van der Meer-Kooistra & Vosselmann, 2000, and others).

A much-debated issue in the inter-organisation trust literature is whether trust is a substitute or a complement for formal control mechanisms (Lane 1998; Dekker, 2004, p.33). Some researchers have argued that accounting and trust are substitutes (e.g. Curral and Judge, 1995). In this view trust is perceived as an alternative uncertainty absorption mechanism to accounting information (Langfield-Smith and Smith, 2003). Those who perceive trust as a substitute for accounting argue that where trust is high there will be less need for formal accounting information, but where trust is low there will be more need for formal accounting information (see Das and Teng, 1998; Wicks et al, 1999). In contrast, other researchers have argued that accounting and trust are complements (see Tomkins, 2001; Langfield-Smith and Smith, 2003; Dekker, 2004). From this alternative perspective, it has been suggested that trust may reinforce formal accounting systems.

Some researchers suggest that a substitutive relationship between trust and formal controls such as performance evaluation style exist in which both concepts are inversely related, where higher levels of trust will result in a lower reliance on formal control mechanisms and vice versa. However, this substitutive relationship between trust and formal control will only occur after a certain threshold has been reached, until which point trust is complementary and additive to formal control. Tomkins (2001) develops a theoretical framework on the relationship between trust and information needs of various structures (e.g. buyer-supplier relations, alliances and networks). He notes that in the initial periods of a relationship trust and (accounting) information are additively (positively) related, while they become substitutes in later stages. As such, trust can be both complementary and additive or substitutive to formal control, depending on the period of a relationship. Moreover, Tomkins (2001) purports that all relationships depend on trust to some extent. Tomkins (2001) also considers that trust may influence how accounting information is used by partners in between-organisation relation as well as in within-organisation relations.

Nooteboom (2002) contends that role trust is extrinsic and is formed by hierarchy (i.e. politically constituted; see also Hakansson and Lind, 2004) or by markets (i.e. reputation). This form of trust involves participation that protects the interest of individuals or groups. This type of trust is also defined by individualistic interests (that is, self/individual desires and needs e.g. promotional aspirations), as well as communication and information sharing that are only instrumental. In such cases, trust is a highly predictable expectation (i.e. as defined by Nooteboom, trust is a confident expectation that the other will perform a particular task which is important to trustor due to predictable knowledge). Also, the accounting system in instances of extrinsic trust involves formal control, contracting, close monitoring (all complementary to low trust), and accountability which is enforceable by contract, threat of punishment, and monitoring/checking in instances of extrinsic trust. Such associations might also be characterised by under-socialisation (impersonal associations), self-interest, and rational (cognitive decision-making) in relationships. On the other hand, higher levels of trust such as goodwill trust and performance evaluation styles such as a non-accounting style might be more evident in interpersonal relations (i.e. specific situations). Moreover, interpersonal trust is perceived by Nooteboom (2002) as a more intrinsic form of trust, in which relations are formed by experiences and more constituted by social relations (i.e. clans, see also Ouchi, 1979; Hakansson and Lind, 2004). There is also increased scope for participation in and control over decision-making

in relations involving interpersonal trust. Such relations are proposed by Nooteboom as defined by mutual interest, that is, practices that provide occasions for mutually interested behaviour, affective relations, sense of identity and autonomy formed by information sharing and based on goodwill (i.e. expectations of relations and actions of mutual benefit in events of unpredictable circumstances). The accounting system in these cases is largely based on social control (i.e. trust-based control), based on informal community-oriented and interpersonal relations in which accountability/responsibility is enhanced by trust instead of formal control (Nooteboom, 2002; Manochin, 2005).

Mayer and Gavin (2005) study the relationship between employee's trust in management, their behaviour, and performance. The study suggests trust occurs at different levels in different circumstances, and also suggests the potential for trust to interact with elements in the performance management process (e.g. degree of reliance on financial / accounting information¹⁸). Similarly, Woolthius et al (2005) conducted four longitudinal case studies using a two-by-two factorial design of high/low trust and high/low formal control in order to provide insight into the interplay between inter-organisational trust development and formal control (i.e. contractual agreements). They show that trust can be a precondition for formal control, and likewise formal control can be a sign of trust. For example, signing a contract can be seen as a sign of commitment. They conclude that the relationship between trust and formal contracts is complex and dynamic, with different meanings of both existing in different environments, and lastly, trust and formal control can be both complements and substitutes.

In addition, there are studies that investigate trust and MA mechanisms, which also show the role of context. Whitley (1999) examined the relation between management control systems and the organisational and societal context in which they operate. He observed the extent that formal control is exercised and the scope of information used in the system, and concluded that close control over behaviour is likely to be found in contexts with low trust. Therefore, the role of formal accounting procedures such as formal performance evaluation style in relation to trust development may emphasise the presence of mainly close control, self-interested behaviour, and aversion to risk-taking / vulnerability. When high levels of trust exist, there may be no need for a contract, and therefore, high levels of trust in human interactions may replace (substitute for) formal accounting/control mechanisms. Whitener et al (1998) also find that organisations or units within organisations with a high degree of

centralisation and formalisation, and a primary focus on outcomes (e.g. efficiency in results) will constrain the development of trusting behaviour such as delegation of decision-making authority. However, low control organisations or units, characterised by greater decentralisation, lower formalisation, and a focus on effective processes (operations), will enable trustworthy behaviour, making managers more likely to delegate decisions and openly share information. Lastly, Hartmann and Slapnicar (2006, 2009) investigate the association between the formal performance evaluation system, subordinate trust, and managerial perceptions of justice and feedback. In their study, justice and feedback are found to mediate the relationship between trust and formal evaluation. Also, formality of use in the performance evaluation process is found to positively influence subordinate trust perceptions in superior and to lead to higher superior expectations of trust. Hence, the study demonstrates a unidirectional relationship - trust is a consequence to formal control use in the study. Hartmann and Slapnicar contend that superior's choice may enhance trust by signalling their intention to uphold routines and standards of honesty and clarity, which explicit measures such as budget-related criteria provide (cf. Lau & Buckland, 2001; Lau & Shohilin, 2005). Hence, the study also shows that superiors differ in the extent to which they use available systems and choose to apply explicit or implicit measurement as well as their trust formation (Hartmann, 2000; Moers, 2005). They find formality matters more for trust formation for those managers that are in functions with less contractible outputs (Hartmann and Slapnicar, 2009, p.1). This final reviewed study presents a possibility that the association between trust and performance evaluation style could vary by context (see also Ferreira and Otley, 2009; Hartmann, 2000).

The studies mentioned in this section present just a rough idea of the alternative viewpoints on trust and formal control (see also table A1.1 in Appendix 1). The majority of the studies mentioned in this section recognise that the ways in which people are controlled may influence or be influenced by trust. In so doing, I propose that the association between trust and performance evaluation style is likely complementary and substitutive, meaning that trust could influence performance evaluation style and performance evaluation style could influence trust in complementary and substitutive manners, depending on perceptions and contextual features of the relationship¹⁹. Seal and Vincent-Jones (1997) suggest that it is necessary to specify the empirical conditions under which

¹⁸ According to prior literature trust is usually based on expectations of performance, but this can be further established with information requirements such as reliance on financial or non-financial information.

¹⁹ In the circumstance of superior-subordinate relations such as this present study investigates, one of the most important contextual features is task contractibility (see Chapters 3 and 4).

formal accounting / accounting processes are supportive or compatible with trust (i.e. complementary), as well as those conditions under which formal accounting / accounting processes and trust are unsupportive (i.e. substitutes). The next section (2.5) endeavours to highlight the alternative conditions under which trust and performance evaluation style are viewed as supportive or unsupportive of each other through introduction of a conceptual matrix of potential linkages.

2.5 Pulling together trust and performance evaluation style into a coherent theoretical approach

The concepts of trust and performance evaluation style are both associated with attitudinal and behavioural interactions of superiors and subordinates within organisations (Lau and Buckland, 2001; Emmanuel, Otley, and Merchant, 1990; Otley, 1978; Hopwood, 1972), and the study of interaction between both concepts is essential to understand the effectiveness of management accounting and control practices (see Covaleski et al, 2003). To date, understanding of trust, performance evaluation style, and their associations within the context of superior-subordinate relations is paltry at best. I propose that it is necessary to develop a theory of superior manager choice which links trust and performance evaluation style in superior-subordinate work relations from the perspectives of superior managers. Therefore, my third research question is ‘how is trust and performance evaluation style linked?’

I endeavour to find out whether the association between the particular performance evaluation style and trust level (e.g. whether budget-constrained and contractual, or other style and trust combination) evidenced in the empirical settings is complementary or substitutive. Therefore, in order to answer the third research question it is necessary to investigate the meanings of trust and performance evaluation style in the empirical settings. The meaning of each concept is addressed by the first and second research questions. The answers to the third research question, ‘how is trust and performance evaluation style linked?’ will hopefully reveal whether trust is influential to performance evaluation style, and/or whether performance evaluation style is influential to trust, as well as the roles each play in management control (target-setting, evaluating and rewarding subordinate performance) and in evaluator-evaluated / superior-subordinate relations. In order to begin this discourse, I will firstly present a series of propositions on trust,

performance evaluation style, and their linkage in section 2.5.1 based on the review of literature in the earlier sections. I will also attempt to introduce a theoretical framework of how trust and performance evaluation style are likely linked in section 2.5.2.

2.5.1 Research Questions and Propositions

Section 2.2 of this chapter argues a particular style can be identified by superior inclination to certain aspects of information use in target setting, evaluating, and rewarding. I also utilise Hopwood's (1972) management styles of performance evaluation, and in so doing, suggest that managerial choice of formal control use lays on a continuum from a 'budget-constrained performance evaluation style' to a 'non-accounting performance evaluation style' with a 'profit-conscious performance evaluation style' at the mid-continuum. I also introduce certain features that are likely characteristic of each particular style. Therefore, with these features in mind, propositions relating to examination of performance evaluation style are:

Proposition 1. Performance evaluation style is a multidimensional, management accounting process which is context-dependent.

Proposition 1a. A particular performance evaluation style can be determined by investigating managerial perceptions of features of formal control use i.e. type of information and how information is used in target setting, evaluating, and rewarding.

Proposition 2. Performance evaluation style is a function of perceived information content/emphasis, perceived manner of information use, and perceived level of employee participation characteristics in target setting.

Proposition 2a. If use of financial (quantitative) information relative to nonfinancial (qualitative) information dominates manager perception, the more likely a budget-constrained performance evaluation style.

Proposition 2b. If use of a narrow range of indicators relative to a wide range of indicators dominates manager perception, the more likely a budget-constrained performance evaluation style.

Proposition 2c. If use of information in the short-term relative to the long-term dominates manager perception, the more likely a budget-constrained performance evaluation style.

Proposition 2d. If high participation of subordinate relative to low participation of subordinate in target setting dominates manager perception, the more likely a budget-constrained performance evaluation style.

Proposition 2e. If rigidity relative to flexibility in setting targets dominates manager perception, the more likely a budget-constrained performance evaluation style.

Proposition 2f. If use of past information relative to future information dominates manager perception, the more likely a budget-constrained performance evaluation style.

Proposition 3. Performance evaluation style is a function of perceived frequency of assessment interactions, perceived supervisor focus in assessments, and perceived extent of scope for flexibility in assessment characteristics in evaluating.

Proposition 3a. If focus on objectivity relative to subjectivity in assessments dominates manager perception, the more likely a budget-constrained performance evaluation style.

Proposition 3b. If inflexibility relative to flexibility in evaluative scope dominates manager perception, the more likely a budget-constrained performance evaluation style.

Proposition 3c. If frequent assessment interactions relative to infrequent assessment interactions dominates manager perception, the more likely a budget-constrained performance evaluation style.

Proposition 4. Performance evaluation style is a function of perceived reward type for employee motivation, and perceived flexibility/transparency characteristics in rewarding.

Proposition 4a. If subordinate preference for use of monetary rewards relative to non-monetary rewards for motivation dominates manager perception, the more likely a budget-constrained performance evaluation style.

Proposition 4b. If transparency (stringency) in rewarding relative to non-transparent (leniency) in rewarding dominates manager perception, the more likely a budget-constrained performance evaluation style.

These propositions expound on the earlier conceptualisations of performance evaluation style and hopefully introduce more clarity in order to answer the first question: ‘What is sent performance evaluation style in the particular research contexts?’

Section 2.3 of this chapter argues that a superior’s trust level is dependent on his / her beliefs about self, beliefs about other, as well as behavioural outcomes and trust by contingency factors. A particular trust level can be identified by superior partiality for certain features of these categories. I also utilise Sako’s (1992) trust typology, and in so doing, suggest that managerial choice of trust lays on a continuum from a ‘contractual level’ to a ‘goodwill level’ with a ‘competence level’ at the mid-continuum. Therefore,

propositions relating to examination of performance evaluation style involve identifying those features that are likely characteristic of a particular trust level:

Proposition 5. Trust is a multidimensional, social process which comprises two layers (role and interpersonal) and is context-dependent.

Proposition 5a. A particular trust level can be determined by investigating managerial perceptions of features of degree of confidence as expressed in beliefs about self (trustor), beliefs about other/s (trustee/s), and behavioural outcomes interactions.

Proposition 6. Trust is a function of propensity to take risks, predictability of behaviour preference, and basis of the trust relationship assumptions in beliefs about self.

Proposition 6a. If low propensity to risk relative to high propensity to risk dominates manager belief, the more likely a contractual level of trust.

Proposition 6b. If high predictability of behaviour preference relative to low predictability of behaviour dominates manager belief, the more likely a contractual level of trust.

Proposition 6c. If cognitive basis of the trust relationship relative to affective basis dominates manager belief, the more likely a contractual level of trust.

Proposition 7. Trust is a function of reliability, ability, concern and mutual interest assumptions in beliefs about other.

Proposition 7a. If low reliability relative to high reliability dominates manager belief, the more likely a contractual level of trust.

Proposition 7b. If low ability relative to high ability dominates manager belief, the more likely a contractual level of trust.

Proposition 7c. If low concern relative to high concern dominates manager belief, the more likely a contractual level of trust.

Proposition 7d. If low mutual interest (high self interest) relative to high mutual interest (low self interest) dominates manager belief, the more likely a contractual level of trust.

Proposition 8. Trust is a function of behavioural outcomes assumptions.

Proposition 8a. If low interdependence relative to high interdependence dominates manager belief, the more likely a contractual level of trust.

These propositions expound on the earlier conceptualisations of trust and hopefully introduce more clarity in order to answer the first question: ‘What is trust in the particular research contexts?’

All of the propositions of performance evaluation style and of trust are partial, that is, they relate to tentative empirical patterns derived primarily from the literature. Section 2.5.2 below develops on these propositions through identifying possibilities in association between features of trust and features of performance evaluation style, and hence, provides a blueprint to answering the third research question: how is trust and performance evaluation style linked?

2.5.2 The development of a conceptual matrix

The development of a conceptual matrix (or framework) sought to capture potential linkages between trust and performance evaluation style²⁰. It allows for display of potential characteristics of each type of performance evaluation style and each level of trust that may be evident in instances of complementarity or instances of substitution. In section 2.4 I argued that the type of association (i.e. whether complementary or substitutive) will differ for alternative forms of trust and performance evaluation styles. To recap, the general arguments for a substitutive relationship are that trust and formal control (e.g. use of accounting mechanisms) are inversely related. Therefore, when more trust is evident there is less use of formal control mechanisms, and vice versa (see Shore and Wright, 2000). On the other hand, the complementary relationship argument suggests that trust and formal control use are additively related and an increase in the level of either trust or a mechanism of formal control results in a higher level of control (Das and Teng, 1998). Moreover, the matrix does not propose the particular direction of cause-effect relations between trust and performance evaluation style. Rather than propose trust as influential to performance evaluation style or style as influential to trust, the original matrix is an open formulation so that the empirical data could provide the specific directions of interaction²¹. It also provides a basic blueprint to support data analysis.

²⁰ A framework with multiple dimensions does not limit meanings that can be drawn from field data. Hartmann (2000, p.475) shows that such "...frameworks may also lead to a better understanding of the diversity of roles that APM (accounting performance measures) play in the (control) relationship between superiors and subordinates. In particular, they would allow an explicit integration of attempts to provide practical recommendations for using APM, since they would more broadly consider the options and trade-offs superiors face in choosing performance measures...These attempts could eventually result in a theory of superior choice, which is not available now."

²¹ Nonetheless, proposal of performance evaluation style and trust as complements and/or substitutes shows potential for mutual causality.

Managers may choose from various features of each type of performance evaluation style and each of the trust levels. However, certain levels of trust and certain styles features are supportive (complementary) and others are unsupportive (substitutive). As a result of the literature reviews and resulting *a priori* conceptualisations and propositions for each concept, I was able to amalgamate the levels of trust with performance evaluation styles into a 3 x 3 matrix. There are nine cells in the matrix and each cell represents an association between a particular performance evaluation style and trust level. In order to relate the type of association between trust and style it is important to investigate the factors that may be present at each particular level of trust and each particular style of performance evaluation. Starting with blank cells, the identification of principal dimensions of each level of trust and each corresponding performance evaluation style were filled into the appropriate fields (Bryman and Burgess, 1994, p.189). For example, a contractual level of trust is likely to relate to a risk-averse attitude, greater managerial preference for prediction (i.e. need to possess more information), and rationality and formality in relations with subordinates. A budget-constrained performance evaluation style is likely to include proposed features of rigidity / formality in target-setting and objectivity in evaluating. Therefore, it can be seen that a contractual level of trust and a budget-constrained performance evaluation style are likely complements. They both result in higher formal control. The first cell in the matrix, A1, represents this complementary (supportive) association (see table 2.1 below).

The diagonal fields (A1, B2, and C3) represent optimal complementary associations for trust and performance evaluation style. The non-diagonal fields represent the substitutive associations. Theoretical underpinning as per this matrix is that different configurations are plausible given managerial perceptions and various contextual and contingency factors such as length of the relationship that might impact the link between style and trust. Nonetheless, each cell in the original matrix (table 2.1) does not show all of the potential features of each level of trust and performance evaluation style – it does not include the contextual and interpersonal /trust by contingency factors.

Table 2-1 Original Matrix of Potential Trust and PES Linkages

Trust Levels	Performance Evaluation Style		
	Budget-constrained PES (1)	Profit-conscious PES (2)	Non-accounting PES (3)
Contractual Trust (A)	<ul style="list-style-type: none"> - Short-run targets e.g. meet budgets, deadlines (in 1-6 months period) - Frequent evaluation - Monetary rewards - High predictability of behaviour via 	<ul style="list-style-type: none"> - Medium-run targets e.g. 6-12 months to improve profits - Mixed formula-based and subjective evaluation - Mixture of monetary and non-monetary rewards 	<ul style="list-style-type: none"> - Long-run targets e.g. improve cooperation, worker attitude overtime - Flexible, infrequent evaluation - Nonmonetary rewards - Superior-Subordinate relations based

	pursuit of contractual obligations - Keeping written promise/ low reliability -Belief in other high focus on self-interest i.e. extrinsic motivation e.g. salary	- Aversion to risk-taking means controlling for reputation risks and rigidly establishing and enforcing means-ends relations - Belief in low concern of other	on facts (more formal) - Rational expectations of behaviour - Belief in other keeping obligations, including oral promises
Competence Trust B)	- Narrow range of evaluation criteria - Focus on historical trends for target-setting - Tight/rigid guidelines in evaluating process - Medium Predictability of behaviour via focus on compliance with technical and managerial standards - Belief in other ability to meet and exceed the targets / prescribed performance standards	- Medium range of criteria - Focus on present trends for target-setting e.g. efficiency and error minimization - Quantitative and qualitative factors - Risk-neutrality - Skills enable provision of explanations for (independent) decisions and ability to inform superior of problems in advance - Belief in other skill to adjust (in event of increased task delegation/ responsibilities)	- Wide range of evaluation criteria - Focus on future trends for target-setting - Relaxed/lenient guidelines - Qualitative factors emphasised - Superior-Subordinate relations based on mainly facts as well as some feeling - Moderate expectation of benevolence due to interpersonal skills - High reliance on aptitude due to high focus on adequate training
Goodwill Trust (C)	- High participation in determining work roles - Monetary rewards based on company manual, individual performance - Low predictability of behaviour via pursuit of additional, non-contractual responsibilities - High focus on intrinsic motivation e.g. value congruence - Belief in other willingness to take initiatives/ actions outside contract (e.g. work overtime to meet shared objectives)	- Medium participation in determining duties Rewards based on company-wide/team performance / collective incentives and individual performance - Affective basis of relations enables high participation to take place - Willingness to take on risks - Belief in accommodating needs-based assistance of others (demonstrating concern at own potential expense)	- High emphasis on qualitative factors - Rewards based on superior judgment - Superior-Subordinate relations based on feelings (affect) - High expectation of benevolence - Sharing control / task delegation - Commitment to act in company's best interest even at cost of (not meeting) personal target

The following examples are presented in order to explain how the matrix was filled in and how it comprises tentative associations between particular styles and levels of trust:

- As highlighted earlier in this section, Cell A1 represents a complementary association between a budget-constrained style of evaluation (which is likely to involve greater emphasis on meeting short-term, quantitative targets, historical trends, narrow range of measures, objective evaluation, frequent assessment, and monetary rewards, et cetera) and a contractual level of trust (likely represented by perceptions of aversion to risk-taking, cognitive basis of relations, low reliability, low concern, et cetera). In this regard, a manager is likely to emphasise meeting targets (e.g. budgets or deadlines) on a short-term basis and keeping written promises. Expectations of subordinate meeting objectives as only outlined within the contract / job description is one feature of contractual trust. Job descriptions are quite narrow/specialist in focus, and do not include all the possible tasks an organisational member could take on or extra-role behaviours. Hence, if a manager emphasises the contract this enables high prediction to occur. The short-term [transitory] nature of contractual trust and budget-constrained performance evaluation style features supports likelihood of complementary association²².

²² Certainly, the majority of studies seem to relate aspects of trust of a contractual nature to a budget constrained performance evaluation style (e.g. O'Connor, 1995).

- Cell B2 shows potential complementary association between a profit-conscious style of evaluation and competence trust. A profit-conscious style of evaluation (characterised by emphasis on present trends, medium-term elements such as cost minimisations and operational efficiency, and a mix of quantitative and qualitative criteria, etc) might complement a competence trust level (viewed as an intermediate form of trust which is between contractual and goodwill, with trust placed on characteristics of ability and skill e.g. technical expertise in role, skill to adjust, interpersonal skills, et cetera).
- Cell C3 shows a potential complementary association between a non-accounting style of evaluation and goodwill trust. A non-accounting style of evaluation is characterised as involving high degree of emphasis on meeting longer term goals, focus on future trends, wide range of measures including emphasising qualitative information such as worker attitude, non-frequent evaluation, rewarding based on superior judgement and non-monetary rewards. A goodwill level of trust is characterised by more benevolent expectations of subordinates such as concern to the extent of potential to act in interests of company/unit over their own performance. Goodwill trust is also likely to involve superior manager personal affect in relations, belief in greater autonomy/responsibility and therefore, less emphasis on prediction of behaviour, greater emphasis on worker development including subordinate capacity for learning outside of role activities. On this note, targets and job descriptions are not necessarily static. They can change for a number of reasons. For instance, they can change due to promotion, special project/task force assignments, or due to sharing control / task delegation by the superior. This cell captures the potential dynamism. Goodwill trust and non-accounting performance evaluation style characteristics both allude to informal elements of control. Features of goodwill trust can represent non-accounting elements e.g. emphasis of superior on worker development.

The other cells represent potentially substitutive associations. As substitutes, trust and performance evaluation style are likely at odds. For instance, goodwill trust and budget-constrained style may both be viewed as alternative instruments of control in work relations. I will briefly describe Cell C1 to illustrate this point. Cell C1 shows several potential characteristics of a budget-constrained style along with several characteristics of a goodwill level of trust. A budget-constrained performance evaluation style may foster more formality, in that it may be characterised by participation in determining work roles, rewarding based on the company manual and individual subordinate performance, et

cetera. Whereas, a goodwill level of trust may foster informality in that it may be characterised by superior emphasis on responsibilities beyond contract, subordinate willingness to take actions outside normal role, and therefore, low predictability of behaviour, which does not match the formality (prediction, precision required) for a budget-constrained performance evaluation style. Rewarding may be more informal, intrinsically motivated, and group-based in the event of goodwill trust rather than monetary, extrinsically motivated, and individual-based. As another example of substitutes, Cell B1 relates competence trust to characteristics including ability to meet and exceed targets set, which are unsupportive to budget-constrained style characteristics including maintaining tight/rigid guidelines. Similarly, the association between profit-conscious performance evaluation style and contractual trust is unsupportive as per A2. For instance, a manager that perceives low concern of other, aversion to risk-taking, and so on, is unlikely to use a mixture of formula and subjective evaluations, and vice versa. In such instances of low trust beliefs e.g. low reliability, low ability, and low concern beliefs, a manager is more likely to prefer shorter-time horizons so that he or she can monitor subordinate performance, and is also likely to prefer formula-based evaluations. C2, Profit-conscious style (characterised by features such as mixture of monetary and non-monetary rewards and medium participation in setting targets) is likely at odds with a goodwill level of trust (characterised by features such as willingness to take on risks, affective relations). Similar lines of reasoning follow for the other cells – A3 and B3.

The proposed associations between trust and performance evaluation style are merely conceptual, but it is hoped that they will also apply to the empirical research setting. Therefore, the matrix is bound to change as the writer derives theory from empirical data (see Chapter 7).

2.6 Summary of literature review

In this chapter the literature relating to performance evaluation style and trust is reviewed. As it relates to the overall presentation of the thesis the review of the literature highlights the importance of studying performance evaluation style and trust as management accounting and social processes within the context in which they occur. Both performance evaluation style and trust are considered to be complex, dynamic, multidimensional processes that have diverse theoretical and empirical underpinnings. Therefore, whilst the

chosen definitions and conceptual frameworks of trust and performance evaluation style, their selected constructs (categories, properties, and dimensions) may not be comprehensive in this study, they are justifiable by the extant literatures (see sections 2.2 and 2.3). In particular, Hopwood's (1972, 1973) typology of styles was used as a basis and Sako's (1992) trust typology was used in order to distinguish between different managerial trust levels.

Existing empirical research on trust and research into performance evaluation style has extensively examined subordinates' beliefs, but has done much less to identify the specific details of practice that influence these beliefs, or to examine the differing alternative combinations of trust and performance evaluation style from the perspective of the superior. As far as I am aware, this study is the first to examine the interaction(s) between trust and performance evaluation style from the perspective of the superior manager. A theory of managerial choice which links trust and performance evaluation style will provide a novel contribution. By combining the concepts of trust and performance evaluation style, our knowledge of superior-subordinate relations and managerial control can be enhanced. The final sections of this chapter make a case for viewing associations between trust and performance evaluation style as potentially complements and substitutes (section 2.4). Finally, section 2.5 presents a conceptual matrix of potential linkages between trust and performance evaluation style as especially useful to aid data collection and data analysis. The concrete expectations (propositions and conceptual matrix of section 2.5) enable the reader to be guided from gaps through opportunities presented in chapter 2, towards the method of study in chapter 3²³, and ultimately the findings in the later chapters. To this end, the following chapter, Chapter 3, describes the research approach. In particular Chapter 3 discusses considerations in choosing a particular methodology and methods of data collection and evidence analysis that will enable contextual interpretations of sent performance evaluation style and trust perceptions.

²³ These propositions lead to the need for qualitative depth field research that enables interpretation of meanings derived in context.

Chapter 3 Research Methodology and Methods

3.1 Introduction

This chapter explains how the research inquiry developed and how empirical justifications were generated during the course of the research (see section 3.2). The study adopts a Middle Range approach to methodology (see section 3.2.1) which allows for qualitative approaches to evidence collection and data analysis (section 3.2.4).

The explanation of the data collection and analyses stages of the research process developed in the later sections of the chapter (sections 3.2.3 to 3.2.8). Summarily, the sequences of contact with participants, research ethics, methods of analysis, and reporting of findings are described in the later sections of this chapter. The chapter concludes with a reminder of the outcomes of this research process and how it aligns with my research approach.

3.2 Research Design

3.2.1 Middle Range Thinking as Methodology

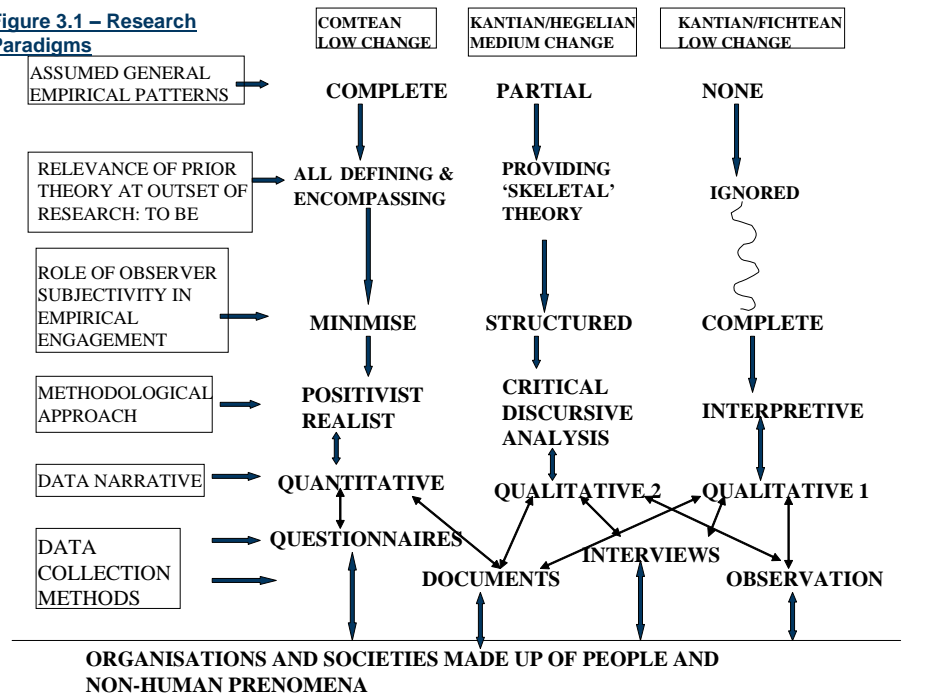
Morgan and Smircich (1980) state that any research method, whether qualitative or quantitative should not be accounted for in a detached manner, since the choice and adequacy of a method includes a variety of assumptions concerning the nature of knowledge as well as the methods through which that knowledge can be attained. So, it is vital to understand philosophical issues, since these perspectives can assist in refining the research process (Easterby-Smith et al., 2002). In support of this, Burrell and Morgan (1979, p.37) maintain, “all approaches to social science are based on interrelated sets of assumptions regarding ontology, human nature, and epistemology”. Ontology involves the assumptions we make about the nature of reality; epistemology is the general set of assumptions about the best manner of inquiry concerning the nature of the world (Easterby-Smith et al., 2002). Related to these assumptions is choice of a particular research paradigm. A research paradigm is a set of beliefs about the nature of reality, the nature of

the relationship between researchers and the subject of study, as well as the methods through which knowledge can be achieved (Guba and Lincoln, 1994; Locke, 2001). It is generally accepted that two extreme focal epistemological stances exist in social sciences research: positivism and phenomenology. Positivism is an objectivist approach which assumes that reality is concrete, and hence, external to the observer. Prior literature defines and encompasses the research approach, which means that subjective engagement of the researcher with the research inputs and outputs is minimal; the observer is assumed to be independent from the inputs and outputs. The ontological perspective under positivist research paradigms is often representationalism, which seeks to verify hypotheses, that is, aims to test theory or verify predictions of reality, deduce causality and arrive at statistical generalisations from the data. Data are of quantitative nature and data collection methods include survey questionnaires and laboratory experiments.

At the other end of the research spectrum, phenomenological insight involves subjectivity in research. Prior literature, theories, and empirical research are largely ignored in favour of complete subjective engagement of the researcher with the research inputs and outputs. For this reason, phenomenological perspectives are generally viewed as interpretive research paradigms, in which reality is a projection of human imagination and social construction. Phenomenological perspectives are primarily concerned with generating or refining theory rather than theory testing. In this sense, experiences and situations associated with phenomena under study are dependent on meanings - the labels and names given to the events by humans (Easterby-Smith, et al., 2002). In addition, the ontological perspective of phenomenological research paradigms is often referred to as nominalism, which seeks to inductively produce analytic generalisations. Research methods under this paradigm are normally exploratory in nature. Research design choices under a phenomenological paradigm include grounded theory, ethnography, and field studies. Data are qualitative in nature, and primarily encompass data gathering through observations and/or interviews (Morgan and Smircich, 1980).

Laughlin (2004) presents a critique of methodological choices based on alternative research paradigms. The diagram below, figure 3.1, shows three alternative research approaches, each distinguished by six variant factors: assumed general empirical patterns, relevance of prior theory at outset of research, role of observer subjectivity in empirical engagement, methodological approach, data narrative, and data collection methods.

Figure 3.1 – Research Paradigms



Source: Laughlin (2004), "Putting the record straight: A Critique of Methodological Choices..."

Figure 3-1 Alternative Research Paradigms

As figure 3.1 illustrates, the Comtean School is associated with positivist methodological approaches to research, and the Kantian/Fichtean School is associated with interpretive (phenomenological) perspectives. The research paradigm represented in between the two extremes is the Kantian/Hegelian school. It is a research paradigm at which Kantian/Fichtean and Comtean perspectives converge. In comparison to the extremities, this paradigm calls for combining prior theory with field insights. Dependence on prior theory is mid-level on a continuum from high to low dependence, in which prior research is assumed to provide partial empirical patterns of generalisation. The Kantian/Hegelian paradigm acknowledges the need to use prior literature/theories at the outset of research and even during the research process in order to provide skeletal insight. The role of the observer in a Kantian/Hegelian approach is one of structured or managed subjectivity. Subjectivity is managed by the relevance of prior theory to shaping the research (i.e. providing insight to research input and research output). Within this perspective, the most appropriate methodological perspective is one which encompasses critical discursive analysis. Data is normally collected from interviews, observations, and documents. The data narrative collected from the field is qualitative, and provides the flesh on the skeleton. Methodological approach, data narrative, and data collection methods influence each other. Figure 3.1 displays these interactions through the two-way arrows.

Having an understanding of the alternative research paradigms makes it easier to choose the most appropriate methodological approach which best fits my beliefs and best describes my research process. Chapter 2 presents arguments for study of trust and performance evaluation style in a manner which diverges from the conventional Comtean paradigm²⁴. The review of the literatures highlight the importance of studying performance evaluation style and trust as accounting and social processes, considering the contexts in which they occur. I propose that it is necessary to develop a theory which links trust and performance evaluation style in superior-subordinate work relations based on the perspectives of superior managers. Therefore, my research is primarily concerned with theory building. The definitions of performance evaluation style and trust presented in Chapter 2 also imply that both concepts are dependent on meanings given by superior managers based on social interactions with subordinates. For this reason, trust and performance evaluation style should be studied in a manner which allows for managerial insights, reflecting reality as a projection of human imagination, experiences, and social construction. Investigation of perceptions enables interpretive enrichment²⁵. Using prior theories and empirical research provide a skeletal understanding of each concept and their linkage, which helps better manage researcher subjectivity / bias when engaging with the actual field data. I developed *a priori* conceptual frameworks of trust and performance evaluation style in Chapter 2. The intention of doing this is to not only shape my approach to data collection (e.g. what factors to include in my research instrument), but to also provide a structure for sense-making after data collection.

Clearly, my research underpinnings point to a Kantian/Hegelian research paradigm. Within the Kantian/Heglian paradigm there exist methodology and data collection choices.

²⁴ Much of the prior research in the trust and performance evaluation style literatures is largely positivist in research design. Researchers mainly apply multi-item, Likert-type scales in questionnaire surveys (e.g. Hopwood, 1972; Milani, 1975; Lau & Buckland, 2001) and use statistical psychometric tests (e.g. Rotter, 1967; Johnson-George and Swap, 1982; Rempel, Holmes, and Zanna, 1985; Cummings and Bromiley, 1996 and OTS/Organizational trust inventory based on a survey instrument) to study performance evaluation style and trust. However, pre-established patterns of connections between trust and style are still not well-defined in different contexts.

²⁵ The following definition of 'interpretive' is given as 'social reality [as] emergent and subjectively created yet (successively) objectified in social [interaction]' (Ahrens, 2008, p.296). Further, Gould, (1981, pps. 21-22) states, "Science, since people must do it, is a socially embedded activity. It progresses by hunch, vision, and intuition. . . . Facts are not pure and unsullied bits of information; culture also influences what we see and how we see it. Theories, moreover, are not inexorable inductions from facts." Hence, the nature of interpretive social constructivist research is inductive and deductive. The researcher sought a balance between objectivity and subjectivity when immersion into the data occurred. For example, use of coding agenda and inter-coder reliability, as well as openness to alternative viewpoints [of participants and others] enabled a degree of objectivity / objective judgement. Sensitivity (subjectivity) was achieved through insight from prior experience, perceiving meanings in the data, and was also helped by an awareness of the literature (i.e. theories).

On choice of methodological approach within the Kantian/Heglian paradigm, Merchant and Otley (2007) provide hints of the benefits of adopting a Middle Range thinking approach to methodology in Management Accounting research. They state, Laughlin's middle range approach "tries to distinguish between those aspects of theory that are indeed universal and invariant over time (the skeleton) and those aspects that are contingent on specific, local circumstances (the flesh). In any specific setting, both elements will be required in order to explain (or perhaps predict) the behaviours that a specific control system design and use might engender" (p.791).

Middle Range Thinking (also called middle range theory; henceforth referred to as MRT) was developed by Richard Laughlin (1995, 2004, 2007), and is a research approach primarily informed by the work of Jurgen Habermas, a German critical theorist. It is a methodological approach which encompasses critical discursive analysis. Roslender (2006, p.255) states, "In Laughlin's view, Critical Theory is ideally suited to the study of accounting systems in their organisational contexts on a number of grounds. It provides a means of addressing both the technical and social aspects of accounting...draws attention to the creative potential of human agency...it links theory and practice."²⁶

As a critical discursive process, MRT comprises the following three-stages:

1. Development of critical theorems;
2. Selection of strategies; and
3. Enlightenment

It is noteworthy that the three stages constantly overlap during the study. Laughlin (1987, 1995) contends that this unsteadiness is normal. The development of the critical theorems, selection of strategies, and enlightenment involved a series of iterations between each stage in the research process. Formulation of 'critical theorems' involves the task of identifying and understanding the issues of study. The "critical theorems" were created and defined before the main evidence collection and were developed based on the analysis of evidence collection. Development of 'critical theorems' involves both deductive logic and inductive reasoning. Deductive logic begins with one or more premise that are widely accepted as truths. For instance, one pre-established assumption from review of the literature on trust is that beliefs about self, beliefs about other, and behavioural outcomes are inclusive

²⁶ Cooper and Hopper (2007, pps.218-226) also contend the middle-range theory of Laughlin (1995) "offers the most sustained application of critical theory to accounting...which requires empirical researchers to make explicit and justify their methodological choices and interventions."

features of trust. However, it is not enough to simply draw conclusions about trust as a concept based on prior theoretical and empirical studies. Inductive reasoning must take place. Inductive reasoning bypasses pre-established truths or assumptions and begins to investigate specific cases in an accounting system or systems in order to draw conclusions. For instance, an interview with a manager in a sales division of one financial field site might reveal that trust in superior-subordinate work relations is largely based on beliefs about subordinate ability and behavioural outcomes in role. Developing critical theorems involves critical thinking about the role of prior research to the present undertaking. It asks fundamental questions such as: how does this knowledge production of individual manager viewpoints contribute to social betterment²⁷?

Moreover, Leedy and Ormrod (2001) contend that effective researchers engage in critical thinking prior to beginning a research study. Typically, they look at research studies and theoretical perspectives related to their topic of interest; not accepting the findings or theories, but rather critically appraising them for flawed assumptions, inappropriate analyses, explanations, and conclusions, methodological weaknesses, and questionable logic (Leedy and Ormrod, 2001, p.36). Chapter 2 reveals that several problems of scope exist among prior studies of trust and performance evaluation style. For instance, prior research mainly characterise trust as beliefs about other rather than as a multidimensional construct comprising beliefs about self, beliefs about other, and behaviour. Notably, Miller and Mitamura (2003) question the trustworthiness of surveys on trust, and caution that studies of trust should use multiple indicators in order to reduce any conceptual ambiguity. Nevertheless, pre-established theoretical assumptions and frameworks provide structure to approach specific organisations and issues. Chapter 2 presents several assumptions (propositions) and conceptual frameworks including theoretical categories of trust and performance evaluation style. However, the assumptions do not seek to restrict the understandings available from participants, which characterises the fluidity in approach (Broadbent and Laughlin 1997, p.645).

²⁷ Cooper and Hopper (2007, p.231) describe critical theorising as placing emphasis on context, extending beyond vague notions of concepts such as 'evaluation style'. Instead, critical theorising uses prior theories to frame how we interpret or define evaluation style (e.g. as a management accounting process) within specific local circumstances, and how we formulate future changes. In particular, Chapters 7 and 8 argue that the knowledge on the linkage between trust and performance evaluation style in specific contexts can aid with better design of MCS, such that a particular combination of trust and formal control use are of maximum benefit in the future.

Moreover, any research involves a variety of strategies. Some strategies are knowingly selected while others are chosen unknowingly. Selection of strategies involves the choice of method to collect and analyse data, including strategies related to question format. Selection of data collection and data analysis methods must ultimately consider the research purpose and the chosen methodological approach. My research purpose is to investigate perceptions of trust, performance evaluation style, and their linkage from superior manager perspectives in financial firms. Investigation of perceptions alludes to a qualitative research agenda. MRT also relates the most appropriate data collection and analysis methods as qualitative (see figure 3.1). Section 3.2.2 details the qualitative approach to data collection. The selected approach seeks engagement with the social world (within "real" organizations) and the phenomena under investigation. In this respect, the research design enables reflexivity to occur. It is associated with disembodiment of knowledge about 'abstract' organizational processes and practical experiences in order to make sense of the reality in which individuals live and work²⁸.

Additionally, enlightenment occurs both during and after data collection. In this study, enlightenment comprised self-reflection on my part, as well as the researched, members of the academic community (both internal and external), and my supervisors. Processes of enlightenment occurred through engagement with the researched and others in order to establish if we have the same understanding of the prevailing issues. In consideration of this, the research developed as a gradual process of enlightenment (learning²⁹ and

²⁸ The approach complements qualitative field research by enabling richness from particular settings as well as analytical generalizations or as Broadbent and Laughlin (1997, p.645) assert, "reflecting the richness of particular contexts and generating deeper understanding of it, but allowing a contribution to knowledge which can be used in other situations." A well-known qualitative theorist in management research, Karen Locke also states, "the role of researchers...as observer of the lives and worlds of the subject, and the language of their knowledge texts... providing a literal representation of those worlds" (2001, p.4). Therefore, despite pre-established assumptions guiding the research design, there is scope for researcher openness to interviewees' perceptions and responses. Ahrens and Chapman (2007, p.299) note, qualitative field research is a theoretical activity which involves "ongoing reflection on data and its positioning against different theories such that the data can contribute to and develop further the chosen research questions". During my research journey, a series of iterations in data collection and analysis enabled reflection on the data; relating data to existing theory, its contribution to theory development. In this vein, Ahrens and Chapman (2007, p.304) also state, "The qualitative field researcher seeks to articulate organisational members' theories-in-practice and their motivations as well as the ways in which they relate to observed activities in the field".

²⁹ Although the learning exercise evolved from the expanded literature review to the actual field research, the iterative process of continual interpretations, ongoing engagement of research questions, theory, data, and reflexivity during the course of the study enabled refinement of the conceptual linkage between trust and performance evaluation style (Lincoln and Guba, 1985). Ahrens and Chapman (2007, p.313) reflect that research "problem, theory, and data influence each other throughout the research process. The process is one of iteratively seeking to generate a plausible fit between problem, theory, and data." The iterative process involved changes to the research purpose and research design to accommodate reflections after initial pilot interviews, continual refinements to the matrix (i.e. conceptual framework on the association between trust and style) based on field research and theoretical assumptions. Broadbent and Laughlin (1997) note the iterative process of linking theory with practice is one advantage of middle range thinking.

emancipation). Emancipation occurred through individual manager reflection on trust in superior-subordinate relations and sent evaluation style of superior. Through reflection managers recognised that trust is a significant factor which can promote or be advanced by a particular evaluative style. However, as the individual manager interviews were limited to one point in time, it was quite difficult to inform managerial interventions.

In this section, I have attempted to highlight the usefulness of Middle range thinking as methodological approach in this study. MRT provides a structured approach to theory construction in comparison to other methodological perspectives. It aligns well with other aspects of the research process – from the research purpose and propositions, to research instrument design, to choice of methods of data collection and analysis³⁰. Weick (1989) asserts that ‘middle range theories’ are necessary, given the complexity of the subject matter if the research process is to be kept manageable. In sum, middle range thinking is the best methodological perspective for explaining the research journey. The next section, section 3.2.2, discusses the methods of data collection.

3.2.2 Research Methods of Data Collection

Broadbent and Laughlin (1997) and other researchers concur that the research purpose and selected methodology guides the methods of choice for data collection and analysis. The specific research technique or method has to align with the theoretical propositions, research questions, and methodology. As put forth in the previous section of this chapter, qualitative approaches to data collection and analysis are appropriate to Middle range thinking as methodology and to investigating the link between trust and sent performance evaluation style from managerial perceptions in the field.

According to Locke (2001), a qualitative method of inquiry is appropriate to field studies that seek to explore patterns in specific variables of interest in order to gain insight into issues of relevance to the construction of social reality. Such insights will enable formulation of a general theory on the nature and behaviour of the variables of interest (and

³⁰ By using prior studies to identify assumptions and propositions on trust and performance evaluation style (in Chapter 2), I have attempted to provide a skeleton. However, the flesh on the bones occurs when the actual empirical research takes place (see Chapter 5 to Chapter 7). As the latter sections of this chapter discuss, the chosen methods of data collection and analyses are considered as most suitable to providing the flesh.

other variables) in the social context. Similarly, Van Maanen (1979) argues that the use of qualitative research methods can play a significant role in examining meanings and social processes, concepts and generating novel themes (theory) about complex phenomena. Qualitative research allows for conclusions to be derived from finite observations of qualitative standing through a reliance on empirical verification (de Vaus, 1996³¹). Morse (1994) conceptualises qualitative research as involving cognitive processes of comprehending the phenomenon under study; synthesizing data / representing the phenomena in order to account for linkages; theorising how and why the associations appear as they do; and re-contextualising the new knowledge as appropriate to the specific case(s).

I want to gain insight into the meanings of processes of trust, performance evaluation style, and their linkage from managers within real-world contexts. Therefore, I had to determine which qualitative research design would best suit my research purposes. The table below (table 3.1) shows the distinguishing characteristics of different qualitative designs.

Table 3-1 Distinguishing characteristics of qualitative designs (Source: Leedy and Ormrod, 2001, p.157)

Design	Purpose	Focus	Methods of Data Collection	Methods of Data Analysis
Field study	To understand one person or situation (or perhaps a very small number) in great depth	One case or a few cases of a phenomenon as perceived by human beings within its/their natural setting	<ul style="list-style-type: none"> • Observations • Interviews • Purposeful sampling of 5-25 individuals • Appropriate written documents 	<ul style="list-style-type: none"> • Categorisation and interpretation of data in terms of common themes / Search for “meaning units” (themes) that reflect interpretation of data • Synthesis into an overall case(s) / Integration of ‘meaning units’ into a “typical” case
Ethnography	To understand how behaviours reflect the culture of a group	A specific field site in which a group of people share a common culture	<ul style="list-style-type: none"> • Participant observation • Structured or unstructured interviews with “informants” • Artifact/document collection 	<ul style="list-style-type: none"> • Focus on significant events
Grounded Theory Study	To derive a theory from data collected in a natural setting	Human actions and interactions, and how they result from the influence one another	<ul style="list-style-type: none"> • Interviews • Any other relevant data sources 	<ul style="list-style-type: none"> • Prescribed and systematic method of coding the data into categories and identifying interrelationships • Continual interweaving of data collection and data analysis • Construction of a theory from the categories and interrelationships

³¹ Similarly, Ahrens and Chapman (2007, p.306) refer to the field as an emergent social reality which requires close engagement between researcher and the researched, is open to diverse interpretations of both, and results in insights that are limited to the particular context of field site and research participants.

A field study characterises my search for insight into meanings of trust and performance evaluation style processes. Eisenhardt (1989, 1991) defines a qualitative field-based approach as a research strategy, which focuses on understanding the processes present within single or multiple settings³². Due to small sample sizes, field studies are normally insufficient to reveal any significant correlation, or to represent reality which extends to the population at large (see Appendix 4 for evaluation of the present research using research criteria). Nevertheless, field studies are certainly known for their creation of in-depth knowledge through a holistic view of phenomena (see Ferreira and Merchant, 1992). Field studies allow for complex ideas to be studied and are therefore superior as a method in the construction of theoretical insights (Dyer and Wilkins, 1991). Field studies are very powerful for developing theory, understanding novel relationships/processes and their contextual setting (Covaleski et al., 1996). The need for theory generation and building is widely noted in management accounting research. For instance, Merchant and Otley (2007, p.790) describe field research as the “study of business practices, such as the design and implementation of control systems, in their natural setting”, which is intended to provide rich understanding of relevant phenomena in restricted number of settings in order to explore, build, or refine new theory or existing topic areas. There seems to be consensus that in order to make a central contribution to the management accounting literature, theory-building through in-depth qualitative field research is a definite means (Noeverman et al. 2005; Briers and Hirst, 1990³³).

Qualitative field research normally involves observations and interviews. In this study, data collection firstly involved the use of semi-structured interviews with managers in the field (multinational financial firms). However, piloting revealed semi-structured interviews alone to be insufficient for the research purposes. Therefore, the main study utilised vignette-based interviews with middle level supervisory managers in two financial

³² Eisenhardt (1989, p.165) contends that multiple cases are a “powerful means to create theory because they permit replication and extension among individual examples, while maintaining a highly rigorous approach for identification of research questions and the design of instruments’ (Usonier, 1998).

³³ Briers and Hirst (1990) call for more in-depth field-based approaches to research on performance evaluation style. They state, “While survey methods have their advantages, our limited knowledge about the processes involved in both the emergence of supervisory style and their associated effects, coupled with the sensitive nature of the phenomena in focus, suggests that descriptive studies are likely to be beneficial. Such studies might focus on descriptions of the array of supervisory styles; where in organizations (i.e. level, task, job function) are alternative styles used and how supervisory styles relate with other controls” (p.396). Otley (2008, p.238) also contends that additional research into interpretations and perceptions are important to moving management accounting research forward.

field sites (see 3.2.2.1). To a lesser extent, other types of information including observations and documents such as the performance appraisal reviews (see appendix 3 for sample PAR) were collected and examined (see 3.2.2.2).

3.2.2.1 Semi-structured Vignette-Based Interviews

Interviews are normally associated with interpretive methodologies. Prior studies that have used middle-range thinking as methodology have also utilised qualitative interviews (e.g. Broadbent and Laughlin, 1997). The relative fluidity of the qualitative interview fits quite well with a middle range thinking approach, which calls for a research design that promotes engagement between the phenomena, the researcher and the researched (Laughlin, 1995). There is openness to changes of sequence and forms of questions (e.g. probing questions) in order to follow up answers given by the participants (Silverman, 2001). Moreover, asking general to specific questions during data collection (that is, open-ended questions plus fixed choice questions) not only supports clarification on meanings and enlightenment in which the role of the interviewer changes from 'naïve' to 'informed' researcher during the research process, but also supports comparisons among respondents. Also, enlightenment occurs by researcher openness to additional themes as participants introduce them. Each participant's views are treated in the study as insights. Insights are the product of the meaning given to each participant's existence, their beliefs, and their behaviour in the particular organisational contexts.

Kvale (1996) explains that qualitative interviews allow for open discovery and the ability to understand the world from the participant's perspective. In particular, semi-structured interviews have a sequence as well as suggested questions to be covered which should contribute thematically to capturing the essence of the phenomena, and hence, generation of knowledge. In this present research, the form of interviewing was semi-structured, involving use of an interview protocol with a sequence of vignette scenarios each followed by prompt/probing questions based on the pre-determined categories, properties, and dimensions. Despite this, the interview protocol allowed for free flow of dialogue by respondents (Holland, 2001). Most qualitative researchers use prompt or probing questions in interviews. Probing questions help fill in blanks to gather more information from the interviewee and develop understanding³⁴ (Rubin and Rubin, 2005, p.3). During

³⁴ Probing into interviewee perceptions, such as asking respondents to explain their responses further aided with understanding the potential linkages between the concepts of trust and performance evaluation style. As

interviews with managers in the field, probing questions were asked such as “how will manager x set the targets at the beginning of the year?”; “can you elaborate?”; “what you just said...[repeat of what interviewee just stated]...and so what does that mean?” – three examples of fairly open-ended questions, to fairly fixed choice probing questions such as “Will manager x evaluate based on judgement or a formula?” Why” questions became important for gaining clarity. Clarifications about certain items were also sought through asking the same questions in different formats, enabling responses to be detailed and articulate. For instance, a vague response such as “It depends” to the question “how will manager x set the targets at the beginning of the year?” might be followed up with the use of more direct questions such as “what would it depend on?” or “will manager x set the targets based on past performance or anticipated future performance?”. Questions were generally formatted to probe or bring people back to focus rather than principally as a form of leading. Despite the added value of prepared questions the interviewer had to constantly be aware of the respondent’s disposition and answers. Therefore, some questions in the interview protocol were overlooked - mainly because answers were gained earlier; whilst it became necessary to expand on others.

So far in this section I have discussed my choice of qualitative field interviews and use of probing questions in my study. In addition, I will present a reasoned argument for incorporating vignettes as a fundamental part of my data collection technique. Vignettes are often described as a complementary technique to interviews in generating in-depth knowledge. A vignette is in effect a short hypothetical scenario or plausible story intended to elicit responses and perceptions, opinions, beliefs and attitudes about certain situations. Vignettes are effective tools for conducting research into sensitive topics such as trust. A vignette can be used as an icebreaker at the beginning of an interview, which can facilitate a discussion (Hazel, 1995, p.2 in Barter and Renold, 2004). The use of vignettes as a research technique can be traced back to psychology, human resources, and education survey research. There are many examples of research studies in these areas. For instance, Greenhaus and Powell (2003) examine the decision of managers to participate in a work

an example, the following excerpt from an interview illustrates the performance evaluation style of a sales manager as involving the stages of setting objectives (target-setting), evaluating, and rewarding. It also illustrates manager selectivity in setting and evaluating subordinates on a narrow range of criteria (‘some targets you need to meet’), as well as establishing a level of risk tolerance that complements the approach to setting targets.

Interviewer: How will Pat evaluate Terry?

Respondent: “First I would give them some objectives. Some targets you need to meet and then these targets will be linked to your salary. The targets are very hard to set. I will think about the risk in setting, not too high, but, I think, not very low.” (SMY24)

Interviewer: What do you mean by risk?

activity or a family activity (a psychological conflict) through a series of vignettes given to MBA students within a large-scale questionnaire. Koster and Sanders (1997) examine theoretical perspectives on temporal effects, that is, employees experiences with co-workers in the past impact on likely future encounters using both a survey and vignette study. Vignettes are a very under-utilised method of data collection in accounting and finance research. More recently, auditing research has utilised vignettes (hypothetical scenarios) in order to draw meaning from participants on sensitive issues around whistle-blowing (Brennan and Kelly, 2006) and the influence of cognitive moral development on auditor independence judgements (Sweeney and Roberts, 1997). However, the majority of studies that utilise vignette approaches do not examine its application within qualitative research. Previous studies have typically employed vignettes within a quantitative methodology to the detriment of participants not being able to define situations in their own terms (Barter, 2002, p.3).

In her research note on the vignette technique, Finch (1987, p.105) states that the vignette may be an advance on other methods for the collection of normative data. Finch (1987, p.105) aptly describes vignettes as “short stories about hypothetical characters in specified circumstances, to whose situation the interviewee is invited to respond.” Therefore, the use of vignettes enable the researcher to specify the elements of the situation to which interviewees will respond, and also enable the interviewee to define the meaning of the situation in their own interpretation (Finch, 1987, p.109).

Table 3.2 illustrates the relative advantages and disadvantages of vignette-based interviews in comparison to several more conventional methods of data collection in Management Accounting research – questionnaire surveys, experiments, document (archival) analysis, and individual interviews. Table 3.2 illustrates that every method has trade-offs associated with its use.

Table 3-2 Advantages and Disadvantages of different research methods

Method	Advantages	Disadvantages
<i>Questionnaire Surveys</i>	<ul style="list-style-type: none"> • Relatively easy to analyse • Can avoid researcher bias • A large data sample can be collected in a cost-effective manner • Simple to administer, easy to summarise and analyse • Anonymity of respondents 	<ul style="list-style-type: none"> • The researcher cannot usually go back to respondents for clarification - best for capturing simple constructs / constructs with standardised meanings rather than complex constructs capable of multiple meanings • Not suitable to investigate feelings and complex issues, such as <i>why</i> phenomena exists • Respondents may misunderstand questions

	<ul style="list-style-type: none"> • Statistical generalisations can be made from sample to larger population • Great for testing, refining, or explaining existing theory • Also great for examining differences in sample subgroups • Easy to replicate 	<ul style="list-style-type: none"> • Usually a low response rate • Not a good method for theory generation
<i>Experiments</i>	<ul style="list-style-type: none"> • Researcher can have control over variables • Can enable causal inferences (cause and effect relations) • Can be combined with other research methods for rigour • Can be used to test theory • Can be used to study phenomena even when real world data does not exist 	<ul style="list-style-type: none"> • Not most practical approach for studying human behaviour • Sample may not be representative • Can produce artificial results as experiments are abstractions from the real world • Results may only apply to one situation and may be difficult to replicate • Groups may not be comparable – uses non-random assignment of groups • Quite expensive • Unlikely to be used to build theory
<i>Document (archival) Analysis</i>	<ul style="list-style-type: none"> • Fast • Inexpensive • Can involve access to very large samples (data sets) • Provide relevant, quantifiable data without need for encouraging other's participation i.e. objective data • Likely to enable more reliable generalisation to specific populations of interest 	<ul style="list-style-type: none"> • Not suitable to evaluate opinions • Some documents may be sensitive and not publicly available • Variables of interest are often represented by indirect indicators (proxies)
<i>Individual Interviews</i>	<ul style="list-style-type: none"> • Useful to obtain in depth information about personal feelings, perceptions, and opinions • Allow for more detailed questions to be asked • Ambiguous answers can be followed up and clarified Questions can be tailored to respondents • Usually achieve a high response rate • Respondents' own words are recorded • Best method to build and/or refine theory • Use small data set to illustrate and support theoretical arguments (analytical generalisations) • More naturalistic account of reality 	<ul style="list-style-type: none"> • Can be expensive • Time consuming • Require interviewing skills • Different interviewers may understand and analyse interviews in different ways • Non-anonymity of respondents • Conclusions are not generalisable to broader groups of people
<i>Vignette-based Interviews</i>	<ul style="list-style-type: none"> • Same as individual interview, plus: • Relatively structured form of evidence collection • Allows for actions to be explored in context, clarification on judgements, and less foreboding way of interviewing • Allows for discussion on sensitive topics • Most appropriate for picking up nuances in meaning • Allows for comparability between respondents/ groups' interpretations of 'uniform' situation • Can enable certain factors such as age or 	<ul style="list-style-type: none"> • Same as individual interview, plus: • Hypothetical third parties in scenarios might become too distant from personal experiences³⁵ • Believability (authenticity) of characters and events might be questionable in construction of vignettes – does each vignette measure what it should?

³⁵ However, conducting pilot vignette-based interviews showed interviewer skills; use of a coding agenda and inter-coder reliability reduced interviewer bias. Also, pilot-testing of the vignettes decreased the likelihood of distance of the scenarios from the personal experiences of the interviewees.

	gender to be isolated <ul style="list-style-type: none"> • Allows for incorporation of different question types • Opportunity to reflect real-life situations • A multi-method approach (vignettes used alongside interviews) 	
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(see also Abernethy et al, 1999, p.7; Merchant and Otley, 2009, p.791)

The vignette-based interview is a hybrid approach to collecting qualitative data. Despite its limitations, the vignette-based interview is deemed as the most appropriate method to achieve the aims and objectives of this research. By using vignette-based interviews, I was able to investigate the linkages between trust and self performance evaluation style from superior manager perspectives that would have been difficult or impossible to obtain otherwise. The vignettes for this study functioned as means of eliciting managers' attitudes/beliefs, experiences, and behaviour through presenting real-life complex situations; fleshing out the systematic, individual, and relational dynamics of each concept³⁶. Prior research that utilise vignette-type research instruments show that vignettes can capture managerial beliefs and behaviour, can be used as reflective tools for the researched and researcher, and can incorporate reality as well as uncertainties (i.e. dilemmas in decision-making situations) in particular contexts³⁷. The vignette scenarios presented to the managers are viewed as accurate portrayals of real-life situations that they are likely to have dealt with previously. However the vignettes are broad, incomplete depictions giving a few dilemmas or options in order to enhance managerial interpretation on the situations. All managers interviewed in the main study were expected to respond to the scenarios presented in a way that they would have responded if they were the supervising manager. All participant interviewees have one or more subordinates in real-life (see section 3.2.4 on participant criterion), so it was natural for managers to base their viewpoints on their experiences. Both field sites in the main study operate in the same environment, are somewhat homogeneous, and all managers have a supervising role at the same level (middle management). Therefore, it was appropriate to use the same vignettes across all managers, to ask all managers to answer questions on the vignette scenarios in

³⁶ Crucially, Otley (1978, p.122) purported that the effectiveness of a management control system depends not only on the appropriateness of its technical characteristics to the particular organisational and environmental circumstances, but also the way in which organisational participants make use of the information.

³⁷ Notably, Marginson (1999, p.214) states that research instruments which seek to capture how managers feel and behave towards budgetary criteria and other variables in management accounting within organisational contexts could be useful. Barter (2002) notes that vignettes in qualitative research can be used to explore general beliefs and actions of a specific group about particular social situations, as a basis for developing rapport so that interviewees can relate their own perceptions and experiences, providing context.

the role of a middle level supervising manager. In this way, managers are able to provide structured insight which closely maps reality. A key strength of this approach is that it enables comparison across managers. As vignettes can be easily replicated, vignette-based interviews provide relative ease to extract and compare insights among research participants for similarities and differences³⁸. In this sense, the data collection technique is similar to a controlled experiment³⁹.

Moreover, the appropriateness of using vignettes was also determined by comparing my initial pilot interviews in which vignettes were not used to pilot interviews in which vignettes were used. My reflections on the outcomes of research without the use of vignettes and with vignettes led me to believe that the use of vignettes within interviews, herein, vignette-based interviews could enable the primary research purposes to move forward. In my initial pilot interviews (that did not include vignettes) managers were directly asked about specific experiences. However, it was found that it was difficult to interpret meanings from this general form of interviewing, and hence, its use was not very insightful (see Appendix 2 for further details). In contrast, vignette-based interviews draw out the experiences and insights in a less direct yet more effective manner. Responses to the vignette-based interview in comparison to a general interview provide more valid and reliable data on the research propositions, *a priori* conceptual frameworks, and managerial interpretations of real-life situations. The scenarios and subsequent probing questions were established to evoke nuanced responses that reflect managerial perceptions on factors relating to trust and performance evaluation style. The individual vignettes were developed in order to suit the specific context of middle level managers in financial institutions, garnering their insights on performance management and superior-subordinate relations in financial firms. In brief, some of the *a priori* identified variables of trust or performance evaluation style are embedded in a vignette scenario, whilst others are included in the probing questions. This makes for a more focused approach to evidence

³⁸ A further point to consider: phenomenology emphasizes idiosyncratic meaning to individuals rather than the possibility of shared constructions for which this not wholly phenomenological study emphasises. Also, analyses of data from piloting informed the subsequent separation of managers into two functional groups, and therefore analyses by group comparison rather than by inter-company comparisons (see section 3.2.4 and Chapter 4 for further details).

³⁹ Alexander and Becker (1978, pps. 94-103) state, "Vignettes are short descriptions of a person or a social situation which contain precise references to what are thought to be the most important factors in the decision-making or judgement-making processes of respondents. Thus, rather than allowing or requiring respondents to impute such information themselves in reacting to simple, direct, abstract questions...the additional detail is provided by the researcher and is thereby standardized across respondents...The use of vignettes helps to standardize the social stimulus across respondents and at the same time makes the decision-making situation more real."

collection in comparison to general interviewing⁴⁰. Section 3.2.3 describes the development of each vignette scenario in detail.

In summary, the vignette-based interview approach is most appropriate for picking up nuances in managerial perceptions on performance evaluation style and trust, hence, distinguishing between different styles and trust levels among managers without being obtrusive in questioning or inducing defensive responses. On this note, preparation is essential to the interaction and outcome of a good qualitative interview (Rubin and Rubin, 2001). The interview protocol was structured in three main parts, reflecting a beginning (introduction), a middle (consisting a total of five vignettes and probing questions for each vignette), and an end (interview wrap-up). Wilson and While (1998) and other proponents of vignettes assert that the use of vignettes in isolation may be inappropriate. Finch (1987, p.113) presents a warning about use of vignettes in surveys: "...this technique does not of itself tell one anything about the respondents' own actions", and so the data collected from a vignette cannot necessarily be taken as "a predictor of action". Greenhaus and Powell (2003, p.301) also state that vignette-based survey research can potentially provide important insights into what individuals think are socially acceptable behaviour, however "do not necessarily indicate whether individuals would do what they say they would do." On balance, I argue that the vignette-based interview as technique is a more integrated approach, which if done correctly, can allow for interpretations of respondents' potential actions, exploration of meanings and interpretations not easily accessible through other methods (see Barter, 2002, p.5). In this chapter, I have already discussed the fact that a qualitative research design is more appropriate than quantitative research designs to the research purposes of this study. My methodological and theoretical frameworks guide my choice of techniques. As a reminder, my purpose is not to test theory or generate statistical generalisations, but rather to gain insight into the phenomena (trust and performance evaluation style) based on a limited number of participant interpretations, generating normative data and developing a context-dependent theory.

Hence, the generation of interview format and questions followed consideration of a number of criteria that would justify quality interviewing as established by Kvale (1996). For instance, rich and relevant answers from the participant may be sought by using shorter

⁴⁰ On this note, Finch (1987, pps.105-106) states, "Vignettes move further away again from a direct and abstracted approach, and allow for features of the context to be specified, so that the respondent is being invited to make normative statements about a set of social circumstances, rather than express his or her 'beliefs' or 'values' in a vacuum. It is a method which, in other words, acknowledges that meanings are social and...may well be situationally specific."

questions. Kvale also highlights the relevance of probes for meanings to answers during the course of the interview (i.e. interviewer seeks to follow up, clarify, and verify interpretations). Giving some structure of analysis to and receiving feedback from key informants is also important to carrying out good qualitative research. Several key informants were sent email briefs in order to verify understandings of the phenomena after the interview, and a briefing meeting to discuss summary findings with the initial contacts ('gatekeepers') in each field site took place at the conclusion of evidence collection in the main study.

3.2.2.2 Observations and Field Documents

In addition to vignette-based interviews, observations and documents were used to generate 'understanding'. Observations enable greater ability to investigate words, actions, and behaviours. Observational records should be detailed, non-judgemental, concrete descriptions of what has been observed (Marshall and Rossman, 1999). Strauss and Corbin (1998, p.35) refer to the observations as complementary sources of information and the supporting documents as non technical literature, which should supplement interviews and field observations, and also stimulate thinking about properties and dimensions of concepts that emerge from data. Whilst in the field, I focused on making observation notes on the atmosphere during an interview, the apparent culture of the organisations, as well as any non-verbal behaviour of an interviewee⁴¹. I also received supporting documents from both field sites, including sample annual reviews, memos, annual reports, and organisational structure charts. These data enhanced the level of understanding about the research context and phenomena under investigation.

3.2.3 Development of the Research Instrument

Clark and Payne (1997) identify potential causes of limited uniformity and comparability among trust research, such as limited comparability may be due to measures of trust within

⁴¹ Examples of observations include one instance of a noisy interview due to the central air-conditioning system being down, and so a fan was running in the manager's office instead. Another instance was an interviewee playing with their pen at the start of the interview – which could mean that they were either distracted or initially felt uncomfortable.

organizations relating trust to either propensity to trust or trust as a dispositional personality trait, interpersonal trust, or situational trust (Clark and Payne, 1997, p.570). By recognising trust as beliefs [i.e. beliefs about self (i.e. dispositional traits of the trustor either as a manifestation of personality or situation), and beliefs about other (i.e. perceived characteristics of the trustee)], as well as characterised by behavioural outcome interactions and existing in dual layers, this present thesis attempts to fill such gaps. In addition, Hansen et al (2003) provide an explanation for the contradictions among studies in the RAPM area. They caution against replications of research instruments in the RAPM area. In particular they comment that Hopwood's (1972) instrument reflected the context-specific situation in his research site, and therefore was not intended to be rigidly imposed in subsequent surveys of managers that may be working in very different situations from the managers in Hopwood's study. Indeed, a more recent example of the potential for contradictions in findings which can occur among studies that investigate the same issue using very similar research designs but in different contexts is Lau and Buckland (2001) and Lau and Shohilin (2005). Both studies investigated the trust effects of superiors' choice of financial or non-financial performance metrics for evaluating subordinate performance, yet their findings are almost opposite. Lau and Buckland (2001) conclude that trust is higher when superiors use financial performance measures, and Lau and Shohilin (2005) conclude that trust is higher when superiors use non-financial measures (c.f. Hartmann & Slapnicar, 2009, p.1). Furthermore, the working paper of Pope and Otley (2001), they contend that conventional instruments used to classify evaluative style appear to be incomplete, and further work is required to investigate reasons for adoption of a variety of styles and patterns of interactions within the same or similar organisation contexts. The literature review (Chapter 2) revealed that trust and performance evaluation style are both significant to management control, but their linkage is not well understood. It is important to gain insight into each concept and their linkage through viewing both as social constructions – manifestations of human imagination based on social experiences which are context-dependent. Qualitative field studies offer the possibility of examining the meanings of trust and performance evaluation style, their patterns of interaction in the same or similar organisational contexts. My field study does not replicate previous research instruments. Existing research instruments of trust and performance evaluation style are inappropriate to research both constructs in the specific context (that is, in a financial work context). Therefore, I develop a research instrument which considers the unique empirical field setting.

For the purposes of brevity, this section will simply provide an overview of the development of the final research instrument⁴². Prior, largely positivist, studies aid with identifying and operationalising constructs of trust and performance evaluation style. Conceptual frameworks were developed for each construct. A conceptual framework is a classification system, in which identified themes that identify and operationalise trust and performance evaluation style are taken from the prior literature. Themes are grouped into categories, properties, and dimensions. Although the categories may or may not be largely dependent on each other, the dimensions should be mutually exclusive and exhaustive. The research instrument and coding framework in the main study was developed based on the identified themes. Figure 3.2 depicts the initial conceptual framework of performance evaluation style which was detailed in Chapter 2.

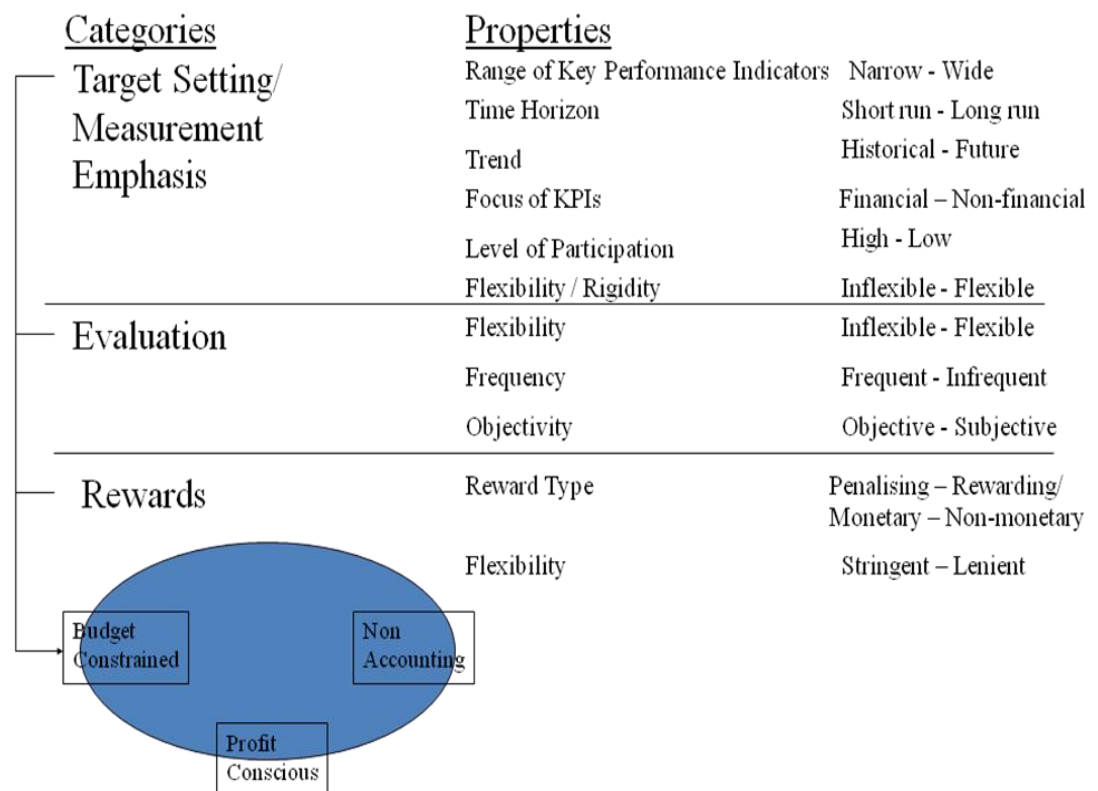


Figure 3-2 Initial Conceptual Framework of Performance Evaluation Style

As figure 3.2 illustrates, performance evaluation styles are operationalised along a non-hierarchical continuum, with each style (i.e. BC- budget constrained, PC- profit conscious, NA- non accounting) being viewed as distinct. For instance, it was originally conceptualised that a narrow range alludes to a budget-constrained performance evaluation style, a medium range relates to a profit conscious performance evaluation style, and a

⁴² A more detailed explanation of the research journey from the initial interviews to the main study can be found in Appendix 2.

wide range of key performance indicators relates to a non-accounting style. In Chapter 2 'sent' performance evaluation style was defined as the use of different types of information as well as the different ways of information use by supervisors. Target setting/measurement emphasis (Hopwood 1972, Briers & Hirst 1990, Gelderman 1998), evaluating (Briers & Hirst 1990), and rewarding (Briers & Hirst 1990) are identified as three different stages (categories) of information usage, which might align with or deviate from policies, practices, and procedures in the organizational context. The evolution of the research process established operationalisation of performance evaluation style by creation of a series of vignettes and probing questions to capture supervisory managers 'sent' style characteristics [in the role of Pat Francis] at the three stages.

Figure 3.3 presents the initial theoretical framework of trust which was developed in Chapter 2.

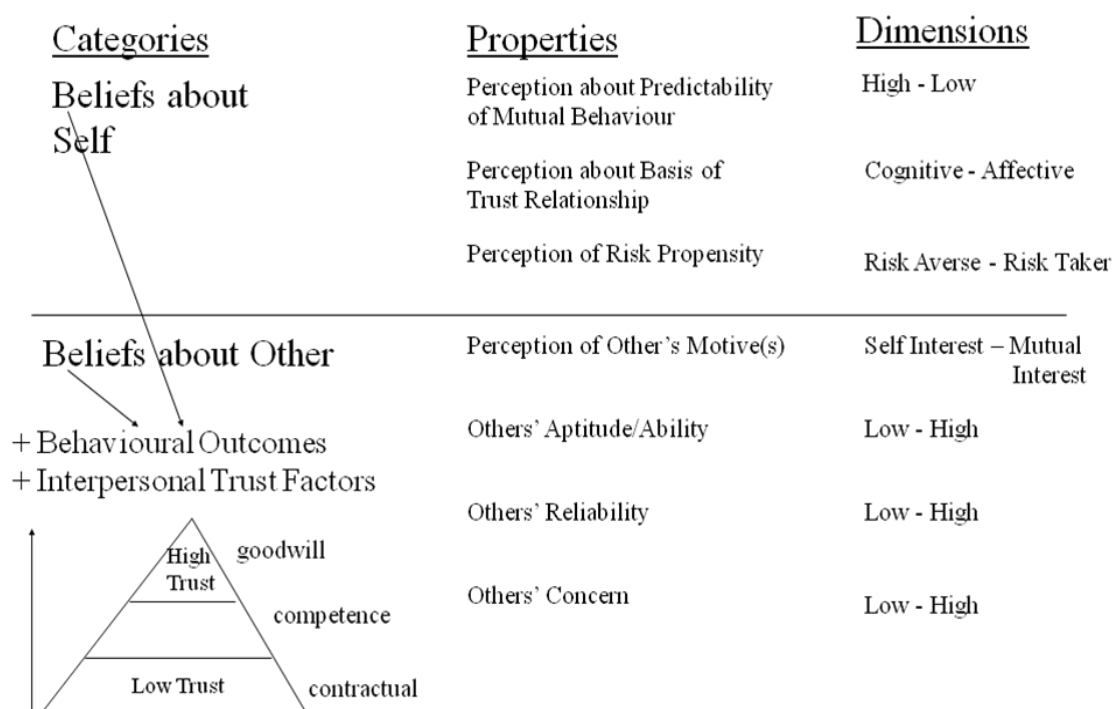


Figure 3-3 Initial Conceptual Framework of Trust

Based on reviews of the literature, trust involves both mental and behavioural processes / perceptions that are contextually influenced. Trust in this research context is defined as the degree of confidence a superior manager has in subordinates as expressed in beliefs about self (trustor) beliefs about other (trustee), and also as manifested in behaviour. In relation to beliefs, character and characteristics are interchangeable elements that form trust perceptions. More precisely, trust is conceptualised as involving varying positive

expectations individuals (supervisory managers) have concerning the competence, reliability, concern, and behaviour of other organisational members (subordinates) as well as varying beliefs about themselves. Furthermore, investigations into ‘the degree of confidence’ suggests diverse levels of trust along a continuum (from low to high); in defining trust as a ‘behaviour’ suggests outcomes of interdependence and reciprocal exchange (e.g. varying interactions; sharing information, cooperation) between a dyad. This process also suggests assumptions or individual perceptions/attitudes concerning expectations and intentions are involved, such as willingness of each party, as well as extent of actions. The reviews of the literature also fleshed out different layers of trust. The properties shown in figure 3.3 relate to trust at the first layer – role trust. The second layer of trust, trust by contingency / interpersonal trust is associated with certain situational characteristics including nature of the relationship, time in the relationship, and subordinate experience⁴³. Additionally, as figure 3.3 illustrates, divergent trust perspectives are operationalised along a continuum, with contrasting positions at each end of the spectrum (i.e. a range of values or opinions between two extremes). Therefore, with contrasting positions, trust types (i.e. CN- contractual, CM- competence, GW- goodwill) are distinct but have interrelated elements. Two- to three-point level scales, in most instances of “low, medium, and high,” were initially used to represent the continuums for most of the trust constructs. Such scales were initially perceived to more easily conceptualise the different dimensions, and subsequently, to more easily determine and analyse perceptions of managers. For example, a high predictability of behaviour preference was originally perceived as potentially alluding to contractual trust and a low predictability. Also, similar to performance evaluation style, the production of vignettes and probing questions helped to capture trust perceptions of supervisory managers.

The research progressed and evolved from initial identifications of constructs associated with concepts of trust and performance evaluation style (Chapter 2) to operationalisation and measurement of both concepts. Development of the final research instrument entailed a series of iterations, eventually leading to the embedding of identified categories, properties, and plausible dimensions of each concept into a combination of vignettes and

⁴³ This variable was added to the framework after the initial set of interviews. Also, while the importance of the task, whether critical or non-critical was thought of by the researcher as a potential trust by contingency variable, based on interview discussions it was generally viewed by managers as a minor factor in their perceptions and reasons for assigning or not assigning a task to a particular subordinate. Therefore, it is not included as part of the trust by contingency factors here.

probing questions. This exercise enabled capturing superior manager beliefs / attitudinal perceptions as per trust and performance evaluation style.

Although conceptualisations of trust and performance evaluation style were primarily aided by the extant literatures, operationalisations of each concept were facilitated by a trial and error approach. Piloting proved helpful to indicating whether scenarios capture the context of hierarchical work relations in financial firms. I was able to assess the feasibility of research instrument and research protocol to the particular context of financial firms on a number of occasions prior to conducting the main data collection. As far as I am aware, there are no previous research instruments of the same or a similar nature which attempts to capture both trust and sent performance evaluation style in such a manner (by means of vignettes and probes). Hence, the reliability of the research instrument had to be determined by means of multiple pilots, as well as gaining expert opinions on research design during departmental presentations and meetings. In brief, the first form of the research instrument involved introducing one vignette and a series of probing questions. However, one vignette was deemed as insufficient to exploration of both concepts (see Section 3.2.6 and Appendix 2 for further details on the pilot stages of the research process). Thereafter, I sought to develop vignettes for each category of performance evaluation style and for each category of trust⁴⁴.

As a reminder, determining the performance evaluation style of superior managers in two multinational financial subsidiaries is one of the central focuses of this study. Chapter 2 presented the case for defining sent performance evaluation style as the use of different types of information as well as the different ways of information use by supervisors which might align with or deviate from policies, practices, and procedures in the organizational context. Chapter 2 also determined that three stages of information usage exist, and therefore, must be investigated. Hence, within the research design, sent performance evaluation style (and trust) had to be examined by means of evaluating all three stages of the performance evaluation process (as well as beliefs about self and beliefs about other) in a manner that enables managers to give their responses without feeling imposed upon. Therefore, each stage had an associated vignette which functioned as a basis for examining managerial opinions. In sum, each vignette-based interview comprises five 'stages' to the story (each represented by a vignette scenario), and at each stage the interviewee is asked to make some choices about what 'ought' to happen (Finch, 1987, p.108). Although each

vignette and associated probing questions focused on perceptions around sent style in a hypothetical situation, it was found that managers transferred their opinions from the hypothetical situations to real-life examples.

The vignettes consider the unique setting of financial enterprise. The first vignette introduces the target setting/measurement emphasis stage, and this scenario sets the scene for the interview discussion. The first scenario was introduced by me via a preamble. In order to make the situation concrete, I followed the practice of other researchers (e.g. Alves and Rossi, 1978) and gave names to the characters introduced in the vignette scenarios. Gender-neutral names were used in order to introduce a subordinate manager Terry Reese, and his or her supervisor Pat Francis.

Scenario 1: Introduces Target Setting/Measurement Emphasis stage

Terry Reese manages a section in the XYZ bank. Terry's supervisor is Pat Francis. The bank has a certain number of formal, financial and non-financial performance indicators. The normal process as recommended in the company manual is to set targets at the beginning of the year.

The first vignette, 'Scenario 1' and the probing questions that follow it allow for discussion on the pre-established properties of focus, flexibility, and trend. It does so by firstly introducing the potential for managers to set targets in compliance with Bank standards. The story formation, '**The bank has a certain number of formal, financial and non-financial performance indicators**' introduces this possibility that managers could adhere with the formal system underlying a Balanced Scorecard approach to performance management (using multiple financial and non-financial performance indicators) or can choose to be selective. This allows for discussion as relates to their focus – whether their focus is on financial indicators, non-financial indicators, or a combination of both, as well as discussion on superior manager rigidity in setting targets (e.g. in compliance with the Bank). The next sentence, '**The normal process as recommended in the company manual is to set targets at the beginning of the year**' again introduces the potential to discuss extent of flexibility in approach to target-setting, whether they 'go by the book' or deviate from it. It also subtly offers the opportunity to discuss manager opinions on setting targets based on historical information, present information, and/or future information.

Moreover, simple open-ended probes were used in order to draw out perceptions. Therefore, the first questions asked were, "How will Pat set the targets at the beginning of

⁴⁴ With the exceptions of the 'behavioural outcomes' and the 'trust by contingency' variables, which the researcher sought to draw out meanings on by reliance on probing questions.

the year? On what basis will Pat set the targets for Terry?” This line of inquiry eventually led to similar lines of questioning in which I was able to introduce and probe into managerial perceptions on other aspects at the target-setting stage including questions relating to the range of key performance indicators (such as “Will Pat emphasize all areas in the BSC or will Pat be selective? How many key performance indicators will Pat focus on? Is this a narrow or wide range?”). Managerial views on time horizon for set targets were also garnered by asking the question: “If the targets are set at the beginning of the year, for how long will these targets be set”.

Also, managerial perceptions on subordinate participation in target-setting in this present study were garnered. Milani (1975) uses several indicators of participation in a budgetary setting. These include subordinate involvement in setting budgets, explanations provided and accepted by superior when budget revisions made, frequency of stating opinions on budget without being asked, frequency with which a superior requests subordinates opinions when budgets are being set, influence on the final budget, and importance of contribution to the budget. Whilst I did not use the items provided by Milani (1975) in my research instrument, the Milani (1975) items provided vital indicators for establishing potential probing questions in order to gather managerial perceptions on participation. Probing questions pertaining to participation included: “Will Terry have a say in setting the targets?”; “If Terry has a say in setting target, to what extent does Terry have a say?”

Continuing on from Scenario 1 it was important to establish the change in emphasis between the different categories of performance evaluation style (and categories of trust). Therefore, similar to the preamble dialogue to introduce scenario 1, I gave preamble dialogues to introduce the other scenarios (see Research Instrument in Appendix 2 which includes the preamble dialogues). The preamble to presenting scenario 2 to the interviewee (and hence, signal progression of the discussion from target-setting to evaluating), I made a statement along the lines of:

“Theory states that the next step in the process is to evaluate the subordinate. Therefore , if we fast-forward to the evaluation stage in which theory also states that it is not always the case that supervisors make comparisons between results and targets. Indeed, sometimes the approach to evaluation is less formal, can you read the following scenario, scenario 2, and then I will ask you some brief questions.”

Then, a copy of Scenario 2 (as below) was presented to the interviewee.

Scenario 2: Introduces Evaluation stage

The company manual also has recommendations about the evaluation of employees. It recommends that employees be evaluated on a regular basis. Pat could follow the recommendations either by evaluating subordinates solely based on a formula tied to targets set or by using judgement in evaluating subordinates.

As with Scenario 1, this scenario embeds the property for flexibility (as per potential divergence of the superior from company guidelines). In “evaluating subordinates solely based on a formula tied to targets set...” Scenario 2 also embeds the property of objectivity. Managers have choice of solely using the formula, using judgement, or a combination of both. Again, probing questions accompanied the discussion on Scenario 2. In particular, the primary probing question (“How will Pat evaluate Terry?”) aimed to start the discussion. It is also noteworthy here that measurement on the ‘frequency’ in evaluating was intended by means of probing questions. A simple question, “How frequently will Pat evaluate?” was perceived as a means of capturing superior manager perceptions on their frequency in evaluating subordinates. It was hoped that scenario 2 would further lead to understandings on the nature of evaluating such as the level of formality (or informality), and types of feedback (e.g. coaching to career development).

The final stage in the performance evaluation process has been established as the reward stage. At this point in the interview discussion, it was considered best to introduce the reward stage by means of a simple, one line statement.

Scenario 3: Introduces Rewards stage

According to the company manual, rewards are to be given following the evaluation process.

Again the simple statement makes it possible to discuss managerial perceptions on rewarding. The first probing question (“What sorts of rewards would Pat offer?”), not only attempts to draw out managerial views about reward type but also is a great kick-off question to discussions around ‘flexibility’ in rewarding.

The next scenarios, Scenarios 4 to 6 present hypothetical situations in order to draw out superior manager trust perceptions. From this point forward, the interviewee is asked to make value judgements despite a lack of information. For example, they lack information on Terry, the subordinate’s past performance, how long the subordinate has been in the post, et cetera. In particular, Scenario 4 attempts to reveal the manager’s views of self by introducing the possibility of the subordinate pursuing an initiative that is outside of their regular duties.

Researchers have long considered the impact of a critical task on supervisory decisions and performance management (e.g. Ouchi, 1979). Hardin (1999) explains that trust in a person with respect to a matter entails delegating that matter to them to some extent. Hopwood (1972b) illustrate that managers are likely to focus on different factors when managing or delegating a task. Furthermore, researchers such as Thibaut and Kelley (1959) drew distinctions between pure coordination tasks, mixed coordination and conflict tasks. Presenting a hypothetical situation involving managing a critical task that could lead to task coordination or conflict presents the possibility to capture alternative levels of trust (i.e. high versus low trust, as represented by a range of factors such as managerial expectations of joint problem-solving, advice-seeking, et cetera; please see Chapter 2 for further details of trust elements). Tinsley (1996, p.337) determines trust as implied confidence in initiative-taking in a member or several members of a group. Previous studies also contend that superiors engender trust through giving subordinates responsibility and authority (e.g. McGregor, 1968 and Costigan et al, 1998). Therefore, recalling that trust in this present study refers to implied confidence, and the extent of trust can exist at different levels in work relations, depending on beliefs of the trustor (underlying assumptions of the trustor i.e. beliefs about self and beliefs about other), the extent of trust can be investigated around the issue of a task initiative/delegation, in which the potential delegator can empower someone else to look after their (the supervisor's and the units) well-being, or to cause them harm by task initiative failure and placing blame in performance of some task. The use of 'task initiatives' in scenarios can provide a sound means of gaining insight into managerial perceptions around trust, such as, whether managers would delegate and reasons for choice. Operationalising trust in this sense elucidates various aspects of trust including potential dependence on the actions of another (Zand, 1972), potential dependence on another individual's ability.

Scenario 4: Beliefs about Self

Initiatives arise from time to time in Bank XYZ. Terry could pursue an initiative that might directly benefit the Bank if taken, but the initiative would not be part of Terry's regular duties (job description).

Subsequent to the introduction of this scenario, I was able to ask interviewees a series of questions around views of self. The first question ("How will Pat feel about employees taking initiatives outside their contractual responsibilities?") as well as a series of follow-up questions attempt to capture interviewee risk preferences. Other probing questions ("How much direction will Pat give Terry on the initiative? Will Pat spell out exactly what Terry should do or just leave Terry to own devices? Why? When looking at Pat's

relationship with Terry, does Pat rely on ‘gut’ feelings or does Pat rely on facts?), enable discussions on extent of predictability preference and basis of the superior-subordinate relationship.

Six (2004, p.84) recognised that an individual increases his or her vulnerability when he or she delegates and chooses low control or not to control the other’s behaviour in protection of his own interests. Managers can do this by making themselves dependent on the subordinate’s actions, for example, by delegating sub-tasks to the subordinate or giving overall responsibility to the subordinate. Therefore, Scenario 5 goes a step further than Scenario 4. Scenario 5 poses more complexity in choices of managerial judgement about the subordinate. In this scenario, various dilemmas are presented in order to investigate beliefs about others. The superior manager has the opportunity to delegate an important task (report) to a subordinate(s). This scenario also introduces the potential for blame-fixing. Prior studies show that in mechanistic structures (such as present in Banks) it is possible for dysfunctional behaviour or systems of human defensiveness such as fixing blame to occur (Argyris, 1990; Hopwood, 1972). My premise in this present study, however, is that trust is a requirement in work relations (Hardin, 1999). Therefore, it was important to confirm this fact in the field evidence through the introduction of potential for mistrust via blame-fixing.

Scenario 5: Beliefs about Other & Belief about Self:

Pat has an upcoming important report to produce and is running out of time. Data collection and analysis is needed for the report to be put together. Pat is considering giving the task to a subordinate. Both Pat and Terry know that if Terry does the report and something goes wrong with it, Terry could fix blame on Pat, share the blame with Pat, or accept all the blame.

Probing questions included, “Will Pat give the task to Terry?”; “If you were Pat, the supervisor, and Terry was your subordinate, what assumption would you, Pat, the supervisor, have about Terry, the subordinate in terms of Terry’s level of reliability?”; “What assumption would Pat, the supervisor, have about Terry, the subordinate in terms of Terry’s level of skill and knowledge? Does Pat believe Terry has a high level of ability to accomplish tasks in general? What attributes (competencies) does Pat look for in Terry?”; “What assumption does Pat have about Terry’s concern with promoting the unit’s best interest?”; “What does Pat, the supervisor, believe Terry, the subordinate’s motives are?” These questions probed into managers’ views on subordinate reliability, ability, interests, and concern. It was initially conceived that managerial emphasis on reliability in meeting deadlines/ work quotas, honesty in providing accurate reports suggests contractual trust.

Competence trust on the other hand, was initially conceived as identifiable by a focus on compliance, possibly integrity/reliability in terms of using the report initiative as a means of continuing professional development, training, and ability. Goodwill was conceived as possibly reflected in commitment to shared goals (teamwork, that is, maybe sub-tasking) and performing outside the contract / beyond contractual obligations. Thus, the key features identified for each property of beliefs about other (e.g. reliability, ability, commitment / concern, and interests) were either embedded in the vignette or formed the basis of prompt (probing) questions after presentation of the vignette.

Furthermore, Deutsch (1973) maintained, recognising the legitimacy of the other person's interests implies that the other person's interests could influence your behaviour. Therefore, in discussions around beliefs about others, Scenario 5 also introduces the potential to discuss behavioural outcomes. Indeed, as trust is a belief also manifested in behaviour, it was not difficult to draw out such perceptions relating to interactions and interdependencies (such as cooperation). It was considered most appropriate therefore, to rely on the existing vignettes and prompt questions to highlight alternative viewpoints on behavioural outcomes. For instance, a follow-up / prompt question used after Scenario 5 that enabled discussions around behaviour was "If Pat decides to give Terry the task, what does Pat believe Terry intends to do if something goes wrong?"

Perceptions around concepts related to interpersonal trust variables including the potential for time in the relationship to influence beliefs / assumptions about the other were garnered. In particular, at various points throughout the discussions on Scenarios 4 and 5, different probes were used to extract managerial views on the interpersonal trust factors including: "Would time influence the perception of the basis of the relationship? How? Does it matter if superior and subordinate knew each other for a few years?"; "Do you think it would involve getting to know each other outside of work?"; "What influences Pat's perceptions (e.g. time in the relationship) / On what basis does Pat make these assumptions?" "Does Pat feel the same way about every subordinate taking an initiative (e.g. reliance on reputation or personal experience / knowledge of subordinate in role)?"

In sum, all vignette scenarios and prompt questions were kept as simple as possible. The relative abstraction or broadness of the scenarios meant that further elaboration on key properties of trust became necessary through prompt questions. The concern for the vignettes' wording and structure was to express as clearly as possible the potential associations between trust and performance evaluation style, without framing responses /

giving lead inference. All of the statements did not include the word ‘trust’. Rather, the words used to set dimensions of trust or performance evaluation style in each vignette scenario were similar or the same as those identified in the literature.

3.2.4 Choice of Empirical Settings and Research Participants

So far in this chapter I have introduced middle-range thinking as the methodological approach in this research (3.2.1), argued for the use of vignettes-based interviews (3.2.2), and detailed the development of the research instrument (3.2.3). This section provides an overview of the choice of empirical settings and research participants.

Both field sites in the main study operate in the same environment, are somewhat homogeneous, and all managers have a supervising role at the same level (middle management). Choice of financial firms as empirical settings for my field enquiry was chosen in consideration of my prior experience, research gaps, and access. My brief work experience in the financial services industry provided me with a general feeling towards the study of trust and performance evaluation style in a service-based setting. This viewpoint was also helped by the fact a number of management accounting and trust researchers note the relative lack of perspectives in service-based settings (e.g. Briers and Hirst, 1990). Choice of field sites / field access for the main study resulted from primary contacts generated during my pilot interviews.

The most fundamental participant criterion was that of selecting supervisory managers in middle management posts. Creed and Miles (1996) offer a conceptual framework that links managerial philosophies, and organizational forms to trust within organisations. They suggest that managers play a central role in determining both the specific expectations within given units and the overall level of trust within organisations. Middle managers are known to be integral to the translation and dissemination of company vision and objectives. Middle level managers initiate most vertical and horizontal exchanges, as well as influence the design of reward and control systems “that are visible displays of base levels of trust or mistrust within departments or the organization as a whole...control the flow of certain types of information and the opportunities to share or not share key information in ways that influence the level of trust between or across organizational levels or units” (Creed and Miles, 1996, p.19). Furthermore, through communication, mid-level managers have the ability to support new linkages that network company departments and

functional responsibilities across organizational boundaries (Lewicki and Bunker, 1996). Clearly, the identification of middle level managers as “boundary spanners” (McAllister, 1995, p.24) marginally touches upon the relevance of investigating trust and performance evaluation style from their perspectives. Managers hold organizational positions of power and thus, their perceptions are assumed to have a greater impact (e.g. on trusting relations) than those further down the hierarchy (Atkinson, 2004, p.5). Prior studies have mainly focused on either senior management (e.g. Atkinson, 2004) or front-line employees (e.g. Mayer and Gavin, 1999). Notably, Ellonen et al. (2006) investigate the vital role of middle management as initiators of trust and organizational innovativeness (also see Kanter, 1977; Dougherty & Hardy, 1996). Therefore, it is perceived that middle level managers are experts, and can make real changes to structures of governance, and so can perceive and display different treatments of style and trust.

During piloting, choice of participants was based on theoretical sampling. The objective of theoretical sampling was to make an initial selection of research participants, to see whether the methods of data collection and analysis fit the research purpose, and so to guide theory development. These reflections led to amendments to the primary research question and research design [see appendix 2]. Analysis of the initial meetings with managers (pilot) in this present study suggested that differences between trust perceptions, performance evaluation style, as well as any linkage is likely influenced by role characteristics of managers. As a result, the research sample evolved from an initial selection of informants that comprised superior and subordinate managers in the pilot study to identification and selection of mid-level managers from sales and quality functions in selected field sites during the main study. Therefore, a more systematic purposeful sampling technique was used in the main study. Leedy and Ormrod (2001) and Creswell (1998) reason interviews lasting one to two hours in length with a carefully selected sample of participants are best. They maintain a typical sample size is 5 to 25 individuals, all of whom should have had direct experience with the phenomena being studied (Leedy and Ormrod, 2001, p.153). My main study consisted of at least one-hour length interviews with a sample of 24 middle level managers, and are therefore viewed as sufficiently representative of specific group of people who have characteristics relevant to investigating the social phenomena of trust and ‘sent’ style.

Management accounting researchers argue that phenomena should be studied in consideration of context (e.g. Lawrence and Lorsch, 1967). Noeverman and Koene (2005, p.5) state that “...a study in one single organisation provides the possibility to evaluate the

differences in perceptions of evaluative style - between supervisors in different functions at the same or similar levels in one organization.” Likewise, studies of multiple field sites that manifest very similar technical design characteristics of the Performance Management System (PMS) are likely to provide good cases for examining managers’ trust and style by context. Contextual features include differences in function, gender, age, education, and tenure in posts. Choice of participants in the main study was mostly influenced by consideration of managerial function⁴⁵.

Previous research has recognized the importance that managerial function could have on interpretations of findings in a particular research context. For instance, Bijlsma-Frankema (2004) finds that the functional role of a manager influences trust and trusting expectations in a merger situation. Three divergent cultures of management emerged in which strategists and SBU managers (who placed emphasis on ‘hard measures’) were much less trusting than HR managers (who focused more on intangibles). In addition, studies such as Hopwood (1972), and more recently, Lau and Buckland (2001) report higher trust in superiors when performance metrics are budget-based. One explanation for their results is subjects’ role characteristics. The majority of participants in Hopwood (1972) and Lau and Buckland (2001) were in more results-oriented roles, and as such one argument is that subjects’ perceptions and study findings reflect preferences for metrics that align with functional roles. In examining Simons (1995) levers of control, Bisbe et al (2007) also argue for consideration of differences between sub-groups (e.g. senior managers and operating managers) in control use. More recently, Hartmann and Slapnicar (2006, & 2009) study the relation between trust and formal control in managers in Slovenian banks from subordinates’ perspectives. Hartmann and Slapnicar (2006, 2009) find that the extent of influence that formal control use has on trust depends on extent of contractibility in role / managerial function. They proxy for contractibility (i.e. the difference in functional easiness of defining measurable outputs) by distinguishing front-office managers and back-office managers⁴⁶. Their findings reveal that managers in less contractible functions are

⁴⁵ Despite this fact, I sought information at the end of interviews pertaining to education level, and tenure in posts (see Chapter 4 for details).

⁴⁶ They regard differences between function based on managerial job characteristics: front-office managers’ main responsibilities are viewed as involving market (i.e. sales) transactions, in comparison to back-office managers’ main responsibilities as involving internal (i.e. quality) services. More precisely, in regard to contractibility, Hartmann and Slapnicar (2009, p.6) state examples of high-contractibility outputs include financial and quantitative indicators such as sales and profit, which are clearly defined for subordinates engaged in functions related to external customer service and sales. Examples of low-contractibility outputs include those in which measurement of individual performance is hindered by organizational interdependencies, in which job technology causes a lack of objective metrics, and refers to functions in which subordinates are responsible for providing internal service, advice and support (cf. Moers, 2005). In

more sensitive to trust formation in environments of formality. Back-office superiors' efforts to include some explicit numerical standards (e.g. 'x amount in cost savings') and some wholly subjective measures (e.g. 'activities should involve careful use of resources') in measuring performance targets may result or may be the result of high subordinate trust. On the other hand, they conclude that subordinates in front-office functions are unlikely to possess high trustworthiness in superior managers as performance outputs are relatively high contractibility i.e. are easily measurable in quantitative and objective terms, and thus, there may be little need for high trust given such clarity in task assignments. In support of their findings, earlier studies (e.g. Govindarajan, 1984 and Brownell, 1985) have especially shown lack of clarity in task assignments and measurable outcomes as associated with a more subjective (non-accounting) style of performance evaluation style and less reliance on structured approaches to pay⁴⁷. These studies provide support for the likely influence of role characteristics / function in this thesis (see Chapter 4 for further details with regard to functional differences in the field study sites).

Therefore, the role of function was addressed in the research design and interpretations of field evidence. In this vein, two groups of managers were distinguished in the main study:

1. Sales managers; and
2. Quality managers

As the names suggest, sales managers are in front office posts where their main responsibilities include external sales and external service, and are normally characterised by high contractibility. Quality managers are in mid-office or back-office posts, with their main responsibilities involving internal service (quality), and they are normally characterised by low contractibility. In the main study an equal proportion of managers from sales-oriented functions and quality-oriented functions were selected. In addition, it was required that all selected managers be in their current role as a supervising middle level manager for at least one year. This criterion ensured that managers had at least done one round of formal performance evaluations in a supervising capacity as well as in the position to form relationships with subordinates over a year. Managers were selected from a cross-section of units (front-, mid-, and back-office units) throughout the field sites.

low-contractibility jobs, superiors seem to apply extra effort in order to clarify targets and measure performance, as well as basing rewards on clear allocation rules (Hartmann, 2007).

⁴⁷ Indeed, these findings also support my research results. As chapter 5 details, quality managers interpret a broader focus in target-setting, as well as broader perspectives on rewarding (i.e. use of both structured monetary rewarding and non-structured non-monetary rewarding), but need to spell out rewards based on strict allocation of rules.

Also, although not a central consideration, the possibility of gender-bias was considered in research design. This study ensured fairly equal representation of views by interviewing a relatively equal proportion of male and female managers in the main study (see Chapter 4).

3.2.5 Ethical and Practical Considerations

Once human subjects are being utilized in research, ethical considerations must be addressed. Mason (2002, p.7) states, “qualitative research should be accountable for its quality and its claims.” This responsibility involves considering the ethics and suitability of questions, research design format, investigations, explanations, and also the manner in which these considerations are presented to a larger audience (Mason 2002, p.201).

A key consideration is quality to research. Quality is engendered in the ethical framework of one’s research - as one enters the field, during fieldwork, and upon leaving the field. A part of the process of ensuring quality is obtaining Ethical Approval as well as approval from research participants⁴⁸. Whilst this process can be timely, it can also assist with addressing certain ethical dilemmas, practicalities, and boundaries, some of which a researcher may not have considered beforehand. The research project gained Ethical Approval from the Ethics Committee of the Faculty of Law, Business and Social Sciences of the University of Glasgow. Assurance of confidentiality to the organisations and anonymity to participants was promised. The participants were given a letter explaining the purpose and the prospective contribution of the research, as well as establishing the level of feedback (see Appendix 2 for ‘Statement of Informed Consent’⁴⁹). Further, a description of what is expected from the participants was explained before the interview. In addition, participants were asked permission in order to record the interview beforehand. Consideration of a possible impact of the recorder on the naturalness of the narratives was

⁴⁸ The ESRC framework states that when living human beings are being used, fully informed voluntary consent of research participants should be obtained. Gregory (2003, pp.37-38) states, the “researcher should satisfy certain informational requirements: what the research is about (its aims and purposes), what the research will involve, what will be expected of those whose consent is being sought, how much time and effort it will take on their part, how the data will be collected, whether they will be allowed to comment on the data collected and the interpretations placed upon the data, what the ultimate fate is of the research, whether it is to be published, and so on. A person has been fully informed if he has had explained to him anything that reasonably and foreseeably might influence the decision whether or not to agree to be a participant in the research.”

⁴⁹ Further, as stated in the ‘Statement of Informed Consent’, only particulars relevant to the context of the study were mentioned (i.e., number of employees, organizational structure; the company names and individual participants remained anonymous, only being identified by letters and numbers).

taken into account when analysing the interview transcripts. The managers interviewed were generally quite comfortable speaking in the presence of a recorder. However, in some instances managers appeared more open, comfortable and willing to talk about the subject at hand at the end of the interview when the recorder was off. This presented a problem in terms of effective transcription and the ability to use their highly relevant information verbatim. Thus, I found that I had to write information immediately following the interviews. Of a related nature, how far does a researcher take information which is given to them in confidence? Do I disregard anything an informant says after the recorder is turned off? Is it ethical to include post-interview information in the analysis – or does this extend beyond the boundary of informed consent and the use of confidential data? These are all relevant, but highly subjective questions that are dependent on the interviewer's judgement. I enlisted the views of a more seasoned researcher (her supervisor). Ultimately, the interviewer resolved that it was acceptable to use information gained from managers after the recorder was switched off⁵⁰.

Furthermore, I attempted to create an informal, non-threatening atmosphere during the interviews⁵¹. I considered the ability to build and maintain cooperation, trust, and rapport with subjects. No major concerns about the negative impact of interviewer-interviewee relations were encountered. The fact that interviewees were in a position of power in their organisations (mid-level managers) offset the potential effect of researcher dominance as outsider. Some interviews were interrupted by a telephone call. However, this is a normal occurrence in the event of managers who lead busy schedules. It was initially requested that interviews take place in meeting rooms away from the interviewee's office and away from colleagues. However, such requests could not always be accommodated.

Practical considerations also occurred during data analysis. Conducting interviews, transcribing, and analysing interview data is extremely time-consuming. However, transcribing by self can be advantageous as it is recommended to ensure effective capturing of interview dynamics and jargon, which a hired transcriptionist may not necessarily grasp. It was also conceived that the coding scheme from the perspective of a

⁵⁰ It was resolved that seeing, and also that at the conclusion of interviews I would always invite interviewees to make additional comments, and also seeing we were both still in the 'interview room' and no statements were made such as 'off the record', it was safe to assume that this information could be included. The researcher ensured that statements by interviewees at this point were not taken out of context.

⁵¹ This was done in an effort to decrease the potential for bias. Oppenheim (1992) states that interviewees may bring their own bias, which may extend from their expectations about the interview or things that took place prior to the interview.

sole researcher might introduce a level of bias to the study. Therefore, during coding of some interview transcripts in the main study, I sought reliability through peer reviews of transcripts, field notes and the coding scheme to assess whether similar views were shared on coding the data (i.e. inter-coder reliability). Lastly, Seale (1999) purports a reflexive methodological stance can enhance the quality of research and its credibility. He contends that a reflexive writer should report how access was gained to the research setting, how they presented themselves within it, including details of the roles taken, the degree to which researchers believe that trust and rapport were achieved. In addition, Seale (1999) states that reflexivity would involve an account of any ‘mistakes, misconceptions, surprises’, as well as ways in which data were collected and recorded, and the various types of data available to the researcher, and descriptions of the coding and other analytical procedures. The various sections of this chapter address these ethical and practical points⁵².

3.2.6 Pilot Study

An interview protocol was developed in order to guide interview discussions. The first stage of data collection involved piloting the initial interview protocol / research instrument between January and February 2007 to a selection of ten superior and subordinate managers in a financial institution in the Bahamas. The discussion about superior-subordinate relations and performance evaluation style was initially facilitated by means of one standardised vignette and primary question, which formed the basis for follow-up, open-ended probes. The scenario included a superior manager, Anders Field, and a subordinate manager, Angela Walters, which set the scene for the rest of the interview discussion.

The discussion normally began with an overview of the research purpose and researcher background, as well as the general procedures. This was followed by an introduction of the first scenario (i.e. target-setting/measurement emphasis stage). Managers were asked to explain their answers, and where appropriate to give examples or describe their experiences. This enabled a reconstruction of stories that highlight the central concepts.

⁵² At one point, inter-coder reliability took place during coding and analysis of the main interviews as a form of audit or check to the likelihood of ‘correct’ interpretation of interview narratives by the researcher. On this approach, Seale (1999, p.141) comments, “The creation of an ‘audit trail’ is a systematized approach to reflexive methodological accounting, incorporating peers in quite tightly specified roles during and after the research process, to provide a critique of the procedures used and a check on their clarity and consistency.”

Greater understanding and description were obtained through extraction of themes. Further, at the interview conclusion, comments were garnered about the context including the manager's time in the organisation and position, historical information such as education, as well as details such as individual perceptions of the 'realistic' nature of scenarios.

In addition, drawing on the work of Hartmann and Slapnicar (2006), at the end of these ten interviews, managers were asked to complete a mini-task. They were asked to weight the relative importance of each of four performance indicator areas (representative of BSC component/areas) in their evaluations to a maximum total of 100%. It was anticipated that this exercise would indicate the importance of certain criteria to evaluations. This was also viewed as an important part of gaining contextual information from participants and highlighted the differences in approaches between managers by function⁵³ (see also Chapter 4).

Recognising the complexities in conceptualisation and measurement of both trust and performance evaluation styles, it was no surprise that setbacks occurred. Subsequent to conducting the first field interviews (first set of pilots), I was ignorant to the fact that certain predispositions or cognitive perceptions attributed to gendered-roles in organizations might bias interviewees' responses to scenarios of male-female, superior-subordinate relations. Whilst the use of gendered names was initially perceived as attaching some realism to the hypothetical organisational setting, these names were subsequently deemed as restricting objectivity (possibly introducing gender bias). Nevertheless, this issue was resolved with the change to gender-neutral names (i.e. change in names from Anders Field to Pat Francis as superior and from Angela Walters to Terry Reese as subordinate manager)⁵⁴. Moreover, it was also noted that a more structured research instrument was needed that potentially encompassed additional vignette scenarios. In particular, trust proved awkward in terms of providing evidence of validity of constructs, properties, and dimensions. Nevertheless, piloting prior to the main study

⁵³ The outcomes from the task suggest different treatments by function despite a company-wide 'balanced' approach to performance management. The majority of sales function managers gave the highest weighting to the financial area (sales), and quality managers gave relatively equal importance to all four areas in evaluating performance. Sales managers also indicated both financial and non-financial matters in evaluating performance, but the percentages placed on financial far outweighed the non-financial in the majority of instances. Looking at the specific scorecard measurement systems used by the sample firms, the financial area is top priority with customer/operations as second in priority for sales managers. Indeed, the "people" aspect was not top priority to any manager, unless it was equally weighted with the other three areas.

⁵⁴ Please see additional information on gender-associations in Appendix 2.

ensured a certain level of pre-understanding (emergent theory). Conducting interviews at this stage in the Bahamas was considered very helpful, not merely for testing the research instrument⁵⁵, but also establishing primary contacts for the main study. It established contacts with gatekeepers and informants of institutions (Gummesson, 1991).

Iteration followed the ten pilot interviews⁵⁶. During the process, rich insights and recommendations were gathered from participants, supervisors, and colleagues. The initial scenario was replaced with several scenarios which were amended and rephrased in terms of both language and meaning. The final form of the research instrument had one vignette scenario for each category of performance evaluation style and each category of trust (excluding behavioural outcomes and trust by contingency). Hence, the research protocol comprised five (5) vignettes in total. Changes were made to the content of the scenarios themselves to reflect more of a service based setting. At the end of modifications, the complete and final version of the research instrument was forwarded to the primary contacts in two field study sites in the Bahamas for perusal and permission to access for purposes of main evidence collection.

It was considered appropriate to pilot the amended research instrument prior to conducting the main evidence collection. Therefore, a second set of pilot interviews were administered during summer 2007. These interviews took place with four middle level superior managers of major commercial banks in the Glasgow area. The reason for choosing this specific population to try out the protocol was the similarity of their background with the perspective respondents. The managers operated at the same level, but in different functions. Interview duration was approximately sixty minutes in length. All interviews were recorded and transcribed, collating the detailed narratives from each respondent for their perceptions. Data collection and preliminary analysis occurred simultaneously at this stage. This stage gave me reassurance that the amended research instrument was valid to the purposes of the research, and in particular ready for the main evidence collection. In particular, the vignette was deemed as practical⁵⁷.

⁵⁵ On this note, half of the interviewees mentioned that their initial thoughts about the setting of the scenario were not that of a banking institution, but rather of a manufacturing type organization. The questionable applicability was reviewed in greater detail during the course of the preliminary fieldwork, which entailed changes in order to convey a more service-oriented business setting.

⁵⁶ Iteration included changes to the research design and additional reviews of the literature. See Appendix 2 for further details.

⁵⁷ The vignettes were deemed as effective at this stage. They seemed to be broad yet directed enough to form a basis for discussion.

Conducting the preliminary interviews enabled the researcher to reflect on skills as a qualitative researcher including the ability to listen attentively and think critically. Key questions were also asked of the research process, including the verifiability of coding⁵⁸, note taking, and extent of use of prior theory. Importantly, the preliminary interviews allowed me to assess the feasibility of using vignettes in semi-structured interviews. The interview data revealed the feasibility of the research, and led to development of the research instrument to reflect the research context.

3.2.7 The Interview Process in the Main Study

The main study was comprised of interviews with twenty-four middle level superior managers in two field study sites (two multinational financial subsidiaries based in the Bahamas). Ten of the interviews took place in the first field site, and the remaining fourteen in the second field site. The interviews took place within the confines of participants' workplaces between January 2008 and April 2008. Prior to this, several preliminary interviews with mid-level managers in financial institutions both within the UK and the Bahamas were conducted (as discussed in section 3.2.6 above). The lengthy period of data collection and analysis reflects difficulty of access, time constraints of interviewees, as well as the complexity of this research. At the time of the interviews, the majority of managers were engaged in work relationships with at least one subordinate for a period of longer than a year.

The need to obtain rich and deep insights that would provide a better insight into trust and performance evaluation style in the study, and that would also validate the conceptual framework gained from prior literature and pilot interviews, led to the decision to continue using hypothetical scenarios and probes during interviews in the main study. These methods were considered highly appropriate and complementary, where the participant is given the chance to voice their views on the performance evaluation process (evaluation style), the relationship between them and their subordinate(s), the importance of trust in the relationship (level of trust), and their understanding of the linkage. A single interpretation of trust was not imposed by use of the interview protocol. Instead, following the

⁵⁸ Inter-coder reliability as well as a set of iterations assisted verification in the research process in the main study.

guidelines of a middle range theory approach, interviewee-led perceptions on trust were sought based on respondents' interpretations of the vignettes (hypothetical scenarios) and their actual experiences. The use of hypothetical scenarios provided a basis for enabling respondents' to define trust according to beliefs about self, beliefs about other, behavioural outcomes, and trust by contingency variables, as well as to define performance evaluation style according to their perceptions.

Firstly, a meeting was arranged with the Head of Human Resources in both sites to obtain access and support in the research undertaking. This assistance was considered very beneficial, with access to staff being gained. Based on the select group criterion which I gave the primary contacts in the main study (see section 3.2.4) internal emails were sent to organisational members. The emails were copied to me, which contained a formal request for members' participation in the research, as well as a brief biography on me, the nature of research and general purpose (i.e. investigating issues in performance management). For my part, the Heads of Human Resources forwarded contact lists, including member position, email and telephone contacts. From this information I was able to ascertain a sample of relatively proportionate participants in quality function and sales function areas (as well as by gender). Therefore, although the sample in this study was not entirely randomised, it incorporated theoretical sampling. Theoretical sampling involves gaining divergent perspectives from different managers who act as the 'eyes of organizational members' (Bryman and Burgess, 1994). Participants were contacted by phone call to arrange an interview time as well as to provide re-assurance of their anonymity. In addition, prior to each interview, participants were contacted an additional time as a reminder.

The interviews took place in the interviewee's offices or private meeting rooms within each site. Several of the interviewees (one manager in company X, and two managers in company Y) had a time restriction due to their busy schedules, and the conversation had to be more focused and guided than average. Interviews lasted for ninety minutes on average. The interviews were recorded after the participant's approval, their signed Statements of Informed Consent, and were fully transcribed by me in order to be analysed in detail afterwards. It was also considered important to not provide any vignette scenarios or interview questions to the participants beforehand in order to obtain authentic responses during the interview.

At the beginning of the interview discussions, participants were reminded of the general purpose of the research as well as given a statement of informed consent (see Appendix 2 for statement of informed consent and research instrument). All participating managers were given interview protocol instructions to guide their understanding of the format of the interview⁵⁹. These instructions were communicated by the interviewer prior to commencement of interview. Within these instructions, managers were asked to respond to questions asked following the introduction of each scenario in a way that they would have responded if they were the supervising manager in the vignette scenarios, that is, as Pat Francis. Every interviewee was also assured that there are no right or wrong responses.

The initial vignette scenario functioned as ‘a kick off’ to the discussion. Furthermore, each vignette was given to the participant as the interview discussion progressed to aid with fluidity of conversation. Approaching the end of the interview, the interviewees were asked contextual information including their number of years in the post and number of years in the actual role. At this stage of the interview, the hidden agenda of research was exposed. At this point, they were also allowed to see and comment on a modified version of the matrix of potential linkages between trust and performance evaluation style (Appendix 2 includes the modified version of the matrix which is a shorter version of the original and does not include headings for each field). The purpose of this reveal was to ask the participants to provide where they thought they fell along with any possible explanations. Participants were then welcomed to provide any additional comments into their perceptions on trust and performance evaluation style.

During the interviews and after conducting the interviews, notes of the interview atmosphere were written and kept in order to facilitate the interview analysis. Notes included observations related to, for example, non-verbal cues such as body language; the perceived initial level of caution of several interviewees based on their references at the start of the interview, and their gradual openness; as well as verbal dialogue at the end of discussions (after the recorder was turned off).

As with the pilot interviews, managers in the main study were asked whether they thought scenarios represented reality, and responses were overwhelmingly positive. As an

⁵⁹ This approach also assured the researcher that each participant would understand the interviewing process in the same way (known as *stimulus equivalence*; Oppenheim, 1992).

example, in response the question asked by the interviewer, “Are the scenarios presented realistic?” managers typically responded as follows:

“Yes, they are. I can see where they come into a banking environment...Some of the scenarios are familiar to me.”

“Yes, which is why it was easy to respond to you.”

“Yes, I do think they are realistic. They can relate to most work environments. Some of them are more banking related but some of them could also be any organization because all organizations have rules, regulations, guidelines...”

3.2.8 Evidence analysis methods

Ahrens and Chapman (2007) argue for analysis of qualitative field MA research in a way that shows how the knowledge produced extends beyond simple statements about relationships between variables interest to examination of more nuanced descriptions. Researchers concur that nuanced descriptions of phenomena are based on the processes that define the phenomena, the contexts in which they exist, and the specific meanings of the phenomena for participants⁶⁰. My research design reflects consideration of trust and performance evaluation style as processes in collection and analysis of nuanced, context-specific interpretations by respondents.

In the first instance, the interviews were transcribed using Microsoft word⁶¹. Transcribing the interviews proved useful to aid with analysis. Summary memos based on observational notes recorded during the interviews were added to the relevant transcripts. Multiple readings of the transcripts enabled an initial ‘feel’ for the data by directing attention to particular indicators of themes (categories, properties, and dimensions were searched for in managerial responses and aptly coded). The introduction of a coding agenda attempted to assist with arranging data into the analytical categories, properties, and dimensions, and is also suggestive of a processual analysis of trust and performance evaluation style. A coding agenda also makes the coding procedure of the interviews more auditable⁶². Comparisons on coding transcripts were made to find consistencies and differences.

⁶⁰ Ahrens and Chapman (2007, p.310 state, “the processual analysis of accounting identifies processes through which specific accounting definitions are established in the field”.

⁶¹ See Appendix 5 for several transcripts.

⁶² The coding agenda spreadsheet included each potential category, property, definition of the property, dimension, description of the dimension, examples of key phrases for each dimension that would suggest meanings, and lastly coding rules (see Coding Agenda in Appendix 2).

In most instances, themes were coded based on keywords and phrases. For instance, managerial discussions around the concept of reliability in subordinates could be interpreted as either: low confidence in reliability (i.e. superior manager uses terms that relate to his or her expectation of subordinates only keeping written promises as per their original job post), medium confidence (i.e. superior manager discusses reliability around principles of dependability, ethical and moral responsibility), or high confidence in reliability (i.e. superior manager discusses reliability in terms of subordinate keeping oral promises/promises that were not originally written in job descriptions).

Also, in the instance of emergence of additional concepts from analysis of the transcripts, these concepts were added to the coding agenda. Examples of the addition of concepts include the trust by contingency variable, subordinate experience as a variable of trust, as well as distinctions between focuses in target setting⁶³. Moreover, based on initial readings, summary charts were constructed. The summary charts included headings for each of the pre-identified properties and dimensions of trust and performance evaluation style for each manager. An 'X' was placed in the field(s) that appeared to represent each manager's perceptions. Therefore, as an initial analytical method the summary tables gave me an overview of the dominant themes by means of within-case/site comparisons. Extracts from summary charts for managers in one of the field study firms (Company X in the main study) are provided in Figures 3.4 and 3.5 below.

ROLE	OBJECTIVITY			SCOPE OF EVALUATION		
Quality (N=5)	FORMU	MIXED	JUDGEM	FLEXIB	MODER	INFLEX
A		X	X		X	
B	X	X				X
C		X	X		X	X
D	X					X
E		X				
total	2	4	2	0	2	3
ROLE	OBJECTIVITY			SCOPE OF EVALUATION		
Sales (N=5)	FORMU	MIXED	JUDGEM	FLEXIB	MODER	INFLEX
1	X				X	
2	X	X		X		
3	X	X			X	X
4	X				X	
5	X					X
total	5	2	0	1	3	2
All (N=10)	7	6	2	1	5	5

Figure 3-4 Summary Chart - PES (Evaluation stage extract)

⁶³ In particular, managers gave meanings distinguishing between internal and external focuses, and as such, a new property 'Focus2' was created and included as part of the coding agenda.

ROLE	PERCEPTION OF INFLUENCES ON RISK PROPENSITY			PERCEPTION ABOUT PREDICTABILITY OF MUTUAL BEHAVIOUR		
Quality (N=5)	RISK AVERSE	RISK NEUTRAL	RISK TAKER	HIGH	MEDIUM	LOW
A			X		X	
B		X				X
C		X			X	X
D	X			X		
E			X		X	
<i>total</i>	1	2	2	1	3	2
ROLE	PERCEPTION OF INFLUENCES ON RISK PROPENSITY			PERCEPTION ABOUT PREDICTABILITY OF MUTUAL BEHAVIOUR		
Sales (N=5)	RISK AVERSE	RISK NEUTRAL	RISK TAKER	HIGH	MEDIUM	LOW
1	X			X	X	
2	X					X
3			X		X	
4		X		X	X	
5	X				X	
<i>total</i>	3	1	1	2	4	1
All (N=10)	4	3	3	3	7	3

Figure 3-5 Summary Chart - Role Trust (Beliefs about Self extract)

Figure 3.4 displays an extract of a summary chart of superior manager perceptions on two properties, objectivity and scope in evaluating subordinates. It shows the majority of quality function manager in the first field site (Company X) are giving meanings that relate to objective (formulaic) approaches to evaluation and use of judgement in evaluating subordinates performance, as well as inflexibility in evaluations of subordinates. Whereas, sales managers are likely giving meanings that relate to use of an objective approach to evaluations (with little to no reliance on judgement) and moderately inflexible evaluating of subordinates. Figure 3.5 displays an extract of a summary chart of superior manager perceptions on two properties of beliefs about self, perception risk propensity and predictability of behaviour. It relates quality managers as potentially risk willing (i.e. risk neutral to risk takers) and as preferring to keep informed on subordinate initiatives. It also relates sales managers as potentially risk averse, and as also preferring to keep informed on subordinate initiatives.

However, the summary charts were only a first means of attempting to make sense of the data. I had to analyse transcripts in depth in order to capture perceptions in the data (meanings). The use of ATLAS ti proved helpful as a step in this respect. The use of computer-assisted techniques and software (ATLAS ti) are proven helpful with coding and categorizing large amounts of narrative text from interviews. They enable large amounts of text to be thematically coded, counted, and interpreted more quickly and concisely.

These packages can also help verify the analysis through electronic audit trails. Parker and Roffey (1997) maintain that qualitative data analysis software enables rigour and enhances validity of interpretation. However, the use of ATLAS ti is not without limits. Use of qualitative data analysis software may force theory prematurely and may distance the researcher from the data. Importantly, the extent of benefit in use depends on researcher skill, and necessitates careful selection of inputs (Parker and Roffey 1997, p.237). The intention of using ATLAS ti was to make an overall sense of the data rather than reduce the evidence to codes. Although this software has highly sophisticated functions, its usefulness to the project was more as a facility for advanced word processing in categorisation of codes to transcripts than data analysis and interpretation. Coding labels were initially drawn from the theoretical framework. Codes reflecting the pre-established categories, properties and dimensions in the coding agenda were added to the programme. In addition, the interview transcripts were reformatted into rich text format and then uploaded to the programme as primary documents (PDs). Interviews were treated as a part of the overall theory construction.

Using ATLAS ti as a part of the research process in aiding theory construction led to exploration of other analytical qualitative techniques. In particular, thematic discourse analysis was used. It is a theoretically flexible approach to analysing qualitative data by 'thematizing meanings'. It offers the potential for broader theoretical assumptions underpinning repeated patterns of meanings in interview data. For this reason, thematic discourse analysis overlaps with some other forms of discourse analysis⁶⁴. Braun and Clarke (2006, p.78) describe thematic analysis as a "method for identifying, analysing and reporting patterns (themes) within data" (see also Eisenhardt, 1989, 1991; Fereday and Muir-Cochrane, 2006; Crabtree and Miller 1999; Boyatzis, 1998). Thematic discourse analysis is fundamentally constructionist, aligning with my methodological perspective⁶⁵. It can provide a detailed and nuanced account of trust and sent evaluation style within the data. In this study, the unit of analysis was not restricted to a word or phrase but it also could have encompassed a sentence or several sentences that depicted a particular theme

⁶⁴ Discourse analysis emphasises the manner in which events and reality are created in discourse (i.e., interviews) through exploring keywords and phrases (Bryman, 2004).

⁶⁵ Brauns and Clarke (2006, p.84) state, "The research epistemology guides what you can say about your data, and informs how you theorise meaning...from a constructionist perspective, meaning and experience are socially produced and reproduced, rather than inhering within individuals (Burr, 1995). Therefore, thematic analysis conducted within a constructionist framework cannot and does not seek to focus on motivation or individual psychologies, but instead seeks to theorize the sociocultural contexts, and structural conditions, that enable the individual accounts that are provided."

(construct / code). A line by line highlighting of the relevant text for each transcript using the ATLAS ti programme's 'coding labels' pooled the themes and supporting quotation references. Themes were identified based on individual perceptions and experiences (Silverman, 2000), and developed by matching perceptions and experiences between managers. Recognising the plausibility of a range of attitudes for each theme, I also became aware of 'a patterning of responses' and this was found by examination of explicit responses and implicit links (Bryman and Burgess, 1994, p.190). Moreover, various judgements or assumptions had to be made on the meanings and significance of the data⁶⁶.

An invariably qualitative approach to capturing the major themes generated from use of ATLAS ti in a more structured way is by investigating relative frequency counts of the codes. Frequency counts are also seen as useful for data management. Thematic outputs can be transformed from qualitative to quantitative form as a means of theory development and verification (Boyatzis, 1998). The thematic analytical methods follow a line of inquiry which is purposeful. I was able to produce a frequency report of codes (called a codes primary documents table) from ATLAS ti, which was exported to Microsoft Excel, and subsequently sorted frequency counts for each dimension between quality function and sales function managers (see below, figure 3.6 for extract from the ATLAS ti codes primary documents table and figure 3.7 for extract of excel worksheet). Relative frequency counting is one means of revealing patterns in the data. By utilizing frequency counts, I was also able to observe and highlight patterns of association for each manager and by roles. This sorted tabulation gave a general feel for the patterns in participants' perceptions. In that way it was possible to more easily detect participants' views on trust and performance evaluation style. The highest number of counts for a manager was considered as indicative of their dimensional preferences for each property.

⁶⁶ Each passage depended on researcher subjectivity to infer meaning from the text. For instance, although one passage of text could contain multiple themes, it was coded with the most dominant theme. In spite of making judgements, the interpretations still remained grounded in the data, it maintaining a fluid approach, open to different interpretations of constructs from interviewees' perspectives.

CODES-PRIMARY-DOCUMENTS-TABLE (CELL=Q-FREQ)
 Report created by Super - 06/12/08 13:57:50
 "HU: [H:\Atlas\field2_June.hpr5]"
 Code-Filter: All [149]
 PD-Filter: All [11]
 Quotation-Filter: All [1348]

CODES	PRIMARY DOCS												Totals
	1	2	3	4	5	6	7	8	9	10	12		
C1: Target setting/M	2	1	0	0	0	0	0	1	0	0	0	4	
C1_P1: Trend	0	0	0	1	0	0	0	0	0	0	0	1	
C1_P1_D1: Historical	0	2	0	2	3	1	3	1	2	0	0	15	
C1_P1_D2: Present	1	4	2	1	1	0	0	0	1	0	0	10	
C1_P1_D3: Future	1	3	2	0	0	3	1	0	0	0	1	11	
C1_P1_D4: Mixed Tren	0	0	0	1	0	0	0	0	1	0	1	3	
C1_P2: Focus of KPIs	0	0	0	0	0	0	0	0	0	0	0	0	
C1_P2_D1: Financial	6	6	2	8	4	8	3	6	1	0	0	44	
C1_P2_D2: Mixed (Fin	7	2	3	0	0	0	1	4	2	0	2	21	
C1_P2_D3: Non-financ	4	1	1	4	1	1	1	7	1	1	0	22	
C1_P3: Focus of KPIs	0	0	0	0	0	0	0	0	0	0	0	0	
C1_P3_D1: Internal F	0	2	1	4	1	1	0	4	1	5	1	20	
C1_P3_D1_sub: SMART	0	0	0	0	0	0	0	2	0	0	0	4	
C1_P3_D2: Mixed (Int	0	0	1	0	0	0	0	2	0	0	0	3	
C1_P3_D3: External F	0	2	1	2	0	0	1	1	1	0	0	8	
C1_P4: Range of KPIs	0	1	0	0	0	0	0	0	0	0	0	2	
C1_P4_D1: Narrow ran	0	1	1	0	0	1	1	0	0	0	0	4	
C1_P4_D2: Medium Ran	0	0	0	1	0	0	0	1	2	1	1	6	
C1_P4_D3: wide Range	1	1	0	0	2	0	0	0	0	1	0	5	
C1_P5: Level of Part	0	0	0	0	0	0	0	0	0	0	0	0	
C1_P5_D1: High Part1	5	1	2	1	2	0	4	0	0	3	0	18	
C1_P5_D2: Medium Par	5	2	3	3	0	2	2	2	3	1	5	28	
C1_P5_D3: Low Partic	1	1	3	0	0	1	1	8	0	4	0	19	
C1_P6: Time Horizon	0	0	0	0	0	0	0	0	0	0	0	0	
C1_P6_D1: Short-run	0	1	0	3	0	1	4	0	0	1	0	10	
C1_P6_D2: Medium-run	2	0	0	1	1	0	0	1	1	0	0	6	
C1_P6_D3: Long-run	0	0	1	0	2	0	0	0	1	3	0	7	
C1_P7: Degree of Fle	0	1	0	0	0	0	0	0	0	0	0	1	
C1_P7_D1: Rigid TS	5	1	5	1	2	3	4	1	2	2	1	27	
C1_P7_D2: Moderate T	5	0	2	0	3	2	4	2	0	1	1	20	
C1_P7_D2_sub: regula	2	0	2	0	0	1	2	0	1	0	0	8	

Figure 3-6 Frequency Table of Codes for Company x (extract)

CODES	Performan	C1: Target	C1_P1: Tr	C1_P1_D1	C1_P1_D2	C1_P1_D3
QUALITY						
A	0	2	0	0	1	1
B	0	0	0	0	2	2
C	0	0	1	2	1	0
D	0	1	0	1	0	0
E	0	0	0	1	0	0
SALES						
1	0	1	0	2	3	3
2	0	0	0	3	1	0
3	0	0	0	1	1	2
4	0	0	0	3	0	1
5	0	1	0	2	1	0
Total - All	0	4	1	15	10	9
Quality total	0	3	1	4	4	3
Sales total	0	1	0	11	6	6

Figure 3-7 Excel Spreadsheet of Frequency Counts (extract)

I looked at frequency counts of each element for each manager and developed a premise of what happened. Investigation of the frequencies of codes firstly supported a patterning of responses for managers by function. Figure 3.6 shows an extract of a frequency table of codes which is mainly representative of coding the interview transcripts of managers in the first field study site (i.e. Primary Documents 1 to 10). The extract shows the corresponding frequencies of occurrence for dimensions of target-setting (codes under the target-setting stage). A quick glance at the 'Totals' column begins to tell a story. The narratives given by managers in the first field site seem to reveal a mixture of historical to future trends in target-setting, mixed views among managers on focus of key performance indicators and on participation, however, an overwhelming rigid to moderate approach to

setting targets. Figure 3.8 is an extract of the Excel spreadsheet of the 'Codes Primary Documents Table'. Exportation of the table to Excel better facilitates investigation of counts for each manager and by functional group. Investigation of Figure 3.7 shows that managers in quality functions are giving perceptions relating to setting targets based on a mixture of past, present, and future (anticipatory forecasts) information. Sales managers, on the other hand, appear to focus more on historical information than present and future information in setting targets. However, despite the relative ease of using frequency counts, and potential improvements in reliability from quantifying content, I acknowledge limitations of use. In this particular study the researcher is less interested in counting how often certain themes (sub-properties) occur and more interested in the meanings of actions and processes (i.e. the phenomena under study) given in the evidence; the end goal being a conceptual model that depicts dominant themes regarding the potential linkage(s) between trust and performance evaluation style (Boyatzis, 1998; Braun and Clarke, 2006). Hence, analysis and interpretations progressed beyond the micro level of analysis afforded by frequency outputs to a higher, more intensive level of analysis which allowed for interpretations of meanings of trust and performance evaluation style among participants through further inductive reasoning⁶⁷.

Dominant characteristics of trust and performance evaluation style as well as their associations emerged through the process of patterning managerial perceptions from the interview data. Tables of the patterns were constructed showing each category based on recurrent themes among managers grouped by managerial function/role. These tables were done for each field site and also included relevant extracts from the interview narratives (see Tables in Appendix 2). This exercise was initially done to enable between company comparisons, until it became apparent that overlaps were mainly the result of functional differences than differences across field sites⁶⁸. On using tables in this manner, Bryman and Burgess (1994, p.182) suggests that "these juxtapositions are often one of the early clues to associations for subsequent stages of analysis." Indeed, this grouping enabled all managers to be easily reviewed, and patterns of associations to emerge. These tables were beneficial to presenting a snapshot of the outcome of the interviews to the participants and external audiences in later stages of the research project (see chapter five and appendix 2).

⁶⁷ The researcher sought to look for reasons behind apparent patterns by going back to the interview narrative and looking at meanings. Also, for this reason no statistical correlations were done.

⁶⁸ The data from each bank was initially compared for cross-sectional consistency and/or differences. This exercise uncovered very minor differences by firm, but major differences by managerial function (see section 3.2.4). Therefore, the decision was made to aggregate the between firms data to inform comparisons by managerial function rather than by firm.

Findings at the main stage of data collection and analyses employed these techniques [in development of summary charts, and tables in cross case analysis], searching for a pattern of perception between groups of interviewees. This enabled cross case analysis in order to find common perceptions that were expressed by interviewees in the same group, and aided the write-up stage of the analysis. This method of analysis is in keeping with Lillis (1999) and Eisenhardt (1989). Both articles outline a number of steps to design and write-up of a qualitative study. Broadly stated, the first step is to identify individual patterns for each case/manager; secondly, cross case analysis by functional group; and thirdly, comparative analysis between cross-case patterns of the two functional groups of participants. The steps and suggested techniques in research design and analysis were adopted throughout this study. The discussion of findings chapters (Chapters 5 through 7) highlight steps two and three. Eisenhardt (1989) explained that searching for cross case patterns uses structured methods of analysis and reduces biases and tendencies to derive false conclusions. Indeed, I was forced to go beyond initial impressions (provided by summary notes, summary charts, and frequency counts) to consider diverse interpretations. I looked at the original theoretical propositions to see if they fit the premises (or stories formed from the patterns in the data). If the premise did not fit a proposition, then I revised the proposition to fit the data⁶⁹.

Notably, the matrix of potential associations between trust and performance evaluation style was developed from its original form as a result of cross case analysis (see Chapters 2 and 7; also Miles and Huberman, 1994). The establishment of the matrix is especially useful as a blueprint – a framework to aid interpretation of the research output. Bryman and Burgess (1994, p.177) view a framework as a method of qualitative data analysis. They argue that a framework is “a foolproof recipe with a guaranteed outcome...although systematic and disciplined, it relies on the creative and conceptual ability of the analyst to determine meaning, salience and connections...by a well-defined procedure...the approach involves a systematic process of sifting, charting and sorting material according to key issues and themes” (p.177). Here, the matrix as the conceptual framework that links performance evaluation style and trust is initially based on the extant literatures. It is also open to additions and amendment throughout the research process, especially to reflect actual mapping of constructs based on field data. It enables a structured, methodical

⁶⁹ The majority of the *a priori* theoretical propositions (see Chapter 2) fit the data. However, amendments were made to propositions to reflect additional themes drawn from field data.

treatment of all similar units of analysis. The openness to change (mainly via inductive interpretations) allows a full rather than a partial review of the evidence collected⁷⁰. Hence, ‘filling in’ the matrix of potential linkages and its refinement involved a mixture of intuition and rational thought about meanings given to each construct (i.e. trust and performance evaluation style) supported by the literature and certainly linkages between ideas generated as established by participants (Bryman and Burgess, 2004, p.180). Therefore, the use of the matrix in analysing and interpreting the data fits well with the Middle Range thinking approach. The intention of the matrix presentations was to firstly, give an overall picture of the likely attitudes of superior managers on trust and performance evaluation style, and secondly, to reflect empirical patterns in the context of the field study sites from positioning of participants’ views⁷¹.

Further, the final stage of analysis, writing up the analysis involved a comparative analysis and synthesis of participants’ views, in particular as relates to the linkage between trust and performance evaluation style among sales function and quality function managers in both field sites (see chapters 5 to 7). Whilst participants’ views are recognised as individual due to differing experiences, personalities, and other characteristics, each functional group was treated homogenously. The position of views based on similar characteristics amongst functional group members also means that individual views in the discussion chapters are not well represented, other than in aiding with the overall story development through means of quotations. Nevertheless, negative case reasoning was conducted in order to demonstrate any individual ‘cases’ in which the theory does not fit, potentially disconfirming the theory. Negative case-based reasoning is an important part of putting forward an argument toward validity in measurement (Eisenhardt, 1989, 1991). Appendix 2 demonstrates one interview that did not conform to group member views. In spite of investigation into negative cases, they were surprisingly few. This outcome supported the distinction between two groups involving participants from both field sites, and the usefulness of the research design in identifying managerial perceptions and linkages between trust and performance evaluation style.

⁷⁰Source: Bryman and Burgess (1994) “Analyzing Qualitative Data,” Figure: Key features of a ‘Framework’ (p.176).

⁷¹ For this reason, different forms of the matrix are highlighted in chapter 7 (see section 7.1 and 7.3). The first matrix attempts to show the picture in the way it was initially believed to be expressed by participants based on the literature reviews and the second matrix attempts to show meanings given by interviewees (which are ‘snapshots’ of reality). This exercise does not necessarily mean that the initial matrix of ‘potential’ linkages is wrong, but rather the second matrix identifies perceptions in the particular context.

Otley and Berry (1994) also note that the collection of data from fieldwork (case descriptions) should be clearly written up to reflect any theoretical modifications that empirical observations have generated (see Chapters 5, 6, and 7 for write-up on findings). As anticipated, the inductively generated themes (especially at piloting) proved more difficult to define than the a priori themes (i.e. themes deduced from the literature). However, amendments to the theoretical framework based on evidence from the field were made clear. Quotes were used to support analyses in the write up. In keeping with the confidentiality agreement, managers were initially identified by means of means of letters for quality managers (e.g. Manager B), and means of numbers for sales managers (e.g. Manager 1). However, as the research progressed, it was thought best that they each be identified by means of letters and numbers. For instance, QMX3 represents a quality manager (QM) in company X, and the number 3 represents the transcript number (order of the transcript). Similarly, QMY20 represents a quality manager in company Y, and the number 20 represents the order of the transcript. The same logic holds for quotes by sales managers, except, sales managers are identified by SM e.g. SMX2.

Lastly, to recap, figure 3.8 (below) illustrates the innovative methodology and methods of data collection and analysis. The research design involved choice of methods of data collection (primarily incorporating in-depth semi-structured interviews with vignettes and probing questions, use of observation and documents to a lesser extent, as well as the matrix to a lesser extent at the end of interview discussions); and methods of data analysis (primarily thematic discourse analysis with the aid of MS Word, MS Excel, and ATLAS ti, as well as use of the matrix of potential linkages). Figure 3.8 also shows the methods of data collection and data analysis are bounded by Middle Range Thinking. Section 3.2.1 presents a discussion on the influence of middle-range as methodology on research design.

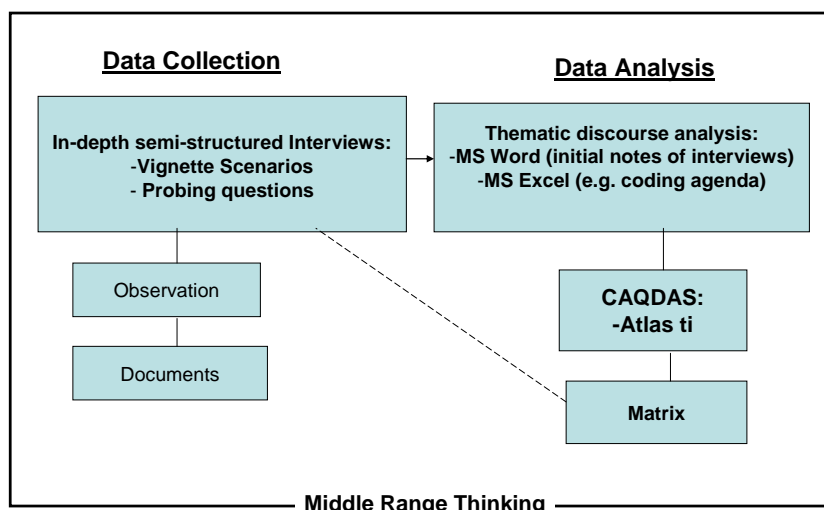


Figure 3-8 Methods of Data Collection and Data Analysis

3.3 Chapter Summary

This chapter dealt with the methodological and method considerations of the study. It describes the original and innovative approach to research which this project has applied. Both the theoretical and empirical considerations of the study were developed and adjusted during the course of the study, employing a great deal of reflection. In particular, theoretically the study adopted Middle Range thinking (Laughlin, 1995, 2007) as methodological framework. Middle Range thinking as choice among alternative methodologies was discussed. The methodology one chooses to work with is fundamentally important in determining research design. Middle range thinking involves an iterative process. The several sequences in the middle range thinking approach prove highly useful in systematic gathering and analysis of qualitative field data. My research intends to provide an in-depth investigation of the link between trust and performance evaluation style in superior-subordinate relations based on the perceptions of middle level managers in supervisory posts.

In more detail, the first section of the chapter (3.2.1) included the methodological considerations that organisational research projects should take into account. The chapter opens with the argument that management accounting practices (such as the performance evaluation process and performance evaluation style) should be studied in their organisational context. In this present study, trust and performance evaluation style are best realised as perceptions of the study's participants within the specified context of superior-subordinate relations in financial services institutions. As such, participants are

viewed as individual and knowledgeable while their narratives are embedded in the particular context (even that of functional group).

The empirical arrangements of the study are described at the subsequent sections of the chapter (3.2.2 to 3.2.8). The empirical part of the chapter included the description of the development and implementation of the research protocol, which incorporated vignettes and probing questions in semi structured interviews with the study's participants, along with issues of ethics and evidence analysis. I reflected on the use of the vignette-based interview as a more open way of investigation into issues identified by prior literature. This data collection technique allows more room for identifying nuances, interpretations, and for dialogue. Amendments to the research design from piloting followed by the main study of which 'snapshots' were generated indicating the level of trust and performance evaluation style between participants. Thematic discourse analysis was discussed as an appropriate technique to sense-making through pattern identification, and formation of analytical themes as driven by the data and also supported by previously deduced themes. I also reflected on the use of the matrix as a blueprint to describe and analyse the research output in addition to incorporation of other forms of data analysis. In addition, clear justification for the chosen empirical setting of financial service firms was provided (section 3.2.4).

Lastly, discussion on the research process would not be complete without providing a chronology of dates and activities in the research process. Therefore, Table 3.3 summarizes the research journey beginning with a review of the literature and culminating in this thesis.

Table 3-3 Chronology of Dates for PhD research

Date	Purpose
Fall 2006 (Oct.-Dec.)	Literature Review – identify gaps in the literature, central research question, and research design
Winter 2007 (Jan.-May)	Initial pilot interviews – data collection and data analysis (10 interviews with superior and subordinate managers in the Bahamas) Revisit the literature Revise research question and research design
Summer 2007 (June-Sept.)	More pilot interviews (4 interviews with superior managers in the UK)
Fall 2007	Updated/Revised literature review, slight amendment to research instrument
Winter 2008 to Summer 2008	Main data collection and transcribing of interviews (24 interviews with superior managers in two sites within the Bahamas)
Fall 2008	Coding and initial data analysis (including inter-coder reliability)
Winter 2009	Further data analysis

Summer 2009	Completion of data analysis Write up of findings – synthesis of research findings and extant literatures
Fall 2009 to Winter 2010	Write up and Revision of chapters
Winter 2010	Submission of PhD thesis :-) !!!

With table 3.1 (chronology) in mind, the remainder of this thesis reports the research findings. The next chapter (Chapter 4) provides a contextual background against which the findings are interpreted.

Chapter 4 Description of the Organisational Contexts

4.1 Introduction

This chapter provides a general description of the organisational contexts in which this study was conducted (section 4.2). The chapter also describes the technical design of the performance management systems for each field site (section 4.3). Against this background, some general observations from the interview data are presented which could be important in understanding the outcomes of the analyses in subsequent chapters (section 4.4). Finally, the chapter will end with summary conclusions (section 4.5).

4.2 Description and appropriateness of the Field Sites (company X and company Y)

The last decade has witnessed a massive transformation in business organisations throughout the world. Organisations have been forced by intense competition and globalisation to re-define their structures and processes. Busco et al (2006, p.12) state, “consequently, change has become a pervasive feature of organizational life”. In recent years, the financial services industry in developing regions has undergone immense change. More precisely, several major mergers and acquisitions have occurred in wealth management, corporate, and retail banking to form five dominant players⁷² in the banking industry in the Bahamas. Certainly the sub-prime mortgage crisis and subsequent global economic slowdown of recent years are also pertinent examples of pervasive change.

I often wonder how organisations function and in particular how employees within organisations in the financial services industry function amidst such dynamism? Interviews with managers should provide answers. The interviews will focus on how managers perceive management accounting processes such as performance evaluation style and social processes such as trust in the superior-subordinate relationship. In this section I

⁷² M&A activities were especially dominant between 2000-2005. There are now five key players in the retail banking industry in the Bahamas. Company X and Company Y are the top two players.

place emphasis on describing the research contexts. My description of context includes discussion of structure, strategy, external environment (market climate), technology, and organisational size. Similar structures, strategies (e.g. performance management practices), size, and technology (such as IT systems) make it relatively easy to homogenise the field sites (see also Chapter 3). The aforementioned contextual factors, however, are viewed as not fundamental to explain differences in managerial perceptions on trust and performance evaluation style in similar contexts.

As mentioned above, empirical evidence was collected from managers at the same level within two financial institutions located in The Bahamas, which are subsidiaries of major multinational banks “BNS” and “BCI”⁷³, whose headquarters are in Canada. Listed on several international stock exchanges, both parent companies, BNS and BCI are ranked among the top ten retail banks in the Western hemisphere. The subsidiary operations located in the Bahamas are top performers in the Caribbean region. Nevertheless, it is worth mentioning here that during the course of the data collection which took place between January 2007 and May 2008, managers recognised the potential impact the global economic slowdown might have on overall organisational and individual performance⁷⁴. However, both organisations were not significantly impacted by the economic slowdown. In fact, both parent companies acquired other firms for their Wealth Management / Investment Banking divisions⁷⁵. This suggests that the timing of the fieldwork was not influenced by the credit crunch, and likewise coding was unaffected by major world events.

Ferreira and Otley (2009) provide a framework which aids with understanding of issues around management accounting and control (performance management systems use). Their framework will be used as a basis to provide description of the research contexts (see Figure 4.1 below).

⁷³ Acronyms given to parent institutions to maintain confidence.

⁷⁴ Managers noted that there might be a reduction in sales targets, but any such actions would be based on monitoring and expert analysis done by Head Office: “*The targets will be set by the leadership of the business. Pat will receive the target from the executive leaders and then distribute the targets to managers below him, whether Terry is the only manager or whether there are three or four other people below Pat, Pat will develop a performance plan based on targets set by the leadership to accomplish the targets.*” (QMY14); “*The targets come from Head Office, who set the targets based on an overall analysis of the global environment and global jurisdictions such as the Bahamas.*” (SMY23)

⁷⁵ Source: Investor Relations centre of BNS and BCI Group websites

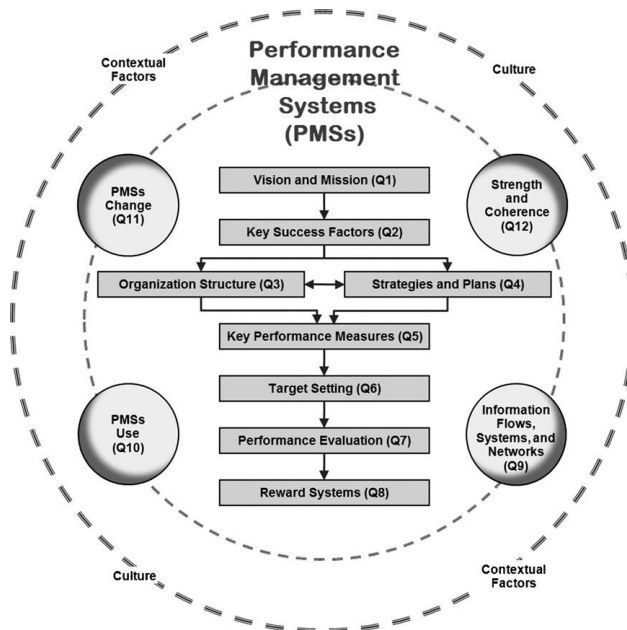


Figure 4-1 The Performance Management Systems Framework by Ferreira and Otley (2009)

One initial observation is that both organisations have similar structures, aims, and approaches to target-setting, performance evaluation, and rewarding. I was told by interviewees in both banks that similarities between organisations reflect shared knowledge of industry standards on performance management in spite of the competitive nature of the industry. Both firms utilise similar technologies in the performance management process. Examples of similar technologies used by both organisations are online learning platforms such as *E-Voice* and *E-Learning* modules for training in performance management, implementation of programs such as *Champion SOAR* which identifies exemplary actions and behaviours through demonstration of company values, focuses on improving employee commitment and team contribution as well as on building lasting mutually beneficial relationships between employees at different levels. Both subsidiaries have favourable track records of good personnel relations and high employee satisfaction. The next section (section 4.2.1) will present an overview of each organisation including its vision/mission, key success factors, structures, strategies and plans.

4.2.1 Overview of the Organisation – BNS and subsidiary, CoX

Headquartered in North America, the first institution under investigation has a global presence, and is perhaps the leading provider of financial services in the Caribbean region. The BNS Group provides a wide range of retail, commercial, corporate, investment and international banking services. The BNS Group of subsidiaries in the Bahamas has been

operating since the 1960s. The participants of this study are organizational members of the Group's retail, commercial, and corporate banking services divisions, which deal with clients mainly from the Bahamas and the surrounding territory (Caribbean and Latin America). Herein, the writer will refer to the subsidiary of this institution as 'Company X' (CoX). In the Bahamas, CoX has approximately eight hundred (800) staff. During the financial year of 2009, CoX (BNS Bahamas) reported a contribution in excess of \$62 million dollars to Group profits, an increase of 8% over the previous financial year. CoX (Bahamas) is the top performer of all subsidiaries in the region.

The BNS Group's mission is to be the best North American based international financial services company. Its corporate strategies are: 1) Building deeper, more profitable relationships – through a true sales and service organization culture; 2) Optimizing the use of shareholder capital and human capital; 3) Building on identified core strengths (KSFs) – customer satisfaction, people, diversification, expense management, risk management, and execution. Managers are aware that the corporate strategy should be aligned with their approach toward performance evaluation, which brings together target setting, evaluation/assessment, development/coaching (PDP), and rewarding in order to increase organisational effectiveness. Great effort is made to foster shared vision and beliefs throughout the organisation. This is mainly done through emphasis on training. Managers throughout the organisation are encouraged to focus on value of service delivery. Team leaders receive training in leadership skills. In addition, a series of workshops are established by Human Resources to ensure that leaders and employees are able to properly conduct the performance review process. Presentations, Manager's meetings, and documentation are all fundamental to communicate BNS' performance review process and total compensation programme throughout the organisation. Figure 4.2 illustrates the organisation structure.

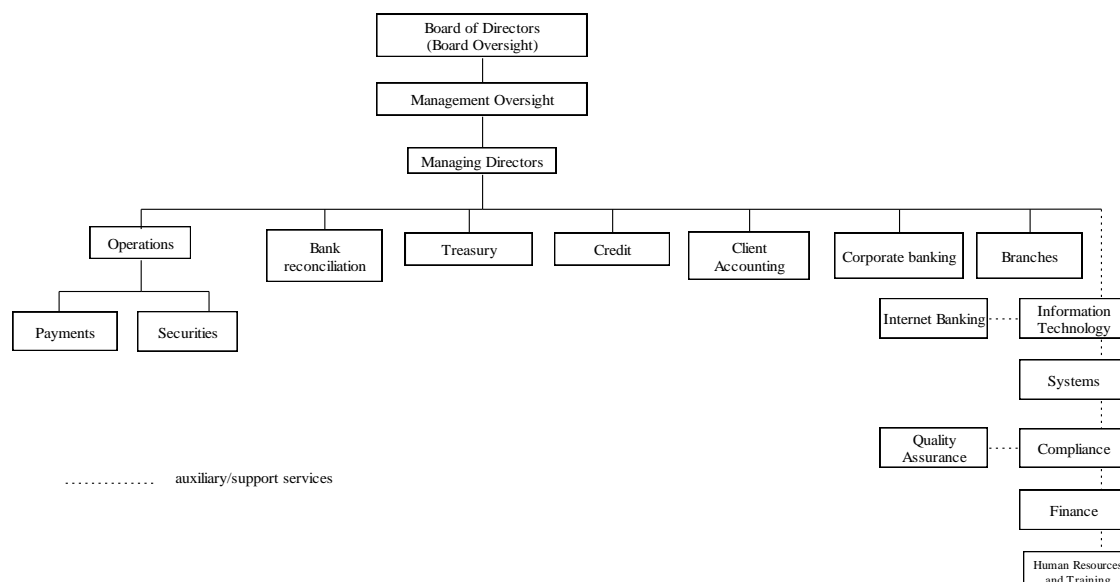


Figure 4-2 Organisation Structure of Company X

Interviews with middle level managers from various front-, mid-, and back office units throughout company X took place in order to provide a rich picture. Managers in front-office positions are responsible for selling and delivering products to external customers. They are more short-term oriented, focusing on end sales (that is, focus on ‘value delivery’ characteristics). The front office units bear direct responsibility for profits and have direct revenue goals. Those managers comprise branch, mortgage/credit specialists, finance, and managers in corporate banking. Managers in mid and back office posts are mainly responsible for delivering quality services to internal and external clients and due diligence. The units of post comprise service quality assurance/risk management, operations, processing/client accounting, systems/IT, human resources and development. Whilst the mid and back office units bear no direct profit responsibility and have no direct revenue goals, these units are considered as cost centres, and are more long-term oriented, focusing on processes to reduce costs, minimize errors, and improve innovation and development (i.e. focus on quality of service, or ‘value creation’).

4.2.2 Overview of the Organisation – BCI and subsidiary, CoY

Company Y (CoY) is a wholly-owned subsidiary, that was formed in 2002 as result of a merger between the Caribbean subsidiaries of two international banks headquartered in North America and the United Kingdom. The majority shareholder, BCI is headquartered in North America, and as of late 2006 holds 91.5% of the shares in CoY. BCI is a leading

North American financial institution offering a comprehensive range of services in Corporate Banking, Retail Banking, Wealth Management, Credit Cards, Treasury Sales and Trading, and Investment Banking. It is listed on several major international stock exchanges. CoY is regionally-listed as the largest bank in the English-speaking Caribbean, with assets over US\$10.9 billion. CoY boasts experience of over a century in the Caribbean through its heritage organisations. The Bahamian subsidiary has over one-thousand (1000) staff. Despite the merged organisation and resulting changes in organisational structure, employee satisfaction in 2007 was up in CoY (Bahamas) by 20% over the prior year⁷⁶. During the financial year of 2009, CoY (Bahamas) reported a contribution to net income of \$83.9 million dollars. Figure 4.3 illustrates the organisation structure.

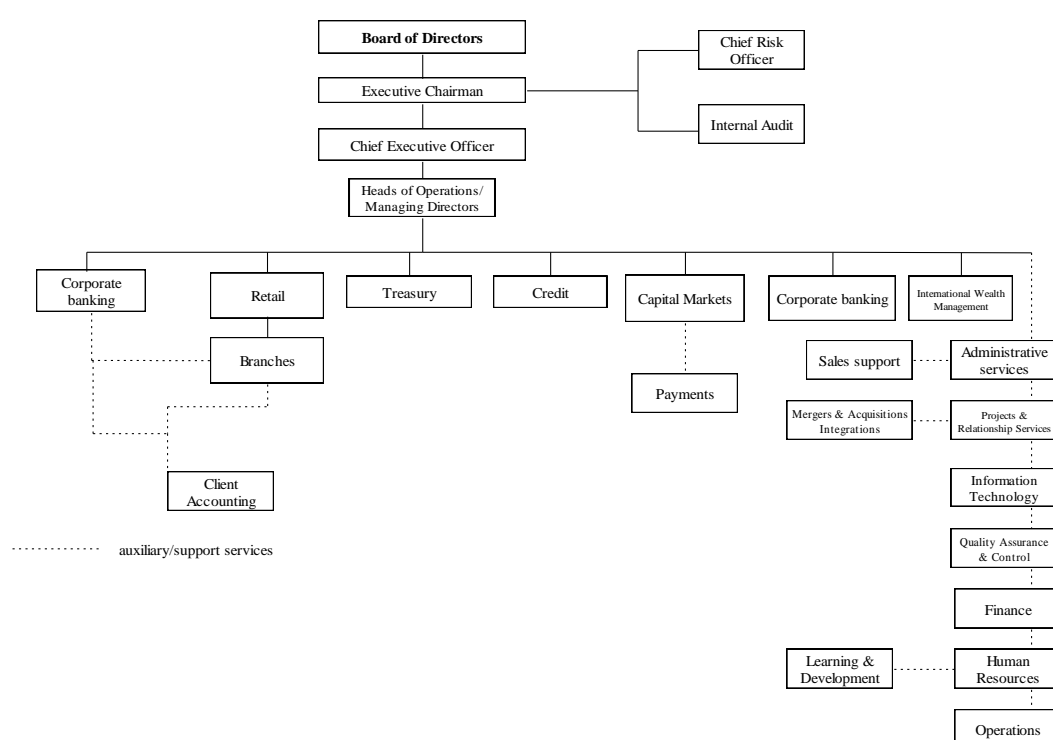


Figure 4-3 Organisation Structure of Company Y

BCI's management model comprises a Board of Directors, Executive Chairman, Chief Executive Officer, Strategic Business Units (comprising Corporate, Retail, International Wealth Management, Capital Markets, and Treasury functions), Risk and Control Functions (e.g. including a Chief Risk Officer and Internal Auditor), as well as Support functions (including Administrative Services; Operations; Mergers and Acquisitions Integrations; Finance). Interviews with middle level managers from various front-, mid-,

⁷⁶ According to the Group website, this is largely due to the Bank's continued investment in training, learning and development.

and back office units throughout company Y took place (managerial positions very similar to CoX as described in section 4.2.1 above). Company Y also has a similar mission and key success factors to Company X. For instance, its mission is to be the first in banking. CoY's strategy for accomplishing its mission is aligned with its key strengths (key success factors), which are also highlighted as a part of its BSC approach. The key success factors are investing in people, controlling and monitoring for risk, financial excellence, and customer service excellence.

4.3 Elements of the Performance Management System in both field study sites

The goal of performance management is to improve the performance and productivity of employees by fairly and consistently using the performance management process to provide motivating goals, regularly monitor progress, coach and provide feedback. Both field study sites use the balanced scorecard (BSC) as the backbone to performance management and control. The importance of articulating BSC measures between organisational levels, as well as the variance in measures between different areas has been noted by previous research (e.g. Lipe and Salterio, 2003; Kaplan and Norton, 1996). The interview evidence suggests variance. Managers recognise between four to sixteen key performance indicators. In addition, aspects of beyond budgeting (see Covalski et al, 2003; Hansen et al, 2003) are used in both companies. Evaluators tend to use the criteria on which they themselves are evaluated to evaluate their own subordinates (Gelderman, 1998, p.10). Front-office (i.e. sales function) managers also appear quite keen to use relative performance evaluations, especially to appraise subordinate performance relative to their own or the performance of other subordinates. Both sites made efforts to change their performance management systems to encompass a more integrated approach to performance management. Integrating some aspects of 360 degree assessments include subordinate self-evaluations as well as superior manager reliance on assessments of subordinate performance on cross-functional assignments by other members of the cross-functional team e.g. managers from other units of the firm that participated in the team and/or team leader (see also 4.3.3 below).

Both organisations introduced revisions to their performance management systems in the last several years. The most fundamental change being the introduction of the Balanced Scorecard as part of the integrated performance management process. The balanced

performance management process was introduced in both organizations in response to internal and external changes. Internally, it was considered as more beneficial to accurate objective-setting and fair evaluations. In addition, the performance management process had to be revised to reflect changes in the external business environment. Changes in the external environment have also resulted in adjustments to company focus and likewise employee to reflect a more profit-centred strategy.

“We are moving into a profit-oriented environment. Where everything was just loans, fees, loans, fees, but right now we are shifting gears into profits, what generates profits...because of the economic environment and all kinds of other things, so the bank has shifted more towards non-interest products, decreasing the loans, let’s focus on other areas that we can generate profits such as internet products, wires, foreign exchange, that kind of stuff.” (SMY23)

BSC implementation enables employee and leader (superior) to focus on more even distribution of shared responsibility of achieving financial results as well as customer service, consideration of how work is done (aligning individual activities to overall unit and organisational processes and goals/strategy), as well as establish a positive work environment (introduce a greater focus on people). Hence, the BSC would not only enable results-focus but also create a learning oriented organisation.

The BSC process was successfully piloted in several Latin American and Caribbean locations prior to company-wide adoption in company X. Additional support for the BSC process is available through e-learning programmes. In addition, guides exist in two versions in both field study sites. One version provides support to leaders/supervisors and the other version provides support to employees in general. Through a series of meetings and a document entitled, “Guide to performance management – a balanced process 2006 rollout”, CoX introduced the balanced scorecard as part of the performance management process. The document highlights linkages between corporate strategy, business units and support functions strategies and the balanced scorecard. It also illustrates performance management as a process involving setting objectives at the beginning of the year (quarter 1), creating development plans (quarters 1 and 2), reviewing development plans progress (quarter 3), assessing performance in the interim and at year end (quarter 4), and regular feedback and coaching throughout the year. The documents also highlight the results as driven across four areas - Financial, Customer, Operational, and People, which urges managers to focus on integrating performance to strategy along four key areas rather than results being driven by one area (i.e. financial).

Similarly, in CoY, the BSC reflects performance management (i.e. target-setting and assessments) across four key areas – Financial, Customer, Risk and Control, and Growth and Development, with each area receiving equal weightings⁷⁷. Company Y views the personal performance plan (PPP) as an important tool to ensure the success of BCI Group. Performance planning begins at the organisational level, with senior management's review of corporate goals and financial targets, which turns into corporate strategies, business unit objectives, and then personal performance objectives. Through the PPP employees/subordinates gain a clear direction and focus, and with the superior (leader), they will be motivated and inspired to achieve results and develop capability⁷⁸. Company Y views performance management as an annual cycle that is a five-step process supported by continuous coaching throughout the year. The steps in the process include:

- Creating performance goals with employees (subordinates) that can best contribute to organisational objectives. This stage also involves clear communication, documentation of realistic yet challenging measures (SMART goals) into the PPP;
- Personal development planning to improve employee skills and knowledge in areas that impact their ability to achieve performance goals;
- Interim Review – a mid-year formal opportunity to document the employee's progress in achieving his or her annual plan;
- Forecast Review – requires self-evaluation by each employee three months prior to the end of the year to achieve a common view of the achieved performance level and to forecast the final rating;
- Final Review and Rating – a discussion of the employee's contribution for the entire year; purpose is to confirm an accurate performance rating, transitioning from reflections on past performance to focusing on the next fiscal year.

In essence, top management in both field study sites hope that design of a BSC approach will facilitate a shift in employee focus from mere consideration of selective short-term factors (e.g. volume of sales growth) to emphasis on multiple factors, critical to long-term

⁷⁷ *"In the past we had a lot of emphasis on the financial part of it. One of the panels is financial and a lot of it was dealing with risk and differences but we have kind of revisited that and said, 'no, we want to structure it where everything is evenly weighed'"* (SMY22). However, several managers note imperfections in the system, including potential subjectivity despite equal weighting via the BSC. For instance, one manager states, *"The system is not perfect...there are still kinks to be worked out"* (SMY24).

⁷⁸ Source: CoY's Performance Management Leader's Guide, 2006, which is seen as a tool to assist with leaders roles as performance managers. It recognises the role of the leader is to guide the employee through the planning process (plan development), monitoring progress, evaluating performance, and provision of recognition and feedback. The reference guide contains detailed information on the five-step process as well as suggestions for preparing for difficult performance discussions and recommendations for coaching individuals with performance problems.

organizational success (e.g. profitability and productivity drivers). As such, the holistic BSC is linked to the international banking strategies (IBS), which managers are responsible to link to unit and individual employee objectives in both organisations (see Appendix 3 for example of IBS).

The next subsections will describe each of the elements of the performance management system: target-setting, evaluating (including feedback and coaching), and rewarding in both field study sites.

4.3.1 Target-setting

The following provides a summary for target-setting/measurement emphasis perceptions in both field study sites:

- Managers in both firms recognise targets as being set and passed down by the leadership (top management), from which they develop performance plans to accomplish such established targets. Therefore, these targets and subsequent weightings are based on the strategic goals of each firm as derived from ‘expert’ centres such as Head Office.
- Split in targets among team members is relevant to managerial perceptions of interdependence; subordinate targets are derived from superior targets, and are of relevance to superior-subordinate pursuit of mutual interests (e.g. group effort, collaboration) rather than self-interests (e.g. competition).
- Explicit measures or standards based on role specificity and complexity of environment.
- Risk management through inclusion of multiple criteria (performance indicators), with goals normally tied to objective benchmarks.
- Managers describe target-setting as ‘one piece’ to a complex puzzle.
- Management by objectives approach established via documentation (i.e. managers are required to sign off on documents in accordance with guidelines), and clarity of goals via SMART objectives.
- Frequent reviews and interactions between superior and subordinates as avenues for better communication and coordination as well as participation in goal setting.
- Clarity of role responsibilities enables comparison of actual performance to set standards (means and ends).

- Value congruence sought through inclusion of personal development planning (PDP) in performance evaluation process to link organisational goals to personal goals.
- Managers generally note that objectives need quantifying and monitoring to establish a system of objectivity and fairness. In fact, individual performance targets are quantified wherever possible.
- Managers also recognise the benefit of an ‘other duties as assigned’ clause in every employee position description as well as stretched targets as useful to manage subordinate performance.

Both field study sites use similar forms to document and review goals and objectives set during the fiscal year. Managers in CoX refer to the process as the Performance Annual Review, the document as the Performance Appraisal Review report or simply the PAR. Managers in CoY refer to the document as the Personal Performance Plan or simply the PPP. An individual employee’s PAR should also mirror the International Banking Strategy (IBS) as well as any local (business unit) strategies.

The performance review (PAR) reports of company X consist of four main sections, under which each of the four quadrants are highlighted in general terms. Under each section, targets should be identified for the whole year (known as the ‘whole year plan’), and broken down into four quarterly plans. Hence, according to guidelines actual performance should be formally assessed against planned performance on a quarterly basis. For company X the four quadrants are stated in the PAR as:

Financial – How did you contribute to the Bank’s / Division’s financial success?

Customer – How did you improve the experience of customers (whether internal or external)?

Operational – How did you contribute to improving the Bank’s / Division’s operations, productivity, and effectiveness?

People- How did you contribute to the development of yourself, your team, and your work environment – in support of the Bank’s / Division’s strategy and the achievement of the organization’s objectives?

In the performance plans (PPP) of company Y, activities and outcomes against which goals, measures, and targets should be set for each quadrant, and performance/actual results should be formally assessed bi-annually, and are outlined as:

Financial – Focus on financial success through revenue enhancement, expense management and cost effectiveness.

Business Excellence – Focus on business operations through process improvement and innovation, compliance and controls, management of risk and productivity improvements.

Customer Experience – Focus on customers through exceptional service, relationship building and community partnership to improve satisfaction, loyalty and brand recognition.

Development and Growth – Focus on individual and corporate improvement through learning, team contribution and demonstration of corporate values. Leaders will support and inspire employees with effective coaching.

Therefore, the four areas of the PAR/PPP for both sites are quite similar and they reflect organisational priorities. According to performance management guidelines, the contribution of an individual to each area is best determined by a balanced combination of goals from all four areas. Subsequent to first describing and clarifying the organisational and business unit objectives to the employee, the superior should work with the employee to develop a meaningful PAR/PPP. In both sites, each performance measure must have an associated pre-specified target set at the beginning of the planning period and be recorded on the PAR/PPP, which will be updated during reviews to reflect employee results for the particular period. Therefore, significance is placed on translating goals into action, such as breaking down annual goals into short-term activities that provide additional clarity around expectations.

According to guidelines for company X, at the beginning of the new period/year, the superior should refer to the subordinate's position description to determine the key accountabilities, and write brief descriptions of accountabilities in order of priority in the PAR for the year under review. The superior manager should review the Guidelines for Setting Objectives section of the company handbook, "Performance Appraisal - Managing the Process", to determine the appropriate objective(s) for the accountabilities and document them in the PAR form. The document (handbook) also notes that not all accountabilities will have associated objectives, which introduces managerial judgment. After accountabilities and objectives have been identified and set, both the assessor (superior) and incumbent (assessed subordinate) should initial agreement on the established objectives. It is also noteworthy here that the performance manual for company Y distinguishes between measures that will focus on employee effort and measure activities, and others that will focus on employee outcome or results of efforts. Although company Y does not explicate level of focus on quality measures, its company

manual states that ‘a quality measure will be readily available at least quarterly’. The table below (table 4.1) contains some potential measures as identified in the performance management guide for company Y.

Table 4-1 Sample performance measures that relate to processes or outcomes (Company Y)

Type	Examples	Note of emphasis on activities or results
Speed or time	Volume or quantity Frequency Length of time to process	Emphasise processes/activities
Cost	Expenses Losses incurred Indirect costs	Emphasise outcomes/results
Quality	Accuracy Defects Customer response	Emphasise processes/activities
Revenue	Profit Sales volume (# or \$) Pricing	Emphasise outcomes/results

In most instances in both field study sites, managers in front-office posts focus on financial results and customer targets, and should also focus on operational and personal targets in accordance with the BSC⁷⁹. For instance, a senior sales associate would have proactive call volumes (# of calls per month), number of referrals (customer components) and total sales volume achieved (sales growth; financial component) targets. In terms of operational and personal/development targets, they might likely have decreasing budget cost variance or pass internal audits (operational) and promotional aspirations or number of direct reports with completed personal performance plans/self evaluations (personal). For mid- and back-office posts, the focus is likely to be more on quality factors, but in defining those quality factors, managers in these posts are likely to place greater emphasis on activities than managers in sales roles (e.g. length of time to process). For instance, an internal accountant may monitor progress to plans and assist business units in creating quality financial plans (financial components), prepare required financial reports accurately and in a timely manner, compliance with internal policies (operational), develop and maintain detailed knowledge on business units/internal customers (customer), and develop personal

⁷⁹ “The financial indicators, which especially in the past held greater weight, and now the realization that customer service is important as well has increased focus on customers, so there is an equilibrium or

skills and knowledge (personal). Again, this reflects the implementation of a balanced scorecard approach in both field study sites (see section 4.3 above).

Additionally, in line with a more balanced approach to performance management, managers in both field study sites are instructed that set targets should be SMART (acronym means set targets should be specific, measurable, achievable, relevant, and time bound). Targets should be agreed upon at the beginning of a year, and should be challenging (stretched) but achievable. When setting targets, the subordinate manager and his supervisor should define the activities and outcomes to meet objectives, as well as time period for realization (such as 5% sales growth at the end of quarter 2 in order to trend towards 10% sales growth at the end of year 1, or may be to participate in a training course by the end of quarter 2). With regard to the key concept of evaluation style, it is important to note that these criteria are measured mainly in quantitative terms and rigidly applied across functional areas (see Chapter 5). For instance, as above, a qualitative key performance measure might be ‘develop personal skills and knowledge’, but this will be measured in terms of number of courses employee x went on. Also, it is realistic to expect that the targets will be set higher to reflect greater responsibility or competence or position. For instance, in the Credit posts, a level one consumer finance employee would have one target, a level two would have a slightly higher target, and a mortgage lender would have an even higher target. Therefore, target responsibilities are normally based on capabilities as per an employee’s role definition. It is expected that employees are held accountable for their actions and degree of understanding around the job. As one manager states, “you are being evaluated not necessarily in writing every week but the evaluation is there.” Also, targets set are based on subordinate level of “understanding of the system and of the processes”, and therefore, could be altered (most likely stretched) to reflect individual subordinate capabilities⁸⁰. In addition, managers recognise that the Performance Appraisal Review (PAR) consists of individual employee objectives for a number of areas that are a reflection of the unit and company’s strategic objectives. However, despite the design of a balanced scorecard approach to performance measurement and evaluation by top management in both field study sites, the PAR can still reflect subjectivity. The PAR targets and measurement emphasis for managers in sales functions could be characterised

balance in indicators...indicators have equal weighting now, but things like the budget dictates financial performance.” (SMY12)

⁸⁰ *“Normally I would look at setting them 10-15% higher than the previous year’s goals if they were surpassed. If they were not surpassed then we want to still raise the bar a little higher and we might look at setting them at about 5-10% higher, but still setting them higher because every year you want to set the bar a little higher.” (SMX7)*

by goals skewed more towards two areas, financial and customer services rather than an equal weighting. As the superior manager places greater emphasis on the financial and customer areas, lower-level management might place less emphasis on the other two areas (i.e. operational and personal areas).

The Employee Personal Development Plan (PDP) is integral to the other components in target-setting and assessment in both field sites. In company X, the PDP is highlighted as separate from the performance appraisal review report (PAR). However, in company Y it is treated as an integrated part of the personal performance plan (PPP). In company Y, managers are expected to perceive the PDP as a learning contract between the superior and subordinate to develop an action plan to leverage capability strengths and learning opportunities.

PDP has a two-fold purpose. First, to identify employee development as required in their current job; and second, to address development required for career planning in the medium term (next 3-5 years). The plan should highlight subordinate career objectives and extent of mobility. A PDP form contains sections for career development objectives, action steps (“the how” to gain the necessary competencies - skills, knowledge, behaviour, as well as estimated completion dates for each action step). A PDP also includes a section for superior assessment on extent of employee mobility. As well as supporting the career planning of employees, PDP forms provide the basis for nominations for promotion of high potential employees. Guidelines state that forms are to be completed by both supervisor and subordinate. However, there are no specific guidelines or timelines for conducting employee development plans. In addition, position (job) descriptions play a fundamental role not merely in defining roles, but also in target-setting and assessments. As position descriptions define the competencies and skills needed in a particular job, they enable comparisons between actual competencies and skills and what is needed for each function at each job level⁸¹. If a gap is identified, then this is documented as part of the PDP, accompanied by an action plan which describes what will be done in the next period to lead to improvements in competencies.

⁸¹ Noeverman (2007) also suggests that in personal development planning, performance is evaluated by comparing the competencies and skills needed for a specific job at a specific level with the competencies and skills held by the employee.

4.3.2 Evaluation/Employee Appraisal

As with target-setting, both field study sites approach performance evaluation in similar ways. As section 4.3.1 reveals, the PAR (Performance Annual Review) establishes goals for the entire year ('whole year plan'), and plan versus actual sub-goals for each quarter. In so doing, managers should be able to clearly monitor behavioural competencies related to objectives set. Appraisal of subordinate performance entails rating accountabilities. Ratings should reflect results achieved and performance of the accountability in general (what was achieved and how it was achieved). There are two types of ratings used to assess performance at both banks. The first type of rating is a Summary Rating and the second is an Overall Rating. A summary rating is used to assess the results achieved on an individual accountability, goal or objective for a specific period of time. The guidelines are that each accountability, goal or objective must be assigned a Summary rating before assessing an employee's overall achievement for the year. There are three summary ratings: Exceeds Expectations, Meets Expectations, and Needs Improvement. In considering a summary rating, the assessor must take into account certain factors. For instance, guidelines state that the majority, but not all of the following elements must be present in order to give an 'exceeds expectations' summary rating:

- Results are demonstrably better than established goals
- The quality of the results is of a higher level than would normally be expected (e.g. implemented project before deadline and/or below budget; financial results are obviously higher than the established goal; customer reaction is rated "top box"; employee satisfaction has substantially increased; etc.)
- The employee has had to overcome significantly difficult obstacles to achieve targeted results (e.g. lack of staff; lack of previous training; changing circumstances; etc.)
- The employee has gone "above and beyond" in either measurable or observable ways to achieve objectives (e.g. assumed a leadership role when expected to be a team member; brought significantly new/better ideas to bear that improved the process, decisions or project; undertook additional work to support the department/team without impacting completion of other objectives; etc.).
- The employee has had observable, direct impact on the achievement of results through exceptional leadership and/or team work

In order for the assessed to be given a “needs improvement” summary rating, the following elements should be present:

- Results are not achieved as established in job requirements
- The quality of results is less than what is required or agreed to when goals were established.
- The employee has a negative impact on other staff, or does not perform as a team member

As the name suggests, Overall Ratings are used to assess the overall achievement of results for the full period under review. The guidelines state, “[t]he overall rating must consider both what the employee achieved as well as how they achieved the results.” This certainly involves establishing means-ends associations. Overall Ratings for company X comprise: Exceptional, Superior, Distinguished, Quality, Improvement required, or Unacceptable. Company Y has five performance ratings, and whilst they are similar to those for company X, one of the standard ratings is in particular (New to Role) makes allowance for employees that are in a new position for less than six months. Managers in CoX also consider subordinate tenure in role in their evaluations.

In terms of frequency of meetings, company procedures are to set quarterly meetings to assess performance throughout the fiscal year. However, the guidelines place particular emphasis on the interim meetings in which written assessments are performed (i.e. self-assessment and assessor ratings in quarter 2 and the final review). The third quarter’s assessment should act as a forecast of likely performance outcomes, with managers in both field study sites confirming that they use the third quarter in such a manner. As mentioned previously, during the year, the plan objectives/goals are compared to actual performance in both firms. The performance assessment documentation also includes a summary of performance, which reflects the outcome of the overall performance assessment.

As a requirement, each job post is associated with a particular rating band which reflects the individual level of responsibility and competence. In addition, assignment of work levels not only ensures clear roles and identification of accountabilities (in target-setting), but also aids evaluations. Broader decisions and responsibility are anticipated at higher work levels, and therefore, targets, assessments, and rewards reflect such. For instance, the grade level (ratings) band for a senior relations officer is higher than for a clerk. In

company X clerical staff grade levels range up to 60, and for supervisory to first level management posts it would range between 60 and 74, for lower mid-level to upper mid-level management, 75-89, and so on. Different grade level bands also exist within posts. Hence, one could be a level 1 senior relations officer, which indicates that one is a novice, has limited understanding, limited knowledge of their area, requires clear and specific instructions to get the job done; or one could be a level 3, which indicates that one is experienced, has thorough knowledge of the area, and makes own judgment about work objectives⁸². As company guidelines state, functional competencies are scaled into levels from Novice to Teaching, indicating proficiency levels. In conducting PARs, managers should consider the length of time on the job, normally reflected in work levels. The different grade levels are reflected in the performance ratings and bonus structure.

Also, in accordance with guidelines, superiors must make judgment calls on the particular performance rating of an individual subordinate⁸³. For instance, in grading a subordinate, are the results greater than one would expect from a relatively new employee (i.e. a novice)? A related point is the actual percentage given out of a percentage range. For example, a supervisor or first level management could obtain a performance rating ranging from 4-6% if the individual employee meets expectations, up to 10% if they exceed expectations, and up to 18% if their performance is deemed as excellent. There are also additional factors to consider in determining a particular performance rating and bonus, including the Group and unit performances.

It is worth mentioning at this point a particular occurrence in June of 2007. In June of 2007, a memorandum was sent by HR and the Managing Director's Office of CoX which sought to provide information to managers that would assist them in determining the appropriate final performance rating for the period. The memo reminded managers of the problems with distribution of performance ratings in the previous period, and also included

⁸² Please see appendix 3 which includes a table of "Job levels and skill/knowledge requirements" for CoX. The table incorporates the functional competencies that represent specific skills and knowledge requirements applicable to job posts.

⁸³ Although what is expected is a fair, balanced, and integrated performance evaluation process, managers' are asked to make judgments on the relative importance of each accountability. The PAR manual makes this clear. It states, "Review the results and ratings on all accountabilities and determine an overall performance rating. Remember that the overall rating given must be reflective of the commentary in the report, the ratings given individual accountabilities and the relative importance of each accountability. More emphasis should be placed on major/key accountabilities and the objectives achieved. Determining the overall rating is not an arithmetical process. It requires judgment on the part of the assessor." Despite this, guidelines make it clear that it is unacceptable for an employee to significantly exceed requirements in their major areas of accountability whilst ignoring other areas, unless this behaviour was previously negotiated.

a reminder of the performance ratings definitions found in the Performance Appraisal Handbook (i.e. definitions of Exceeds Expectations, Meets Expectations, and Needs Improvement). In the following month a second reminder memo was sent by Human Resources (HR) in order to drive certain points across such as the responsibility and objective of managers is to ensure accurate and fair assessment of reports on each employee, and that the onus is on each manager to take a very active role in ensuring the assessment exercise is conducted in accordance with policy and procedures as advised⁸⁴. Human Resources saw that it was necessary to take these actions because of the level of subjectivity that could take place in assessments.

Indeed, guidelines are designed with the view that managers will continuously be able to monitor and appraise employee performance, and take actions as necessary. For instance, as described in the BNS Human Resources Manual (manual for CoX), a Performance Appraisal Report (PAR) must be completed where there is a significant change in an employee's performance. If the employee's performance falls to a level which is below meets expectations a performance appraisal should be completed immediately and a formal review process should be implemented under the Performance Improvement Programme (PIP). This procedure acts as a corrective mechanism (form of diagnostic control).

Leaders (supervisors/managers) in both organisations are instructed that the performance assessment should include an open and honest discussion, a review of the targets and other comments (e.g. key events, and factors influential to performance outcomes), assessment of "what" has been achieved as well as "how" it was achieved (means-ends; element of feedback flows), and should support reflection and learning both on and off the job. However, in reality, although the appraisal process appears to support discussions and

⁸⁴ The memorandum states, "We shared with you the Distribution of Performance Ratings for fiscal 2006 for the Caribbean and you will recall that the Bahamas has the highest percentage of "Exceeds Expectations" performers in the entire area (44%). With this thought in mind, we must look at the criteria for the PAR completion a little more closely, because, if this trend continues, it would assuredly cause a "bottom line impact" that could be far reaching...At the outset, please be aware that this Office supports "pay for performance". However, it is the responsibility of the Manager and his/her team to ensure that performance is assessed based on the job accountabilities and operational objectives set versus actual achievements. The report therefore, should be accurately and fairly documented, with "no surprises". This would mean too that ongoing coaching is provided, quarterly reports are prepared and negotiated, all with a view to assisting the employee improve in areas of deficiency." A series of workshops were established by Human Resources in company X in particular in order to make assessors more aware of the advantages of compliance with company guidelines on performance management. Several benefits of measuring performance were identified: The ability to see better results; the ability to see better profits; the ability to observe changes; provision of better compensation; provision of better working conditions; the ability to recognise achievements; the ability to observe personal growth/development. Whilst there were no such memorandums for company Y, managers in CoY mentioned during interview discussions their awareness of the need for perform the review within company guidelines despite it being a subjective process.

managerial judgment, assessment of whether targets have been realized initially appears to be a rigid and objective undertaking. For instance, with rigid application, an assessor can conclude that either the subordinate met or has not met the pre-defined target – either the subordinate met the 10% growth in sales objective (a key sales measure)/target deadline objective (a key quality measure), or they did not. Therefore, it could be argued that in comparison to target-setting at the beginning of the year the performance appraisal stage is not subject to a lot of discussion and negotiation⁸⁵. In spite of this, the discussions and documents on actual versus targeted performance at the appraisal stage support the determination of variable pay and other forms of reward and recognition. The discussions also support coaching initiatives⁸⁶ in addition to other forms of information flows (see section 4.3.3 below).

4.3.3 Rewarding

Prior research shows that consistent use of reward and recognition of employee achievements are fundamental to creating and sustaining a high performance culture, and positively influencing behaviours.

In both field study sites, annual increases in salary are based on performance (i.e. pay for performance) rather than based on age or years (i.e. seniority in the organisation). Policies state that rewards should be competitive, reflect effort and results. Each job is linked to a particular pay scale (see section 4.3.2). These pay scales are determined by a market survey comparing remuneration packages in the organisation to industry standards / packages of competitors. Furthermore, part of the remuneration of managers in both companies comes from Variable Pay, the level of which depends on overall company results, business unit results and personal targets. Variable Pay has a maximum of 20% of salary for Work Level 4 managers, and 12% for Work Level 2 managers who exceed expectations.

In addition to variable pay, source documents from company X also highlight the various other elements in its compensation package, referred to as a total compensation programme

⁸⁵ The performance appraisal is viewed as an annual requirement to report, document, discuss / evaluate overall performance; and to agree on new goals for the coming year. However, most managers view the subordinate as not having much leeway in their opinions on agreement or non-agreement (see chapter 5).

(consisting of several components, including direct financial, indirect financial e.g. Pension Plan, and non-financial e.g. work environment, job satisfaction). The cash components include salary ranges, merit programmes, and incentive programmes. Objectives of the compensation program include provision of competitive pay and benefits, recognising individual contribution, ensuring equity in pay for value of work, fair and consistent application of compensation. Company Y also emphasises awarding variable pay for performance accomplishments formally at year end as well as ongoing recognition where required (especially recognition for performance improvements). Variable pay amounts are determined in company Y (CoY) by base salary, a company multiplier, and personal performance multiplier⁸⁷. In addition, in line with the integrated approach to performance management, both organisations have adopted 360 degree assessments for rewards and recognition recommendations. In particular nominations for promotions should come from various parties (such as the incumbent's staff, cross-functional team-members, et cetera). Also, penalties are instituted as part of the formal performance management processes in both field study sites. One such penalty is that staff who do not meet their targets, do not receive any bonus (see section 4.4 below for further details on penalties/boundary controls).

4.4 General observations

Based on interview discussions, there are several general observations which shall be highlighted in this section. As discussed in Chapter 3, I distinguish between two different groups in this present study:

1. Sales function managers; and
2. Quality function managers

⁸⁶ See section 4.4. Coaching is one mechanism to align and/or reinforce performance with goals and objectives. There are several types of coaching – informal (unwritten), formal (written), scheduled, and unscheduled. Feedback might involve prescribed coaching sessions.

⁸⁷ The company multiplier is based on business performance measured against targets established at the start of the year for financial results, customer loyalty, as well as integration synergies and integration progress. The personal performance multiplier (PPM) is based on individual performance and contribution, and also depends on the job categories. For instance, for job categories 1-5, the PPM will be between 0% and 15%, and for job categories between 6 – 11 (e.g. a branch manager or other mid-level management), the PPM will be between 0% and 30%. Unlike CoX, company Y clearly states in the leadership guide that the ratings should follow a bell curve format with a concentration of employees earning a 'C' rating and the remainder of employees in the other categories. An example of a target distribution would be: 10% of employees being distributed an exceptional performance rating; 10% of employees being distributed an exceeded expectations rating; 70% being awarded a reached expectations rating; and 10% being distributed a below standard performance or new to role rating.

Splitting managers into two groups support prior studies. Some prior studies suggest that contextual features such as differences in function, gender, age, education, and tenure in posts are important to understanding different management control treatments. For instance, Merchant (1984) found that extent of focus on budgeting (RAPM) is related to functional differentiation. Other studies (e.g. Brownell, 1982; Otley, 1978) also found that type of responsibility centre (i.e. function) may influence evaluation styles chosen by superiors. Hartmann and Slapnicar (2009) relate task contractibility to explaining managerial perceptions on performance evaluation style and trust. I also place emphasis on task contractibility / function of manager to explain differences in performance evaluation style and trust perceptions. In so doing, I interviewed an equal proportion of sales function and quality function managers in the field sites. A brief description of the characteristics of the participants in this study is given in Table 4.2 (below).

Table 4-2 Sample characteristics

No. of firms (case study sites)	2
No. of managers/participants:-	
No. of managers in CoX	10
No. of managers in CoY	14
<i>Total</i>	24
Composition of males:females:-	
CoX	5:5
CoY	6:8
<i>Total</i>	11:13
Composition of sales:quality:-	
CoX	5:5
CoY	7:7
<i>Total</i>	12:12
Tenure with firm (avg. CoX and CoY)	17
Years in position (avg. CoX and CoY)	4
Educational background (> high school)	54%

As table 4.2 illustrates, of the twenty-four principal interviews, the participants are equally proportioned between sales and quality functions. In addition, the selected sample of managers by function is fairly evenly distributed with regard to gender, education, and tenure in posts⁸⁸. The sample of sales function managers is quite varied in itself, as some sales superior managers have subordinates in lower-mid level management positions and subordinates in supervisory posts. Conversely, interviewed managers in quality functions have subordinates in supervisory managerial positions only. Another difference exists in

⁸⁸ For a more comprehensive table of sample characteristics please see Table 1 in appendix 3.

terms of some quality function managers being in mid-office positions and some in back-office positions, whereas, sales function managers represent front-office positions only.

Moreover, as mentioned previously (section 4.2 and 4.3), sales function managers such as branch managers are predominantly responsible for revenue-generating activities, and quality function managers such as Human Resources managers are predominantly responsible for non-revenue generating (operational, service) activities. These key differences are also noted by managers in both field study sites. As one manager puts it, *“If you work in a revenue generating department you have to hit certain revenue milestones which triggers your bonus so you have an entire staff that is devoted to hitting these revenue milestones.” (QMX8)*

All managers in sales functions are confronted with sales volume and revenue targets that are pre-defined for the unit as a whole. These targets are on the daily agenda of the team (unit) “kick-off” meetings. These meetings are also used as opportunities to recognise the performance of individual managers. Even managers in ‘quality’ functions interviewed have performance benchmarks that are translated into individual projects of which everyone on the team are reminded. For instance, one quality manager uses a blackboard to highlight pending projects and deadlines. Quality managers primarily focus on operational processes and operational results. As such, subordinates in these units are subject to less formal supervision and direction than their colleagues in sales units. Feedback on performance of subordinates in quality functions tends to be more directed towards activities (i.e. how subordinates contribute to and support operational processes, through using their effort and skill on different task initiatives). On the other hand, feedback on performance of subordinates in sales functions tends to be more directed towards bottom-line results.

It is not uncommon for Head Office (top management) to make changes in target benchmarks during the year, to ask managers to turn in more sales or profit than originally budgeted. These requests serve to provide challenge for managers/units who have met their targets in advance of the third quarter. In addition, similar requests are made by superior managers to high performing subordinates without directive from Head Office in order to offset the poor performances of others (see chapter 5 for further details). Although there is general support for employee participation on cross-functional projects, managers in quality functions (mid- and back- office) perceive greater engagement/interactions between subunits than managers in sales functions (front office). Managers in front-office (sales) functions perceive greater competition among subunits, such as between branches,

and even between members of staff for group and individual compensation. One explanation could be the nature of differing nature of task assignments in quality and sales units i.e. low contractibility / low task programmability for quality functions versus high contractibility / high task programmability for sales functions. Therefore, as a result of low task contractibility / programmability employees in quality functions are more likely to be assigned to project teams than employees in sales-oriented functions.

Also, it is apparent that the performance appraisal plays an important role in justifying any deviations from targets (i.e. a subordinate could cite factors beyond his or her control as potential reasons for not hitting targets, e.g. a lack of support staff or lack of technology/system enhancements). Self appraisals in the performance management process are recognised as opportunities for subordinates to not only participate in goal-setting and completion of the PAR, but to also self-reflect on performance throughout the year.

Unsurprisingly, all managers mentioned the use of budgets in one form or another (i.e. actual versus standard/targets; various budgets for expenses control e.g. overtime, staff headcount, et cetera). Prior research shows that budgets are integral to management control systems in most profit organisations (Webb, 2002; Van der Stede, 2000; Armstrong, 1996). Whilst the nature of the industry dictates that each firm place emphasis on bottom line performance, managers in both firms also recognise and place value on human capital. The design approach to Personal Development Planning is just one symbol of such value. Both firms invest heavily in training and development of employees. Therefore, it can be argued that budgets play a less dominant and more integrated role in managerial functioning. The role of budgets/budgeting might not constrain behaviour (as prior studies tend to suggest e.g. Hopwood, 1972), but rather facilitate verification of criteria set in a wider multiple performance measurement system. This begs the question of whether traditional viewpoints to performance evaluation style are still relevant. In particular, BSC implementation has resulted in a wider set of non-financial targets in firms (Otley, 2008). Adoption of a more balanced, multi-dimensional performance measurement model such as the Balanced Scorecard places greater emphasis on intangible factors including internal processes and learning (Simons, 1990; Kaplan and Norton, 1996; Amir and Lev, 1996; Lipe and Salterio, 2000), and so may support a culture of trust. Recent studies also argue that firms are now investing more heavily in human capital, and therefore are more likely to orient towards non-financial measures, adopting a non-accounting evaluation style, focusing more on the strategic and less on the financial issues,

preferring more frequent forecasting, and are more likely to have a high culture of trust (Sofian et al, 2006). This could also characterise a 'Beyond Budgeting' approach to performance management, which is viewed as more relevant to contemporary management accounting practice (Fanning, 2000). Aspects of beyond budgeting (see Covalski et al, 2003; Hansen et al, 2003) appear to be used in both companies. Managers all mentioned use of external and internal benchmarks, including consultant surveys to compare Group reward schemes to competitors as well as employee satisfaction surveys. As mentioned previously, sales function managers also appear quite keen to use relative performance evaluations in some instances. Nevertheless, despite a greater emphasis on "accounting" and "non-accounting" (e.g. worker behaviour, learning) factors, presently the performance management systems in both field study sites can be characterised by high degree of explicit procedures written down in handbooks and other documents detailing desired behaviours, albeit somewhat vague guidelines in some instances. For example, guidelines state that superior and subordinates should meet regularly during the performance annual review period. Despite this, the actual number of times of face-to-face contact between superior and subordinate is open to individual manager interpretation in both firms. Formal face-to-face meetings are perceived as capable of generating more effective communication and debate, and are therefore highly encouraged by senior management. Managers at different levels and functions of the organisations also interpret coaching differently. A regular pattern of intensive coaching sessions, characterised by frequent personal attention to subordinates reflect the approach by some managers to engage with subordinates, diffuse knowledge and control, and to nurture development. This contrasts with the occasional, non-intensive use that characterises the management by exception approach of other managers.

Furthermore, research has long recognised the importance of considering cultural aspects⁸⁹. During interviews, I was sensitive to interviewees' comments which might allude to the relevance of national culture to this study. However national culture did not appear relevant to explain differences in control approaches between managers in both field sites⁹⁰. In general the organisational culture of both sites is a combination of formal and

⁸⁹ For instance, the university theses of Noeverman (2007, p.129) states: "The culture aspect at the organisational and national levels is important because it may indicate that performance evaluation and the importance attached to formal evaluations may differ from one organisation to the other, and from one country to the other."

⁹⁰ This is also supported by prior literature. For example, Harrison (1992) revealed that budget emphasis in performance evaluation, and job related tension or job satisfaction were not controlled by differences between Singapore and Australian managers. Therefore, they conclude that these variables are independent of culture. Merchant, Chow, and Wu (1995) also unexpectedly found that national culture is generally

informal aspects⁹¹. For instance, superior managers partly rely on what they see from and hear about the subordinate either through informal means such as subordinate reputation in previous posts ('the grapevine'), or formal means such as certificates or formal recommendations. There is some evidence in the interview data, even from managers from non-Bahamian backgrounds, that a personal and direct approach is typical of Bahamian culture. As a Bahamian national, I am also aware of the impact such informality could have on evaluation style. Most supervising managers and their employees have frequent contacts, some even daily. Many managers seem to be aware of what their subordinates are working on, their issues (some even personal), and how subordinates are coping. A culture of directness is pervasive in both sites. Lawrence and Lorsch (1967) and Ezzamel and Hart (1987, p.28) note that in better-performing organisations inter-group or interpersonal conflict tends to be resolved through confrontation rather than through force. In both organisations, managers generally tend to deal with discord using direct approaches to management. One manager in particular described this approach as wearing 'different hats'. She states,

"One minute I could be laughing and smiling with you, and the next, when I get back to that desk, I put on a different hat...that smile is gone and I will call you and reprimand you if I have to, if you are not doing what you are supposed to..." (QMY15).

Additionally, although the majority of managers stated that they 'go by the book' in following the performance management policies and procedures of their respective organisations, as I describe in these later chapters of the thesis, there is still scope for managerial openness to selective interpretations of 'going by the book'. Managers selectively apply policies and procedures in certain circumstances. There are numerous examples of this. One example is that sales function managers focus on getting things done by choosing the 'right individual for the job', that is, they base the majority of decisions on subordinate ability rather than 'the book'. On the other hand, quality function managers tend to focus on giving subordinates opportunities outside of their roles in order to foster subordinates' talent and learning. Another example is seen in terms of rewarding.

unimportant in explaining the usefulness of subjective measures in performance evaluation of profit center managers. Instead they found that other variables such as structure hold more importance. Indeed, the presence of functional subcultures in CoX and CoY is more important to explaining the present findings than is national culture. This is likely due to the fact that the majority of managers interviewed are Bahamian nationals.

⁹¹ For example, the researcher was told by Human Resources and several interviewee superior managers in both field study sites that the terms 'superior' and 'subordinates' are no longer normally used. Instead, 'subordinate employees' are referred to as 'employees', 'incumbents', and even 'colleagues' (the former two especially in performance evaluation situations and on documentation), and 'superior' is normally referred to as 'leader'. Such reference helps to foster an atmosphere of camaraderie.

Sales managers emphasise individual monetary rewards such as bonuses based on ratings and quality managers' responses suggest latitude for incorporating monetary and non-monetary rewards e.g. cinema tickets for best performance on a team project.

There are also several examples of managers in CoY in particular who voice discomfort over the current performance management process. They voice their concerns over a culture of avoidance and seeming lack of enforcement. They recognise that this culture could potentially lead to defensive routines by subordinates who, as a result of the lack of full policy adherence by superiors and inherent subjectivity in the process (i.e. potential for different applications to evaluations by superiors), may challenge the ratings given by superiors:

"The evaluation should start from a formal process. In this organization unlike the one I came from, the formal process is very hard to enforce because the way the performance management system is set up is that employees are to do self-assessments and then are to meet with their managers to go for a review and there is either agreement or disagreement and back and forth and there should be an open discussion as to why the employee feels a particular way about their performance and why the manager feels differently, or it may be that there may not be any difference but there is a strong culture around here to avoid the interim review process and even the final review process and so much so that this year we actually have to build it into the performance plans that the employee must come and set up a time and actually meet with the manager to have an assessment...across the region, across the bank, it is not being done at a level that it should be or it is being done almost like a checking the boxes approach, but I think I have figured out the reason why. Whenever there is uncertainty as to whether an individual might reach his target or reach a certain level of performance that the bank is expecting, they avoid interim reviews so that at the end of the year, when they do get a rating that they do not agree with, they can say that 'I never had a review. So to avoid that it is going to be mandated that your employees must come and sit with managers with packages prepared to have an open discussion, but it is avoided, there is a culture of avoidance.'" (QMY15)

"You could have situations where you could have another person in the same post at a different branch and they are given different grades. It always happens. Someone might say, I didn't meet this, and someone else might say, I didn't meet that either and the first person might say I got a BSP (below standard performance) and the second, I got a met. So there is subjectivity in there; that is why I say there is a lot of room because some years ago when they did some work to revamp the performance plan my argument has always been that it is still subjective and I don't know, maybe I am looking for too much or I am expecting something that is impossible but ideally I think a performance plan, a performance management system should be one where if persons are trained to use it properly, a manager in one branch could sit down with managers in two or three other branches, review the same report and come up with the same grade, and that is where it would be subjective to what they think, but presently that doesn't happen because you could almost have the same situation where a manager would feel for whatever reason, okay I will give her a break, she is a meets; whereas another might say, no she didn't make it, she didn't make it, I don't care if she was off by \$1000 dollars, she didn't make it...maybe they should have more guidelines... I believe in fairness. I believe in clarity. I don't want to have to sit down and argue with somebody and say, 'you should have known that this is this, and that is that' and they will say 'well in another branch this person got this and they got that'. I don't want to be able to have to do that. I want to be able to say according to our guidelines, you are supposed to make \$1 million... A fool can't argue with that if that is policy, but remember I told you at the end of the year there are all kind of arguments because things are not very clear, it is not transparent.'" (SMY23)

Moreover, Simons (1995) presents a framework for management accounting and control in large organisations. Whilst the purpose of this research is not to investigate Simons' (1995) framework within the context of both organisations, elements of the four levers of control within his framework – belief systems, boundary systems, diagnostic control systems, and interactive control systems, are present within both field study firms. Therefore, the relevance of Simons' framework to the organisational contexts shall be briefly discussed. Firstly, the belief system of Simons' (1995) framework describes an explicit set of beliefs that define purpose and direction. Beliefs are made explicit through mission statements, company vision, core values, and similar statements of purpose. Both companies possess statements of purpose, which are highlighted in the sections above (4.2.1 and 4.2.2). Corporate communications and pervasive feedback facilitate awareness of company culture, values, and beliefs, as well as guide employees' actions in both field study sites. For instance, from the interview evidence, managers in company X are inspired to think, act, and behave in a team-oriented manner based on the company motto, 'One Team, One Goal'. Similarly, managers in company Y find inspiration in their mottos, 'One-Team-One Bank' and 'First for customers, first for employees, and first for shareholders'. Also, both companies have compensation philosophies. Compensation is believed to reinforce the values and business strategy; help attract, retain, and motivate the best employees; support a high performance work environment; and to be externally equitable, externally competitive and legally compliant⁹².

Boundary systems include formally stated rules that are used to set limits on behaviour. Therefore, boundary systems define acceptable and unacceptable behaviours for organisational participants, as well as consequences of negative behaviour such as threats of punishment or sanctions. This normally enables managers to restrict behaviour, and also delegate decision making within limited bounds of freedom in order to achieve some flexibility and innovation. A boundary system is established through codes of business conduct, operational guidelines, principles of professional associations, and even society at large (e.g. ethical principles of behaviour). Both field sites implemented codes of business conduct standards as a form of risk and reputation management. At the beginning of each fiscal year, every employee is required to sign a code of conduct policy review statement, code of discipline policy review statement, and a code of conduct compliance sign-off. Also, at fiscal year-end, supervisors must confirm that they (and their subordinates) have complied with the requirements of the Code of conduct policy. Such actions point to a high

⁹² Source: Correspondence on philosophy of Company Y.

reliance on company/systematic procedures and agreements to define benchmarks (boundaries). However, it is difficult to continuously monitor and regulate behaviour at all times. For instance, how can supervisors know if subordinate actions outside of work have compromised business conduct standards (e.g. compromised confidentiality of information or represent conflicts of interest, such as working for a competitor on a part-time basis)? The branch units within the sites have attempted to systematically address this quandary through designation of persons (compliance officers) with responsibility to ensure employees' activities and actions are within rules. In addition, formal methods of deterrence and correction comprise position descriptions, and threat of punishment and sanctions such as the Performance Improvement Programmes (PIP). All employees are made aware of the "serious" consequences of unacceptable behaviours. Consequences of below standard performances can range from individual reprimand and placement on PIP (the performance improvement programme⁹³) to employee termination if performance does not improve.

Diagnostic control systems are feedback systems which are used to motivate, monitor, and reward achievement of goals. This is done by setting standards, gathering information, measuring outputs, and correcting for deviations from standard if necessary. Management in companies X and Y utilise profit plans, budgets, and other standard criteria in order to measure against employee outcomes, and to distinguish between different performance levels. As an example, if an employee performs within 3% above budgeted sales, then he or she could be a meet expectations/standards; if 10% above budget, they could be labelled an exceeds expectations or exceptional performer, and so on. Assessment of performance in individual areas (i.e. financial, operational, customer, and people/development) instead of merely overall performance enables management to more easily identify areas of strength as well as areas of weakness and to provide relevant feedback. Hence, both field study sites implement fundamental diagnostic control strategies such as appraisal reviews, pay for positive performance, and information flows to motivate and reward positive

⁹³ PIP involves due process and as such there are three stages of PIP. The first stage, the primary stage, includes placement for minor breaches of Bank policy and practices such as repeated lateness, absenteeism without permission. The second stage, the advanced stage, includes placement for continued performance/conduct which was not corrected at the Primary stage, and also placement as a result of serious breaches to the Bank's policy and practices. Examples include failure to report irregular practices or dishonest conduct; incapacity from alcohol or prescribed drugs; conduct that brings the Bank's image or reputation into disrepute. The final stage of PIP involves continued concerns not corrected at the advanced stage. This includes performance or conduct that is seriously deteriorated, as well as serious breaches to the Bank's policy or practices. Examples include behaviour that jeopardises customer relations, and misuse of position to obtain improper benefit. If penalties are used on PIP, an individual can be suspended without pay or not entitled to merit/ incentive/ loans.

behaviour and also to correct for (or punish) any negative behaviours. Strategies are detailed in sections 4.2 and 4.3 of this Chapter.

Lastly, interactive control systems comprise mechanisms managers intentionally use to stimulate (organisational) learning, new ideas and new strategies (feed-forward controls, in which change is explicitly addressed). Mechanisms may include employee participation in face-to-face meetings with subordinates, encouraging employees to continually challenge pre-established assumptions and action plans made by the organisation, and active assignment of subjective, effort-based rewards. In both sites, face-to-face meetings with subordinates are viewed important, not merely for purposes of feedback but also for purposes of learning and engagement. Quality managers in particular evaluate and reward subordinate effort, actively encourage subordinate development through their continual interactions such that coaching sessions act as informal discussions to identify opportunities for subordinate initiative-taking e.g. encouraging subordinate to join a particular project.

On a final note, Ouchi (1979) presents a conceptual framework for the design of organizational control mechanisms. It argues that three fundamentally different mechanisms (markets, bureaucracies, and clans) can be used by organizations to solve issues of evaluation and control. Burns and Stalker (1961) and subsequently Chenhall (2003) also proposed different forms of management control systems – mechanistic structures and organic structures. In this present study, characteristics of the Management Control systems at first appeared to suggest strong bureaucratic control elements (i.e. mechanistic Management Control Systems). However, upon further investigation, it appears that the Management Control Systems in both sites lay somewhere in between organic and mechanistic forms (see table 4.3).

Table 4-3 Forms of Management Control Systems (adapted from Chenhall, 2003, p.133; Ouchi, 1979, p.835; Burns and Stalker, 1961, p.27)

<p>More organic</p> <p>Personnel controls (Merchant, 1985b, in-house selection, training, culture, group rewards, resources), (Abernethy & Brownell, 1997, socialisation and training)</p> <p>Sophisticated integrative mechanisms (Abernethy & Lillis, 1995; task forces, projects, meetings, etc.)</p> <p>Prospect controls (Macintosh, 1994; focus on plans and the future; infrequent and general reporting)</p> <p>MCS that provide broad scope information and information provided in a timely way (Chenhall & Morris, 1986)</p> <p>Flexible budgets (Brownell & Merchant, 1990; flexibility of budgets to volume changes / changes in external environment)</p> <p>Participative budgets (Shields & Shields, 1988; involvement of subordinates in setting budgets/targets)</p> <p>Low reliance on accounting controls (Brownell, 1982, 1987; Hirst, 1981; use of more profit oriented controls or non-accounting)</p> <p>Competitor-focused accounting (Guilding, 1999; position monitoring and appraisal e.g. rewards system benchmarks)</p> <p>Strategic interactive controls (Simons, 1995; use of performance evaluation for strategic planning)</p> <p>Development information (Davila, 2000; levels of detail, frequency of updating and information related to time, customer, inputs, profitability)</p> <p>Use of judgement in decision-making</p> <p>Cooperation and commitment through selection and socialization; skill and value training (Ouchi, 1979; Kelman, 1958)</p> <p>Contributive knowledge and experience, continual adjustment of tasks through interaction, ad hoc location of knowledge anywhere within the organisation, lateral rather than vertical communication, and less reliance on rules and procedures (Burns and Stalker, 1961)</p>
<p>More mechanistic</p> <p>Budget constrained performance evaluation style (Hopwood, 1972; high emphasis on cost budgets)</p> <p>Budget control (Rockness & Shields, 1984)</p> <p>High reliance on accounting controls (Brownell, 1982, 1987; Hirst, 1981; accounting for performance evaluation)</p> <p>High budget use (Bruns & Waterhouse, 1975; Merchant, 1981; importance, involvement, time spent on budgets)</p> <p>Narrow scope (Chenhall & Morris, 1986; financial, internal, historic)</p> <p>Operating procedures, budgets and statistical reports (Macintosh & Daft, 1987)</p> <p>Administrative use of budgets (Hopwood, 1972; Merchant, 1981; importance of meeting budget, formality of communications, systems sophistication and participation)</p> <p>Interpersonal controls (Bruns & Waterhouse, 1975; centralisation / decision-making from top, lack of autonomy)</p> <p>Output and results controls (Macintosh, 1994; Merchant, 1985b; standards of outputs or quality)</p> <p>Behaviour controls (Merchant, 1985a; Ouchi, 1979; Rockness & Shields, 1984; standardisation, rules, formalisation)</p> <p>Patriarchal control (Whitley, 1999; personal and informal, centralised control from the top)</p> <p>Diagnostic controls (Simons, 1995; use of control to provide feedback on operations)</p> <p>Predictive model of means-ends relations</p> <p>Explicit routines of monitoring and directing (managing) subordinates / clear objectives set</p> <p>Checking decisions against the simple criterion of benchmark performance, revenue enhancement/cost minimization</p> <p>Commitment through compliance; monitoring subordinates' behaviour and output</p> <p>Specialised differentiation of functional tasks, hierarchic structure, clear delineation of authority and responsibility, well-defined rules and procedures, and location of knowledge and coordination exclusively at the top of the hierarchy (Burns and Stalker, 1961)</p>

Indeed, I argue that mechanisms and forms of management control systems (as proposed by Ouchi, 1979 and Chenhall, 2003) are intertwined. In an attempt to describe control mechanisms at the level of both field study sites, it was found that although mechanistic/bureaucratic control structures are heavily manifested (e.g. a mixture of close monitoring and socialised acceptance of common objectives and threats of punishment), there are also several instances of apparent organic/clan structures. These organic structures come in the form of socialisation processes⁹⁴ to enable goal congruence between

⁹⁴ Flyers from head-office act as expressions of approval for group-level performance, and 'Employee of the Quarter' and 'Employee of the Year' act as motivation for individuals.

individuals; information contained in rituals, stories, and ceremonies which convey values and organisational beliefs such as identifying top-performers in kick-off meetings, newspaper write-ups, organizational flyers, and lunches; adoption of BSC to enable broad scope information in the MCS) (see also Ouchi, 1979, p.833). One potential reason for a seemingly mixed form of Management Control Systems in both field sites could be the differences in treatment of the performance management systems among managers in different functions. Ouchi (1979, p.840) makes note of this possibility, as he states, “Real organizations will each contain some features of each of the modes of control. Thus, the design problem becomes one of assessing the social and informational characteristics of each division, department, or task and determining which of the forms of control ought to be emphasised in each case.”

However, I do not discount the likelihood of similar treatments by managers in similar functions in financial service-based settings. Similar to Ouchi, Simon (1962) also argues that hierarchic structures in complex systems tend to display a variety of properties, including short-run and long-run behavioural variances among different elements (or sub-sections of the system). Of significance, Simon (1962) (cf. Ezzamel and Hart, 1987) noted that although elements diverge in an almost independent manner, interactions still occur. In this sense, the behaviour of the entire performance evaluation process in formal organisations such as in the present study can be better understood in terms of sub-system interactions, particularly “where formal authority connects each organisation member with one immediate superior...informal communications tend to be largely contained within departmental boundaries” (Ezzamel and Hart 1987, p.25). This presents yet another case for divergent perspectives among managers by function (or social subsystem).

Hope and Fraser (1997) also provide further clarity on the form of Management Control Systems present in the particular field contexts. Hope and Fraser (1997, p.21) argue that the multidivisional form of organisation structure is characterised by bureaucracy, rigidity, and a culture that is generally risk-averse, the characteristics of which is emulated in managerial behaviour. They also argue for a change in form to a more network structure that is more concerned with managerial and organisational development. These arguments align with Otley (1994), Otley (1999) and subsequently Otley and Fakiolas (2000). Otley (1994) also maintains that contemporary organisations must move from hierarchical, top-down control structures to self-governing structures of empowerment and control at all levels of the organisation. Otley (1999) and Otley and Fakiolas (2000) argue for change to performance evaluation that encompasses a more

integrative and balanced approach i.e. a balanced suite of comprehensive measures that are linked to strategy, such as evidenced by adoption of the balanced scorecard (see also Atkinson, 1997; Otley and Berry, 1980). Indeed, although it is evident that the organisational structure is multi-divisional in both field study sites, it is also evident that the adoption of a BSC with its multiple, financial and non-financial performance measures by top management sought to positively influence behaviour, perhaps seeking to incorporate more emphasis on self-governance and learning. Certainly, it is clear that the extent of subjectivity introduced into the performance management system means that there are multiple approaches to performance measurement and evaluation. Some approaches align with system procedures and others deviate from it. As managers can interpret and use system elements in a variety of different ways, this suggests likelihood of differences in styles, and perhaps even differences in trust perceptions.

4.5 Summary

This chapter describes the organisational contexts of the field study sites. Drawing on the performance management framework by Ferreira and Otley (2009), it provides background information of the control practices such as integrated approaches to performance management in both sites. The contextual information provided in this chapter certainly assists with interpretation of manager perspectives on performance evaluation style and trust (see chapters 5 to 7). The social and structural embeddedness of choices in accounting practices within the particular organisational contexts may be influential in the type of association between trust and performance evaluation style (see also section 2.2.2 of Chapter 2). There are organisational, functional, and individual contexts to consider. However, for the purposes of simplicity, I shall place emphasis on function to explain trust and style perceptions. The next chapter, Chapter 5, provides an analysis and discussion of superior manager perceptions gathered toward performance evaluation style.

Chapter 5 Establishing Superior Evaluation Style

5.1 Introduction

The purpose of this chapter is to investigate performance evaluation style in the context of superior manager perceptions in financial institutions. As a reminder, the research question is: What is performance evaluation style in the particular research contexts? This chapter highlights and relates findings from coding interview transcripts for managerial meanings on three categories/stages of performance evaluation style (i.e. target setting, evaluating, and rewarding), their associated properties and dimensions. The findings provide support for similarities and differences in performance evaluation style perceptions among managers and in particular by role types (functional grouping) in both field sites. Therefore, the discussion is presented in this chapter by distinguishing perceptions of managers in sales-oriented functions and managers in quality-oriented functions.

The chapter is structured as follows: the first section (section 5.2) reintroduces the concept of performance evaluation style. Section 5.3 especially discusses perceptual similarities and differences at target setting. Section 5.4 discusses perceptual similarities and differences at the evaluating, and section 5.5 discusses on managerial views at rewarding. Finally, section 5.6 closes the chapter with summary conclusions.

5.2 Common and Divergent Perspectives of Performance Evaluation Style

In Chapter 2, I conceptualised performance evaluation style as a multidimensional three-stage management accounting process that can be determined by investigating managerial perceptions of features of formal control use i.e. type of information and how information is used in target setting, evaluating, and rewarding of subordinates. More specifically, I presented a series of propositions that a particular style is a function of managerial perceptions on: trends, focuses, time horizon, and range of information use, subordinate participation level, as well as flexibility in target setting/measurement emphasis; frequency

of assessment interactions, objectivity, and scope/flexibility in evaluating; and perceptions on reward type and degree of transparency/flexibility in rewarding. I also developed a research instrument, a vignette-based interview protocol which embedded some of the potential properties and dimensions of target-setting, evaluating, and rewarding in order to investigate performance evaluation style (as discussed in Chapter 3). From the vignette-based interviews, I was able to interpret managers' meanings to properties of each category, and to establish a particular performance evaluation style that dominated manager meanings. However, due to the depth of information, I do not discuss performance evaluation style by individual manager, nor do I discuss performance evaluation style by company. This Chapter (and the subsequent chapters) largely follow the same pattern of discussion of field evidence by functional groups across sites (i.e. sales versus quality managers) rather than between companies (i.e. company X versus company Y)⁹⁵. The data from the vignette-based interviews reveals similarities and subtle differences in style perceptions among managers. Table 5.1 presents a summary of similarities in respondent perceptions and Table 5.2 present a summary of the varying perspectives among managers by functional group.

Table 5-1 Summary of similarities between respondent perceptions at each stage of the performance evaluation process in the field study firms

Properties at Target Setting / Measurement Emphasis Stage	Properties at Evaluating Stage	Properties at Rewarding Stage
Historical to Future trends	Objective Judgment	Transparent approach to rewarding
Limited subordinate participation	Inflexible evaluative scope	
Rigid approach to flexibility		

Table 5-2 Summary of differences between respondent perceptions by role type at each stage of the performance evaluation process

Managerial Groupings	Perceptions at Target-setting stage	Perceptions at Evaluating stage	Perceptions at Rewarding stage
Sales	Quantitative kpis (financial focus in TS) External Focus Short-term time span (focus on present outcomes) Narrow range (scope) despite BSC Clear outcomes (actual vs budgeted results)	Frequent (e.g. daily, weekly) formal reviews Variable feedback (focus on present outcomes) Coaching: Management by exception	Monetary (explicit, financial focus in rewarding)
Quality	Quantitative and qualitative kpis (financial and non-financial)	Periodic (e.g. bi-annual) formal reviews; informal	Monetary and non-monetary (implicit and

⁹⁵ In particular, the table in section G of Appendix 2 relates prevalent characteristics between quality and sales managers in each field site. It shows that overlap between meanings was the result of functional differences across sites rather than comparisons between the field sites. The tables in Appendix 2 (especially sections F and G) highlight the research journey from the coding agenda used to identify dimensions of each category of performance evaluation style (i.e. identification of keywords and phrases necessary for interpretation) to actual meanings derived from interview narratives.

	focus in TS) Internal Focus Long-term time span (forward plans; future development/ learning) Wide range (scope) as per BSC Processes (operational targets) and activities)	continuous updates Long-term feedback (focus on processes / future development) Coaching: Engagement between top-bottom and potential for cross-functional learning	explicit, financial and non-financial focus in rewarding)
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Notably, managers gave meanings that reflect all of the properties of performance evaluation style established in Chapter 2, and an additional feature of style which was not included in the a priori conceptual framework: extent of focus on internal versus external information in setting targets. All of these features are highlighted in the sections that follow.

5.3 Common and Divergent Perspectives at the target-setting stage

This section relates managerial perceptions to particular properties of target-setting in the performance evaluation process. Subsections 5.3.1 to 5.3.3 detail the perspectives that are commonly shared among managers in quality functions and sales functions. Subsections 5.3.4 to 5.3.7 detail the divergent perspectives.

5.3.1 Historical to Future Trends in target setting

As a reminder, the literature states that managers focus on past, present, or forward-looking information to varying degrees of usage, especially for purposes of setting targets and feedback. This property of information usage refers to reliance on trends. Interpretations of the field data reveal that the majority of managers, regardless of function have an overall preference for relying on a combination of historical to anticipatory information to determine subordinates targets⁹⁶.

In response to the first probing question (i.e. how will Pat set the targets at the beginning of the year?), managers initially related that they use past (non-forward looking) information

⁹⁶ Research into contemporary management accounting systems also supports convergence of managers from sole reliance on historical information to reliance on both historical and future information (see Epstein and Manzoni, 2002).

such as the previous year's results or past performance of the subordinate to set targets for the present year. Use of past information partly reflects their preference for higher targets year-on-year (stretched goals) especially in the event that subordinates achieved original targets set in the past⁹⁷. Managers may also use subordinate experience in role (e.g. track record, tenure) in order to set, measure, evaluate, and reward performance.

"If Terry is more experienced then Terry could be expected to make 20% more than last year." (SMX9)

"...Terry, as the loan officer, if she made loans last year of \$1 million, this year, given a 10% trend year over year, it will be based on performance in the past and we will revisit the goals...align them with capabilities." (SMX5)

"...my expectation would be that of my more veteran persons I expect a greater output from them from the level that they are at and I will have a pretty fair idea of what their productivity level should be about, but the measurements will be the same." (QMY17)

"If you have worked with someone for long enough you know their strengths, weaknesses, their capabilities, and you can better assess them..." (QMX10)

In addition, use of future-oriented information reflects divisional targets that are cascaded top-down. These include strategic objectives set by Head Office on anticipatory forecasts or predictive information. Likely information can include combination of external information about anticipated market conditions such as pipeline activities in local economy and global trends, as well as anticipated company growth to set targets.

"The past is the starting point for setting those targets and then you incorporate it for Terry into what is happening now, the activities that I see going on now and the opportunities I see out there." (SMY16)

"It will be historical trends, and what is anticipated will factor in, so it is a combination of both." (SMY12)

"I think it has to be based on historical performance as well as what the bank's projected target is for the following year." (SMY13)

"...always consider what happened last year. What is the objective in this area? How can we change or cater this to fit within that five year plan to give targets that will help us to reach our five year plan or keep us on the road toward our five year plan whilst still considering the needs of that area or the trend in that area..." (QMY15)

"It is based on both actually because you have to look at what you have done over the last year or two years, determine what the bank is going to set, in addition to directors and

⁹⁷ Several sales managers stated their likelihood to stretch subordinate targets beyond organizational standards in order to ensure outcomes, that is, financial goals are met. On the other hand, such behaviour is only apparent by quality managers in the event of a capability belief in an individual subordinate.

these other folks up there, they are going to set targets, this is what they want for the stakeholders...whatever they decide.” (QMY18)

“It is based on where the bank sees itself at the financial year end...The targets would basically be set based on year-end results coupled with some projections going into the ensuing year ...the past is the starting point for setting those targets and then you incorporate it for Terry into what is happening now, the activities that I see going on now and the opportunities I see out there.” (SMY23)

“...based on what is given by Head office I would break that down, so I do look to the future and of course our goal as a Bank is always to grow.” (SMX7)

In brief, managers perceive a mixed trending on individual performance, as no particular form of trending information dominates use in target-setting. This also means that past quarters are used for present quarter assessment (e.g. quarters 1 and 2 used for quarter 3), which acts as a forecast of likely performance outcomes at year-end (i.e. future ratings in the final review/quarter 4). Therefore, recalling from chapter 2, *Proposition 2f. If use of past information relative to future information dominates manager perception, the more likely a budget-constrained performance evaluation style*, the field evidence suggests neither a budget-constrained, nor a profit-conscious, or a non-accounting style are likely.

5.3.2 Limited Participation Level for subordinates in setting targets

The data also reveals that managers have similar viewpoints on subordinate participation regardless of manager function i.e. regardless of whether in sales or quality roles. The interviewees note that superior managers and their subordinates must sit down and formally discuss performance objectives at the beginning of the year. Even though company guidelines state that superiors and their subordinates can negotiate performance, managers note the extent of subordinate bargaining and target input is limited. Managers perceive that there is little room for subordinates to fully participate i.e. negotiate setting their own targets. Managers perceive signing plans at the beginning of the year as a form of feedback and opportunity for subordinate participation in which the subordinate acknowledges their agreement with the achievability of targets set. They also recognise that they themselves cannot easily change certain targets due to target emphasis on strategic, profit generating objectives from top management (see also Ferreira and Otley, 2009).

Due to sales and quality managers' perception of low manoeuvrability in setting targets, they view participation as largely a discussion over targets with subordinates in order to get subordinates to 'buy-in', rather than full negotiation on current period targets.

"You are limited sometimes by what is imposed on you at a higher level because if I am asked to do a million, let's say, and Terry is the supervisor of the persons who do the front line work who are expected to bring that in, I couldn't negotiate with Terry, \$500,000, because I am headed for failure. So while I would sit with Terry and appreciate the input and we have a good, vibrant discussion ...so Terry could have a say in setting the targets...within certain parameters." (SMX6)

"Pat, not Terry could negotiate with head office if objectives are not achievable. Ultimately, Pat should speak with Terry and other managers first prior to agreement with Head office on targets to gain their opinion on the achievability... to be very honest, it would be very hard for Terry to say no (to objectives set)... So yes, Terry would be given a chance to have input." (SMX2)

"At the end of the day Terry needs to understand that Pat is the boss and while Pat may solicit for the input on the targets and while there are some that can be negotiated there are going to be times when that cannot happen, and when it does happen, we make it clear why that really can't happen and try to bring Terry on side and hopefully he will see it much more clearer then..." (QMY17)

Moreover, managers are quite aware of the constraints placed on them in negotiating targets:

"Lower level managers normally do not have much leeway in negotiating targets from above." (QMX1)

"...but, the thing about a directive is there is no room for discussion on the directive, you are just told this is what we have to do." (SMY12)

"The targets are drilled downwards as opposed to up...they trickle down so when you get them, they are what they are...There isn't that type of system here where targets are negotiable." (SMY16)

Nonetheless, as part of their strategy to gain 'buy-in', managers seek employee input mainly on personal development and career planning. Participation in this sense is considered a two-way dialogue in which the superior attempts to reach a "happy medium" with the subordinate through a form of low bargaining during the course of which the superior allows the subordinate to voice their concerns and ideas and they subsequently encourage the subordinate that he or she can meet the targets set, in some cases even offering opportunities to assist with subordinate development.

"So we will say, "Terry, what are your ideas? Let's see what we can do, so it really becomes a thing where Pat becomes the cheerleader as well as strategist to try and make sure we can hit those targets... So we encourage the back and forth because you want to be able to have the employee understand that success is really contingent on them, not me, so it has to be goals they are able to buy into." (QMX8)

"Now sometimes they would go back and forth in terms of [the employee], maybe trying

not to have as many responsibilities or not as many targets or higher targets but it is the responsibility of the supervisor to achieve a happy medium.” (QMX3)

“Pat and Terry would try to reach a happy medium in terms of the specific objectives.” (SMX2)

“...I may just have to push it or let’s just negotiate and bargain. Let us just strike a medium between where I think you should be and where you think you should be.” (QMY15)

“If Terry thinks the targets are too challenging, the process is that Terry and Pat have a discussion, both come to an agreement.” (QMY14)

“Terry has the opportunity to look at the targets and give her advice on that and say whether it could work or not. If Terry has a problem with the targets it is open for discussion.” (QMX10)

Despite an overall limited participation perspective by all managers, quality managers appear to possess greater openness to subordinate participation than do sales managers if opportunities arise. This may be due to functional differences. As several managers aptly recognise,

“...the relationship would be different in the back unit versus those in the front. There is more flexibility in communication whereas it is more of a subordinate situation where they are servicing clients, it is more of this is what needs to happen, make it happen. Negotiation is supposed to happen but it doesn’t in those areas. Whereas, here, in the back units...there really is a negotiation.” (QMX3)

“He would have a say, not in the numbers...He would like that, I would love that too, but in this environment the targets are basically passed down and you basically have to comply with the targets...it is more dictatorial, you achieve this and if you don’t like it then leave.” (SMY22)

“...there is a small window where Terry can present some valid points and information that could influence the targets so there is a small window, but on average, I don’t think it happens too often, they may change a bit, but they are set, but there is negotiation, it is not a dictatorship, so there is a window.” (QMX3)

“There is an open door to renegotiate the targets to get Terry to understand the objective...Terry should be able to make adjustments to targets and state reasons why adjustments were made...So there is room for participation but the budget will not change. It will not change because remember this is a public company.” (QMY19)

Sales managers also utilise the feedback process as a means of subordinate participation, ensuring that subordinates understand the goals set.

“There is that feedback process that allows for individuals to voice their concerns with targets...the process is opened up to allow individuals to give feedback on it (the performance review process) and say whether they agree or disagree.” (SMX7)

Manager acceptance of potential face to face challenges/confrontations and debate means they facilitate dialogue (see also general observations of field sites in Chapter 4). Sales

subordinates are able to voice their concerns if they foresee difficulties in meeting sales targets that are beyond their control.

“Well, in a high sales environment you do get stretched targets. It is very normal and I think the Bank has been quite accustomed to a high pressure environment where they are being stretched and there is the opportunity to say ‘this is ridiculous, we are not going to get there and these are the reasons why’ because we have what is called ‘a pipeline of activity’ and based on the pipeline if there is not a lot of activity in the pipeline already, to expect that level of performance review is unfair so this is why the process is opened up to allow individuals to give feedback on it and say whether they agree or disagree with the whole process.”(SMY23)

Therefore, in summary, managers in both functional groups perceive that participation in setting targets does take place, but largely due to the pre-set nature of goals/targets, participation is limited to subordinate ‘buy-in’, voicing concern for perceived unrealistic stretched targets (mainly sales managers), and highlighting opportunities for (career) development. Also, recalling from chapter 2, *Proposition 2d. If high participation of subordinate relative to low participation of subordinate in target setting dominates manager perception, the more likely a budget-constrained performance evaluation style*, the field evidence again suggests a situation in which a budget-constrained style may not dominate, nor do any of the other styles seem likely as a result of managerial perceptions.

5.3.3 Rigid approach to flexibility in target-setting

A perceived rigid approach to target-setting is another similarity between both groups. Recalling the literature, studies contend that degree of flexibility or rigidity in setting targets also informs the degree of formality versus informality. A rigid, largely inflexible perspective is indicative of a highly formal and uncompromising attitude toward setting targets as Argyris (1952) and others claim. On the other hand, a manager that perceives a flexible approach might be indicative of an informal and compromising attitude toward setting and measuring targets (i.e. it might mean that manager is likely to allow subordinates leeway in measurement of targets). Prior studies (e.g. Moers, 2005; Hartmann & Slapnicar, 2009) also show that regardless of whether chosen metric types used by managers are financial or non-financial, these metrics can be interpreted and used in either a formal manner, informal manner, or a combination of both.

The majority of managers in both functional groupings gave perceptions that reflect rigidity (and hence, formality) in target setting. Regardless of type of target, managers are likely to break down target objectives into more measurable, clear and traceable goals.

Such behaviour also reflects importance in establishing means-ends relations between setting targets and meeting targets. They perceive that breaking down targets will ensure subordinate understand, clarify and agree on how they are going to achieve targets during the course of a financial year and how such targets relate to company objectives to avoid surprises, and to aid superior monitoring and guidance.

In particular, my interpretations of manager responses to probing questions to draw out their perceptions on rigidity (e.g. “Will Pat worry about Terry meeting every short-term target as long as (over the year) the targets are met?,”) revealed important similarities and differences between sales function and quality function managers. Quality function managers focus on processes or activities as performance drivers in establishing means-ends relations. Although quality managers relate goals to the longer term processes (see 5.3.7), they still relate the setting of targets for such goals to shorter intervals in order to establish means and ends. Sales managers’ low tolerance for ambiguity also reflects their preference for establishing a clear relationship between the end results i.e. outcomes and the means to get those results. In effect, superior manager standards of rigidity in target setting are a means of managing expectations from the outset of setting targets, as well as for ensuring subordinate attitude and actions align with those of theirs and the bank in general. Moreover, formality in target-setting is reflected in superior reliance on clear boundaries, and compliance to guidelines such as gaining signatures (i.e. subordinate ‘signing’ in agreement to targets set), codes of business conduct, and expectations of subordinate consistency in performance (e.g. little or no change to original targets other than in instances of extenuating circumstances e.g. stretching targets from Head Office).

“There is a reason why this place has guidelines and I tend to be more strict with them than relaxed because I want to always be seen as doing things within policy.” (QMY15)

“Some people think this and that, but the truth is that there is no flexibility for change at the mid-level, senior level manager, and supervisory levels. The Executive will tell you that there is no room for negotiation...You want to foster creativity to the point that you have clear goals so there is no misinterpretation...” (QMY14)

“The target setting should be so clear that it breaks down each piece of the process and sets a target on those as well so it goes from high level, the strategic level that is, right down to the tactical level so it is very, very clear...short-term targets are leading us to the long-term goal...so I tend to be a little bit more specific on my target setting...” (QMY17).

“You have to stick to the guidelines, you sign on entry that you will follow the guidelines...I like guidelines, it is clear-cut, not fuzzy. If you have to do \$200, don’t do just \$100, you get it done!” (SMY14)

“Make sure that the performance plans are as black and white as they can be...because when you have too much grey area in there then you can be swayed by things like favouritism biases...” (SMY16)

“...Particularly in a sales environment where a large part of it is sales and business performance, you know what your targets are and you know if you don’t meet it you know that you are in trouble and Terry knows exactly what they are doing at this point in time during the month, during the month, during the quarter, during the year, and so everyone, particularly on this team is aware of what the performance is like throughout the year.” (SMY23)

“There is a good process to keep monitoring and keep a pulse on it (performance).” (SMY16)

The aforementioned quotes reveal that managers generally make preferences for formal control use based on system guidelines, and their choice is based on a managerial consciousness that following system objectives including targets set by head office is the best approach towards fairness and objectivity. A rigid manner of use enhances the clarity of the means-ends relations. Managers also perceived the need to closely monitor subordinates in order to properly coach and develop them, and to alleviate any uneasiness about subordinates not meeting targets over the entire performance evaluation process⁹⁸. Information is used by managers rigidly rather than flexibly in setting targets with the desire for formalization (Lewin and Stephens, 1961). Therefore, with regard to *Proposition 2e If rigidity relative to flexibility in setting targets dominates manager perception, the more likely a budget-constrained performance evaluation style*, the field evidence is suggestive of a style that leans more toward budget-constrained. However, as the previous sections show and the following sections on divergent perspectives shall describe, interpretations do not always lend themselves wholly to the suggestion of a budget-constrained style.

⁹⁸ With a focus on mixed targets (financial and non-financial performance indicators), a wider range of indicators than sales managers, as well as a relatively long time horizon, there is a need for quality managers to have greater clarity in order to avoid the nuances of such wide-ranging targets. Therefore, greater clarity is partly accomplished through greater reliance on stringent documentation e.g. “...we try to use documentation and paper work as much as possible, even in terms of opportunities.” (QMX3); “The performance plan is designed not to show someone up but to develop, keep them focused. It is not just there to serve the boss.” (QMY19)

5.3.4 Focus1 – Financial versus Mixed Focus in target-setting

The ‘Focus1’ property refers to the extent to which financial or non-financial values/key performance indicators are emphasised (Chenhall, 2003). In brief, the majority of sales managers have an overall preference for focusing on financial criteria, and the majority of quality managers emphasise multiple performance indicators which could be non-financial and qualitative, non-financial and quantitative, or any such combination.

The interviews revealed that all managers, regardless of function are conscious of the importance of contributing to profits. The majority of managers mentioned the importance of the “bottom-line” to measuring performance. This standpoint is unsurprising due to the nature of the business. Nonetheless, sales managers especially place emphasis on explicit financial, quantitative information⁹⁹ including sales, results, revenue, numbers, and budgets.

“...because it becomes more of financial targets, targets based on profitability, based on the amount of loans, the amount of fees, so there are tangible, explicit targets that are given, that it is quite easy to monitor yourself against so it is not complicated at all.” (SMY23)

“Financial is emphasised because it matters to the bottom-line” (SMX9)

Sales managers also perceive that targets should be specifically related to quantitatively measurable outcomes. As Noeverman and Koene (2005, p.4) purport, sales managers use information in a selective manner, placing emphasis on financial information in setting subordinate targets and evaluating subordinate performance because they judge such information as more relevant to reaching unit and organizational revenue goals.

“The specific would be to have 20% growth in sales...manage productivity around the financial goals.” (SMX2)

“When you talk about performance indicators you talk about the dollars too that can be financial and again that is in all aspects.” (SMX9)

“We measure based on numbers, using financial objectives...” (SMX10)

“Terry, as the loan officer, if she made loans last year of \$1 million...” (SMX5)

“It would be the numbers, because we focus a lot of attention on numbers.” (SMX6)

On the other hand, quality managers prefer mixed (quantitative and non-quantitative, financial and non-financial) information such as focusing on profits, accuracy/error minimization, timely delivery, capacity, loan default resolution, employee satisfaction,

⁹⁹ The researcher became aware that ‘quantitative’ indicators such as numbers could relate to both financial and non-financial information. For sales managers, emphasis on quantitative information is intended to translate activities into outcomes. An example is the number of calls subordinates in some sales units are expected to make per week which could result in sales.

training, worker behaviour, and quality customer service in setting targets. In setting targets, quality managers place value on processes around efficient task performance, performance of correct activities, doing things right the first time and consistent delivery of service.

"You have to make sure you develop this at a certain time, make sure that guidelines are followed." (QMY15)

"How many errors come back to our area? If the subordinates are expected to produce a certain number of entries per day, how well are they doing it? What percentage of errors are taking place, and if all of these are being done within the bank's policies and time frame then Terry is doing what she is supposed to do" (QMX10)

"You have to be consistent. If you don't make your six calls then you are never going to get to those four contacts, you are never going to get those two appointments so we have to make sure that the activity is right and that is where the ongoing coaching sessions will help to keep the employees focused on the activity." (QMX1)

"...the targets will be based on actual financial and non-financial objectives, depending on Terry's role and the overall objective of the company." (QMX4)

Inclusion of both quantitative and qualitative indicators allows quality function managers to emphasise the impact of their activities on financial performance. As an example of activities, sticking within a certain budget is one core indicator for quality managers, and is viewed as having an impact on profit levels of the organisation over the longer term.

"Staying within the budget, not incurring overhead costs, helping to minimize those costs is quite important for me." (QMY19)

"You are in business to earn profit for your shareholders so the financial is always important no matter what non-financial goals there are to be achieved, financial is always important if you want to continue to be a viable entity..." (QMX1)

"...we are not a revenue generating unit... In reducing headcount, it directly impacts your salary expenses...If you are actually processing a lot of work, it may be that you have a target to reduce the amount of errors that happen during processing so that you can in effect reduce the amount of losses the bank incurs... All of those would be around financial in some way...The bottom-line is what counts." (QMY25)

Also, managers in quality areas place importance on cost savings in setting targets (e.g. savings on training out-house, reduction in bad debts/over-time expenditures), and such perspectives relate those areas to cost centres.

"Even back office functions such as processing and say, security, you are responsible for tracking security and at the end of the year, we may say, 'you assisted in helping save x number of dollars for customers over bad charges that were not supposed to be there.'" (QMX8)

Quality managers' responses reveal their perceived use of quantitative and qualitative information as a balancing act between hard and soft components in target setting and evaluation¹⁰⁰. In setting subordinate targets, quality function superiors primarily use non-financial quantitative and qualitative information (i.e. qualifiers) which also equate performance measurement to good quality service. However, similar to sales managers, they perceive that targets should be specifically related to measurable outcomes.

"So those types of targets would equate to good quality service but again you would have some qualifier so that you are able to measure it and say well you are not doing well here, we need to increase this, or customers are saying...if she manages a section dealing with customers directly, the targets may be a certain percentage on customer service surveys...Figures can be created from customer service surveys...so in terms of service we would find areas to attach numbers to measure." (QMX3)

"On the non-financial side, things that will be looked at are customer complaints, how long did they take? They should be taken care of within three days." (QMY14)

A focus on a mixture of quantitative and qualitative information in target setting (measurement emphasis) is also based on the assumption *"that they are all important at the end of the day to ensure the business is running as well as it should"* (QMX1)

Establishing personal performance plans of subordinates comprise connecting an individual's role profile with generic targets. As such, sales managers naturally prefer sales-related measurement criteria (financial targets), and quality managers naturally orient towards quality-related measurement criteria (e.g. accuracy).

"Of course credit support and operations are more non-financial because they deal with service, and don't deal with high targets. The back-office person, she has to be accurate." (SMX6)

"People should know their primary responsibilities depending on their roles, which differs from front office to back office...financial targets are secondary to learning and development. Whereas, financial targets are primary to a sales person." (QMY20)

Lastly, managers note that preferences are dependent on different environments. One manager in particular seems to suggest that preferences for financial or non-financial key performance indicators may be largely influenced by the educational background of individuals.

I: What is going to be measured? Will the emphasis be on financial or non-financial key performance indicators?

R: That is an interesting question! Depending on who you ask, you will get different opinions....Some people, the executive MBA class, will say, 'it doesn't matter what anyone

¹⁰⁰ As one manager states, *"You have a situation where you are measuring people on two sides of a coin."* (QMX8)

tells you, financial, the figures are important'...this is a short term view in my opinion. The whole business is important. Some people focus on the financials and it works for a few years, they get the results, but after a few years, they don't, and they wonder why!"(QMY14)

Hence, *Proposition 2a* If use of financial (quantitative) information relative to nonfinancial (qualitative) information dominates manager perception, the more likely a budget-constrained performance evaluation style, may warrant a conclusion that sales-oriented managers at least are more budget-constrained. However, meanings allude to the fact that managers in sales functions perceive financial information as more important due to the nature of the firm and the nature of their role – they focus on ‘bottom line’ results. Managers in quality functions also place emphasis on quantitative information e.g. ‘bottom line’ figures or cost savings as important, but they also note that qualitative factors are equally important to meeting performance objectives e.g. accuracy, and staff overtime due to lack of efficiency. These perceptions seem to suggest a style type that is similar to a profit-conscious style for quality managers, a style that is conscious of efficient and profitable activities.

5.3.5 Focus2 - Internal versus External Focus in target setting

The second focus here relates to the extent to which internal or external information is used (e.g. Chenhall, 2003). This property was not a feature of the a priori conceptual framework of performance evaluation style. Nonetheless, the field data reveals a decoupling of perceived information content that could include multiple focuses - not merely meanings on extent of focus on financial information, but also meanings on extent of focus on internal information. Quality managers place heavy reliance on internal pre-set criteria such as processing benchmarks (e.g. timely and error-free processing), employee and in-house customer service survey results in order to inform subordinate target-setting. Although quality managers do place emphasis on adhering to established risk and control standards and processes on a daily basis which can be internally or externally benchmarked, they also rely on continuous reviews of process improvement and active searches internally for creative ways to improve areas to positively impact customers.

"I may say 'okay the five processes that you are reengineering should achieve these goals and the goal may be based on reducing operational risk, improving product activity or improving customer service...' (QMY19)

“You have to do the things you are doing in accordance with the Bank’s policies and procedures...we have a formal survey that is done with all the branches and units on an annual basis and we can use the ratings from those.” (QMX4)

“We have other things we use, one of things is, our important, our biggest issue would be our employee satisfaction survey, trying to measure employee satisfaction across the institution. I think that would be the biggest determinant.” (QMX8)

“...for me personally I am a customer services guy so for me the customer services aspect is really one of the bigger drivers for me that normally comes across, more important than the financial, more important than all those other ones...Anytime we do something, the financial perspective, even from the audit perspective, we want to deliver great stuff to the customers but let us just make sure we are still within the guidelines.” (QMY17)

“Each year we do a survey...A part of Pat and Terry’s responsibility is to manage the culture of the organization so that people are comfortable with working within the organization.” (QMY18)

A major component of increasing efficiency through deadlines for quality managers are Service Level Agreements (SLAs) between departments. SLAs entail documenting and execution of specific and agreed services to other business units to ensure seamless function integration and increased service delivery.

On the other hand, sales managers relate their emphasis as mainly driven by external criteria such as the economic environment, competition or industry benchmarks. They take note of the fact that targets could change due to economic circumstances, such as the global economic slowdown.

“...we know the industry norm. We set targets also based on the industry norms.” (SMY15)

“The targets would be set based on the results of last year, as well as on other things such as resources, people, support, marketing, sales, overview of the economy, financial circumstances, interest rates, whether the economy is doing well or in a recession, tourism figures, any major projects that are in the pipeline in the private sector. Also, government infrastructure such as roads, employment creation, basically, the perceived business plan going forward.” (SMX2)

“The targets come from Head Office, who set the targets based on an overall analysis of the global environment and global jurisdictions such as the Bahamas.” (SMY23)

“The targets could change but it doesn’t typically happen. Let’s say, you have \$1.2 million in loans you need to get for the year, and then the central bank, which is an external factor we have no control over says, ‘we are going to stop lending in the country because we have some credit issue so you really can’t lend to people’. Then obviously, you say in light of the central bank restrictions, your goal which was \$1.2 million is now \$600,000, so that is one example of when it could be adjusted, or the bank may come back and say based on a booming economy that everyone’s targets will go up by 10%.” (SMX10)

“Especially in a circumstance like this where they say that there is a looming recession, when we are looking at targets, it may be a little bit changed. It is no longer an increase, it may remain constant or may slightly decrease based on what the economic situation is going on at this time.” (SMY22)

“The targets have to be realistic, based on what is happening in the market....so it is not necessarily what is just going on in the Bank.” (SMX9)

Whilst sales managers recognise the importance of internal benchmarks and compliance procedures (guidelines), they view external factors such as risk and control standards as vital to risk management and operational functioning (e.g. central bank borrowing limits), and therefore, of utmost importance in setting targets.

Analysis of the field data based on meanings by functional orientation of managers enabled me to make the following conclusions: an internal focus relates to information requirements for target-setting on internal processes such as referral benchmarks, internal audit processes and results, and customer surveys for target setting, and for which activities relate to quality managers perceptions; an external focus relates to information requirements for target-setting to which sales managers relate perceptions based on external factors, such as the global economic conditions, and regulatory framework e.g. local central bank restrictions on lending. Pulling the data together also began to tell a story of the possibility managers’ styles of evaluation were perhaps different from what I had originally conceptualised. Govindarajan (1984, p.128) states that emphasis on explicit, financial performance indicators indicates an outcome orientation, and emphasis on a mixture of explicit, implicit, financial and non-financial indicators reveals a process-orientation. Thus, it was beginning to become clear that Hopwood’s (1972) styles may not fit my research contexts.

5.3.6 Range - Narrow versus Wide Range in target-setting

The literature relates range of indicators to the extent to which a narrow versus a wider range of performance criteria are used in setting targets (Hopwood, 1972, 1973). The distinction between a narrow and wide range is determined by the number of key performance indicators emphasised, as well as the broadness of these indicators, that is whether general (wide/broad) or specific (narrow) in scope. The introduction of balanced scorecard approaches to performance management by the top (senior) management in both sites was thought to provide a means of added clarity to performance targets, potentially aiding aims toward non-bias of managerial focus. However, in both field sites, opinions on

range of criteria to be used in target setting demonstrate managerial differences on BSC implementation. Moreover, as with the 'Focus2' (internal versus external) property, the extent of broadness or specificity in range of measurement emphasis is somewhat dependent on function. This is clearly expressed by several managers as follows:

"There are four key performance indicators, and four in each quadrant, so sixteen in total, but it depends on the function. So if it is a sales function then, it would be focusing on the four key performance indicators in the sales quadrant." (SMX2)

"In retail, their sales portion of their performance plan carries far more weight than the other sections. For us here (quality function), we have four main quadrants, four main headings or sections to it and they carry equal weight." (QMY25)

In particular, differences exist in meanings placed on 'narrow' and 'wide' range¹⁰¹. In brief, although the balanced scorecard adoption means that targets could be based on 'everything', everything is quite broad. Sales managers actually appear selective in emphasis rather than choice of targets. They focus on the narrow indicators in setting targets and evaluating performance. Although they may have set some targets related to other areas of the BSC, their focus relates to the fact that they place emphasis on financial or revenue-generating measures of performance. As one sales manager states,

"There are four quadrants and within those quadrants there are options to meet the stated targets or there are other profit generating activities that the individual can demonstrate that is just as good as gold." (SMY12)

Also, although a standard balanced scorecard approach is utilised across both organisations, sales managers generally perceive range of key performance indicators as narrow and role specific for subordinates.

Conversely, quality function managers appear to place emphasis on a broader scope of indicators as per the Balanced Scorecard, which they perceive as encompassing a more holistic view of subordinate performance and productivity.

"If you focus on one then all the others fall aside and you still feel the impact. Whereas, if all of them together are concentrated in moderation then it becomes smooth sailing [and] productivity is gained" (QMX3)

Quality managers perceive a focus on wider range of indicators relates to use of more non-accounting elements.

¹⁰¹ Clarity on meaning was sought by the interviewer to minimize interpretational differences.

“...when we are looking at the wider range, we have to look at what is more important in terms of personal development of the individual and growth of the business and try to align with those items that give us the best blend.” (QMX1)

Therefore, recalling *Proposition 2b* *If use of a narrow range of indicators relative to a wide range of indicators dominates manager perception, the more likely a budget-constrained performance evaluation style*, managers perceptions reveal otherwise. Whilst sales managers’ perceptions allude to preference for a narrow range of indicators, sales managers’ meanings suggest their narrow focus is due to their orientation towards results. On the other hand, quality managers’ preference for a wider range suggests orientation towards a more streamlined process.

5.3.7 Time Horizon – Short versus Long Time Horizons in setting targets

This property refers to the extent to which objectives are handled in a given time period (i.e. whether in the short or long run; see also Govindarajan and Gupta, 1985; Hopwood, 1972, 1973). Sales managers prefer setting targets in the short-term. It is important for sales managers to set targets on a daily, weekly, monthly, and quarterly basis¹⁰². Metrics oriented towards the short-term include focus on hitting current period revenue numbers, which is normally expected to occur in less than a year. Objectives could change mid-year to either stretched goals or changes in external market conditions (i.e. the changing attitudes of the industry). The flux in emphasis reflects the constant changes (e.g. changing targets due to stretching) and equates to short-termism for managers in sales functions. The following quotes are illustrative of this.

“Short-run targets because that is what you are getting them to focus on.” (SMX7)

“I think you always have to set targets with a reach...I think you have to put it out there (stretch targets) in order for people to get there.” (SMY16)

Conversely, quality managers’ views allude to their preference for longer time horizons. Longer-term metrics include future plans for operational improvements and worker development, which could be met over periods of longer than a year (hence, perceived as

¹⁰² Although the collective preferences of sales managers are to base goals on meeting short target intervals, it is still noted that *“goals can last anywhere from 1 year to 10 years...and the ten year (being) more personal development” (SMX5)*. Therefore, longer-term individual goals are aligned with long-term strategic plans of the company, and with subordinate development and training initiatives.

more flexible). When asked by the interviewer, “Is the time horizon long or short?” quality managers typically answered:

“Long, well they are normally set at the beginning of the fiscal year, (assessed) in the first quarter and are assessed at the end of year, at the end of the fiscal year...There is a bit more leniency when it comes to service and other areas because there is time to catch up. You have more flexibility in terms of making up for things that did not happen before but not sales.” (QMX3)

“If we look at people development and skills, if people have the skills then we will kill the competition and increase efficiency, so you have to have long term thinking...It is about managing the short-term and the long-term which is difficult because the financials are emphasised in the short-term and if they are met the Board will be pleased, whereas, long-term is about paying attention to everything, customer service, financial, audits, people development.” (QMY14)

Preference for targets over a longer term also reflects quality managers focus on processes (establishing longer term goals of operational improvements that eventually lead to effectiveness, efficiency, and risk assurance). For instance, debt recovery and processing managers focus on processes as per particular levels of default/foreclosures on mortgages, verifying personal circumstances over the long-term, et cetera. Their longer term focus (and hence, non-frequent formal reviews, see section 5.4.3) also reflects the relative flexibility of meeting ‘soft targets’ in comparison with the ‘hard targets’ which sales managers have to meet at certain intervals. Quality units are generally perceived as being more flexible in the performance management process, and so perhaps involve themselves in less programmable decision-making [characterised by ‘soft’ (qualitative) targets which can be ambiguous]; making more room for learning, changes to goals, negotiation, and use of a broad range of (financial and non-financial) targets.

The manner in which quality and sales managers use communication and discussions with subordinates may provide explanations for their divergent perspectives on time horizon in target-setting. Communication and discussion around current performance of subordinate principal duties are vital to sales managers. Conversely, in communications and discussions with subordinates, quality managers want to gain information to coach and develop subordinates in current role duties and toward future responsibilities.

Hence, based on the aforementioned discussion, *Proposition 2c, If use of information in the short-term relative to the long-term dominates manager perception, the more likely a budget-constrained performance evaluation style does not appear to hold.* For instance, most sales managers note that goals are likely to change year-to-year, and this is likely the result of stretched goals. Most sales managers cite stretched goals (raised standards) as

embedded within original targets to reflect challenging but realistic goals for the period and to act as a cushion for ensuring the subordinate meets the original targets. Other managers' view stretched goals as reflecting subordinate capabilities in order to push a subordinate towards optimal performance during a short period of time. *"If he (subordinate) is poised to meet the targets, then we would sit down and discuss that, you as Terry, would be expected to do more."* (SMX5)

Again, sales manager views focus on outcomes (results). Quality function managers' views emphasise processes of efficiency, et cetera.

5.3.8 Summary: Managerial Perceptions on Target-setting

Managers in both quality functions and sales functions gave similar perceptions for use of historical to future trends, limited subordinate participation, and a rigid approach to flexibility in setting targets. In terms of differences in perceptions, quality function managers gave meanings that suggest emphasis on financial and non-financial criteria, largely internal information, a wide range of performance indicators, and a long-term time horizon in setting targets. On the other hand, sales function managers gave meanings that largely suggest emphasis on financial criteria, external information, a narrow range of performance indicators, and a short-term time horizon in setting targets. So far, interpretation of meanings is highly indicative of an outcome orientation for sales managers, and indicates a process orientation for quality managers. On a final note, whilst correlation between different elements is not the primary purpose of this thesis, one may deduce some form of linkage between different elements of performance evaluation style at the target-setting stage based on managerial perceptions (see Chapter 8). For example, perceptions of emphasis on a narrow range of (financial) indicators and a short-term time horizon suggests sales managers focus on outcomes. Emphasis on a wide range of indicators that are a mixture of financial and non-financial (qualitative and quantitative) as well as a longer time horizon suggests quality managers focus on activities and processes.

5.4 Common and Divergent Perspectives at the evaluating stage

This section relates managerial perceptions to particular properties of evaluating in the performance evaluation process. Subsections 5.4.1 and 5.4.2 detail the perspectives that are commonly shared among managers in quality functions and sales functions. Subsection 5.4.3 detail divergent perspectives.

5.4.1 Objective Judgment

Firstly, Chapter 2 related the extent to which objective estimates of performance are used in assessment or the degree of superior reliance on formulaic approaches versus subjective approaches toward subordinate assessment as important to establishing a particular evaluation style (Govindarajan, 1984). Ferreira and Otley (2009, p.272) defined objective performance evaluations as formulaic approaches, possessing no scope for ambiguity in the weightings and assessment which is based only on the actual results. They also stated three circumstances in which objective evaluations are likely: 1) where the input-output relationship is clear (such as in the field sites), 2) where the performance is controllable, or, 3) when it is accepted as part of organisational practice (see further details below). On the other hand, Ferreira and Otley, Epstein and Manzoni (2002) relate performance evaluation as a subjective process that requires managerial judgment. This suggestion presents the possibility that no performance assessment can be objective but rather involves individual superior manager interpretations. The interviews reveal that managers in both functional groups prefer objectivity and so consider company standards /organisational practice in evaluating. However, meanings of objectivity differ between groups. It is particularly evident that quality managers view objectivity in terms of ‘soft’ criteria such as written documentation (i.e. objective assessment by qualitative criteria) as well as assessment of processes such as worker development. Objective use of ‘hard’ criteria such as formula tied to targets (i.e. objectivity by quantification and hard evidence such as in using computer spreadsheets) is especially relevant to sales managers. The following responses to the question following introduction of vignette scenario 2, “How will Pat evaluate Terry?”, demonstrates the differences in meanings of objectivity between managers by function.

“Pat’s evaluation of Terry will be based on results...the best approach is looking at the formula tied to results...not based on the personal relationship...you have to quantify.” (SMX5)

“The performance review looks at what was planned versus what is actually achieved... It is the actual versus business plan or budget.” (SMX2)

“...It is not my personal feeling that comes into evaluating performance, it is what you actually achieved. So they have defined goals like that...We have a tracking method for everything, a tracker...We have a rating scheme.” (SMY21)

“Now the formula would be set by the manual...You can’t argue with the numbers.” (SMY22)

“...so not personalized to that person at all. No. It ain’t personal you know. This ain’t personal. I am only holding you accountable to what it is that we are going to agree on, which would be the same standards for everybody and so therefore you get away from the old favouritism, and teacher’s pet...you get away from that because everybody is going to be held accountable for the same standards.” (QMY17)

“In performance it is not about just ‘show me the results’. It is more than that. It is about having skilled, trained people, and having good communication.” (QMY14)

For both functions, examples are given in which objective benchmarks act as a formal means to ensure subordinate performs duties in compliance with company guidelines over a certain time period. One example is the use of surveys to assign ratings. Another example is managerial application of Human Resources rules, for instance, three written warnings and termination occurs. However, each warning can occur over a longer time period, for instance, one warning per quarter. In addition, despite preferences for objectivity in evaluating subordinate performance, the majority of managers in both groups recognise use of judgment in evaluating as unavoidable. Use of judgment could range from relative performance evaluations (basing performance on internal surveys/feedback from others) to assessment of subordinate behaviour such as subordinate efforts in a non-personal manner.

I interpret the dual preferences for objectivity and use of judgement in evaluating as ‘objective judgement’. Managerial use of ‘objective judgement’ is in agreement with Argyris (1970). Argyris (1970) finds that human tendencies are toward a mixture of objectivity and subjective judgment. The following quotes are provided in support of my interpretation.

“I would be looking at your target, your performance against your target, and what did you do compared to what this other person did.” (QMY15)

“You can’t move away from work ethics, so in that sense there is little room for judgment. However, you also know what they are capable of, so judgment does come into the evaluation... at the end of the day, Pat determines the performance of Terry, so the objective standards could be subjective, but Terry won’t get hurt because of it...I don’t like to call it judgment, I like to call it evaluation, but it is a full evaluation, not just looking at the metrics that we have set on paper here, but the other factors...maybe this particular target identified that for us and I can see by Terry’s best efforts they failed...He tried and I know he followed up...make sure he has training in there to fill that gap so judgment needs to come into play.” (QMY17)

“How I evaluate him (the subordinate) could be more up to me, but then I would...leave personalities out of it and just go with observations and facts...Facts are better when it comes to the performance review because then you have hard evidence.” (SMY24)

“...the judgment comes in, based on actual sales and business performance relative to plan, and based on feedback from other teams that work along with Terry’s team, say on the risk and control side and other areas as well, surveys that are done with customers, employee surveys, all of this information comes in, you have to make a judgment call at year end.” (SMY23)

“If I were Pat I would do it using a combination of both...I think you have to use your judgment. You have to base it on a formula tied to the targets, but to a certain extent you still have to use your judgment.” (SMX10)

“You can’t just look at statistics. You also have to look at a combination, judgment and targets tied to the numbers.” (SMY12)

“I think Pat, in Pat’s wisdom will use a cross-section of judgment and formula because the formula tied to the targets are helpful tools but also in evaluating a person you need to see beyond the targets...” (SMY13)

“At the end of the day, Pat determines the performance of Terry, so the objective standards could be subjective...Effort is taken into consideration.” (QMY19)

“If you want to be successful at the end of the day your effort must translate into the result that you are looking for and if it is not then something is either wrong with the effort or something is wrong with some other part of the process, but with the correct activities you should be getting results so to reward you only for effort is not encouraging the right behaviours.” (QMX1)

Heavier weightings may be assigned to aspect(s) of the BSC which managers perceive as important. Sales managers are selective in that the perceived weightings they emphasise reflect focus on metrics that align with the role (i.e. quantitative criteria are given heavier weights; greater emphasis placed on criteria in the financial and customer services quadrants). Such emphasis in weighting means that there is little scope for ambiguity in rating performance. At the same time, managers appear to also evaluate subordinate performance relative to their own or others performance (relative performance evaluations / RPEs). Therefore, such actions by managers (i.e. selective weighting, RPEs, and consideration of effort) introduce subjectivity/judgment into the evaluation process. Like

sales managers, quality managers' perceptions depict a mixture of emphasis on judgment and objectivity (i.e. 'objective judgement') in formal assessments. Quality managers' generally place equal weighting on BSC criteria (i.e. equal weighting of indicators in the four quadrants), and they also consider subordinate effort in meeting indicators. However, consideration of effort in evaluating subordinate performance is generally limited.

Furthermore, previous empirical evidence indicates that when multiple performance measures are available and superiors have discretion or can use judgement in 'weighting' the different performance measures, there is a general tendency to put more weight on objective and common measures of performance, which results in less 'balance' (e.g., Ittner et al., 2003; Lipe & Salterio, 2000). On the other hand, Moers (2005, p.79) posits that performance measurement and reward systems in which balanced scorecards exist are characterized by multiple (diverse) performance measures and an increased use of subjectivity (e.g., Ittner et al., 2003). Quality managers largely consider multiple factors including quantitative criteria and qualitative criteria such as worker attitude and behaviour, quality of processes in evaluating subordinate performance. Whereas, sales function managers' considerations are largely less-balanced, orienting towards assessment of output/results. Based on the discussion of meanings on objective judgement in evaluating, *Proposition 3a, If focus on objectivity relative to subjectivity in assessments dominates manager perception, the more likely a budget-constrained performance evaluation style, is no longer valid.*

5.4.2 Inflexible Evaluative Scope

Evaluative scope refers to the particular approach taken to evaluate subordinate performance, which can vary in extent of flexibility in focus (e.g. uncompromising focus on negative results) or extent of flexibility in use (of accounting data) (Lau and Tan, 2003; Hopwood, 1972, 1973). Managers in both functional groups relate inflexible evaluative scopes. Again, their perceptions are partly expected due to managers' evaluations of subordinates around pre-specified guidelines (see Chapter 4). Quality managers also relate perceptions of an inflexible evaluative scope that entails an uncompromising view in interpretation of standards. Sales managers focus perceptions of an inflexible evaluative scope on accounting data as relates to performance.

“...that is why we encourage or enforce the process set out by the bank and so again at the beginning of each year you set objectives that is documented and both the employee and the supervisor sign off on those objectives so that signing indicates agreement.” (QMX3)

“No. A 65 is a 65, a 85 is an 85. I am a firm believer in not trying to spin numbers. The number is the number.” (QMX8)

“The numbers in evaluation (are important) which provides feedback on failures...” (SMX2)

“If I had to evaluate somebody I would evaluate based on their performance. What they did based on what they were expected to do, and that is that.” (SMY15)

Following on from a perceived rigidity in target-setting, managers' perceived use of rigidity or inflexibility in evaluating e.g. using control system elements such as evaluation guidelines / standards in a rigid fashion might be seen as appropriate according to Hartmann (2000). He states: “...part of the explanation (for rigidity) might lie in the uncertainty superiors face in observing and evaluating subordinates' behaviour” (Hartmann, 2000, p.475). Recalling, *Proposition 3b: If inflexibility relative to flexibility in evaluative scope dominates manager perception, the more likely a budget-constrained performance evaluation style*, and as per the discussion in this section, the field evidence concerning evaluative scope suggest a situation in which a budget-constrained style may not dominate, nor do any of the other management styles for performance evaluation established by Hopwood (1972) seem likely.

5.4.3 Frequency in Evaluating – periodic versus variable

Chapter 2 defined frequency of assessments as the frequency of interaction between superior and subordinate regarding performance (Argyris, 1952; Hofstede, 1968). Feedback is one likely dimension of interactions, in which information transmitted could be extensively based on performance information or results-oriented measurement (see also Spreitzer and Mishra, 1999; Rousseau, 1995). Managers in both functional groups perceive frequency of face-to-face interactions enables superior managers to avoid surprises and to fairly objectively support superior manager assessments of subordinate performance.

“So even if there are issues or conflicts or whatever the case may be, any type of barrier, they can be addressed in coaching and they of course would be documented so at the end of the period, the employee cannot say, this is the whole point of it, for the employee not to say that, ‘I said I wasn't able to do this even though I signed off on my objectives, I wasn't able to do it because of A,B, and

C.' Then there is documentation to prove in the coaching that you did mention A,B, and C, and we addressed A,B, and C, consecutively for x amount of weeks or x amount of months in the coaching sessions and they were action items for you to carry out, which you did not." (QMX3)

"...when they come in for the discussion, you better have some facts. Each supervisor should have a prep file with things. So by the time I write my quarterly PA I would be able to refer to that prep file to write my comments, and I would have it documented and I would have the date and time and everything so that doesn't leave much room for argument." (SMX6)

In response to the probing question, "How frequently will Pat evaluate?," quality function managers perceive periodic (e.g. quarterly, bi-annual) formal reviews and continuous updates. Quality managers note that frequent interactions form part of daily work life, and most often relate to informal evaluations or what a few managers describe as continual assessment of behavioural competencies.

"While it is annual it is extremely important we track it...Now it recommends, employees be evaluated on a regular basis, definitely, I would evaluate Terry at least weekly, whether it is situational, informal or formal... the key things for financial will be daily, weekly, and monthly reports...the informal evaluation is more situational, day by day, coaching feedback, and it happens over the course of the year." (QMX4)

"If I were Pat I would want it officially just once within the year; maybe at the half-year point. I would be someone who would still be meeting with Terry to find out how things are going, see whether she needs any help but officially once per year." (QMY25)

Quality managers' frequency of (informal) interactions means that there is no need for frequent formal meetings with a subordinate. Through informal continuous individual, face-to-face coaching sessions managers are able to foster an atmosphere of continuous learning (Simons, 1995).

"Informally it (coaching) should be throughout because I know for me I try to have one on ones with the persons who I supervise. I try to do that formally. I try to set that up once a month and I don't find that happening quite like that. We end up talking far more often than that anyway. So sometimes when my calendar comes up saying it time for one on one I don't even have to do it because I have just spoken to them about some kind of issue the day before." (QMY25)

Furthermore, quality managers' evaluations extend beyond assessment of job. Thus, their feedback relates to assessments on a mixture of role and non-role behavioural competencies (that is, quality manager assess both task-specific performance such as meeting targets and non-task specific behaviours). Feedback is clear, and enables a superior to fully assess subordinate capability and development. Quality managers' evaluate to correct actions as well, but correction seems to entail more informal discussions around mentoring and coaching.

"...clear feedback so that corrective action can take place." (QMY14)

"I would want to look at everything that he did over that period outside of the goals...what can you do outside? You know rather than staying right inside your comfort zone?" (QMY25)

"Well my style is I normally give feedback right away...I don't just give the assessment around the work I give you, I do it around other things. What time you are coming to work, et cetera. For me, the system I use, I realize how you do anything is how you do basically everything." (QMY17)

On the other hand, sales managers' gave meanings of variable frequency of evaluating. Although sales managers prefer frequent reviews (e.g. assessment of daily reports), sales managers interactions with individual subordinates are also dependent on subordinate level of ability (inability) and performance. Sales managers have preferences for tracking targets either by looking at budgets versus actual results month over month or by breaking targets down into smaller goals that should be met at shorter intervals such as daily, weekly or quarterly in order to avoid any surprises and to gain more buy-in by subordinates.

"Every day I have to get certain things on my desk. When I review those things (reports) I can tell from my review of it, if things are not being done in I guess the way we expect it to be. So there are checks and balances all the time, on everything." (SMX5)

There appears to be lack of anxiety around informal assessments:

"There is no fear when it comes to our informal assessments throughout the year because the (subordinate) managers will always come, 'things aren't looking that great, because such and such is down or the target is just too big'. They always have comfort knowing that even though the targets were huge, even though you feel like you might end the year not meeting them by a milestone don't worry about it because of xyz. That is why we have weekly meetings as managers and from that, based on certain statistics that I would get to say that we need say, '\$15 million a month as far as sales and what or what not and we are tracking behind it because of xyz (various factors)' and in response to discussions around the individual performance, not within the group setting you usually get feedback, and so there is ongoing feedback in terms of what needs to happen." (SMX6)

"Whenever there is an area where help is needed Pat is pretty much open for discussions, to lean on for advice and counsel, it is almost like an open door policy if it is to accompany them on client calls and client visits and help them out spotting opportunities." (SMY23)

Frequency of meetings and assessment interactions in general may also reflect systematic requirements, which state that formal meetings should take place on a quarterly basis. Therefore, formal review meetings are infrequent, unless problems arise as the following excerpt illustrates:

"I: So how often would you as Pat, meet with Terry?"

"R: Three times a year unless there is an issue, then it might be more, but by and large it is 3 times per year." (SMY22)

Sales managers' assessments predominantly focus on evaluation to correct actions by formal means (e.g. management by exception). During interactions, sales managers focus evaluations, feedback, and coaching in relation to performance outcomes in role.

"Updates will be given from time to time, updates could be monthly, quarterly, and will encompass interim benchmarks...So Terry is given feedback on Terry's accomplishments, correction also takes place following the feedback." (SMY12)

"Discussions must be ongoing...Pat will monitor on a formal basis quarterly...also informally, there are weekly huddles, at which time Terry can bring areas of concern, areas that require improvement." (SMX7)

"The numbers in evaluation (are important) which provides feedback on failures..." (SMX2)

Use of contact especially combined with the use of statistical tracking data such as spreadsheets of subordinate performances make it possible to objectively gain information about subordinate and to easily question negative deviations from expected performance of subordinate. With the exception of the final meeting in which they confirm subordinate performance for the year, other meetings are used to call to attention areas of strength, identify areas of weakness, to assist subordinates, and correct behaviour if necessary. In particular, at final evaluations sales managers focus of assessments around subordinate meeting targets ('the bottom-line') is more to the extent of an "either you met the target or you did not" attitude.

Moreover, both managerial groups view coaching as relevant to performance management, and especially subordinate assessments. Although managers in both role types recognise that coaching sessions should formally take place on a weekly or bi-weekly scheduled, one-to-one basis, sales managers implied they use judgment in deciding actual coaching periods. Contrary to quality managers, sales managers view coaching and meetings as necessary only in the event of non-performance. Therefore, sales managers view coaching sessions as opportunities to implement 'management by exception' in which they only focus on reinforcing areas where individual subordinates are challenged. Number of coaching sessions for sales function managers are also dependent on subordinate performance.

"Once they are focused, no, they will not get as much coaching, they will get coaching but not as much, not every week. Maybe once a month, maybe once a quarter." (SMX7).

"Pat will follow-up on the amount of credit cards Terry got in the first quarter, so in the second quarter if Terry did not make the targeted level, then Pat will have to follow up on that as a means of control." (SMY14)

"If Terry is capable then the meetings will be lessened." (SMY12)

"Pat (the superior) will coach Terry (the subordinate) if she goes off-track...coaching as one sees fit." (SMX5).

"If a person does not perform as expected they are coached." (SMX2)

Hence, interpretations reveal sales function managers place greater emphasis on formal contractual obligations rather than future development.

"[T]he goal would be to meet targets that are set by the head office, so when I supervise, that is why I am supervising and coaching to meeting those targets." (SMX7)

"We have a tool which is automated in that every time Terry gets a sale, Terry keys it into the system and we go in every day or every week and see how Terry is doing versus what we want him to do - is he on target, is he below, is he over? We can measure weekly, monthly, we measure formally on a quarterly basis when we do a performance assessment" (SMX9)

Also, due to a short-term focus on goals, managers in sales functions tend to focus more on coaching as one mechanism for tracking targets, identifying weaknesses, and subordinate improvements to current performance.

"That is why we have coaching, it ties into everything. You coach them to make them better. It is an integral part to improve performance... we like to see you meet the goals more frequently, so that is why we divide it by quarters..." (SMX6)

On the other hand, quality managers view coaching sessions as opportunities for engagement. Through such interaction, they are able to focus on training and future development initiatives including potential cross-functional learning i.e. training towards skills to adjust. Quality managers engage subordinates in a continuous process involving two-way communication and feedback, in which coaching plays a pivotal role towards informational symmetry, continuous assessment and subordinate development.

"If Pat is to be a good leader and a good coach for Terry that is something that is going to be ongoing...the evaluation piece that you do with paper, it is just the formal piece of where you are actually at, but that should not be any surprise to you." (QMY17)

"We should be growing, we should be learning...So when the coaching happens now informally and there is no growth then we now take the more formal approach to this..." (QMY18)

In addition, as mentioned earlier in this session, quality managers perceive coaching as a form of ongoing learning, which may involve allowing subordinates to have some control over their own performance i.e. subordinate discretion.

"You have to provide ongoing coaching...I coach sometimes or sometimes I give them an opportunity to decide how to approach it, then I fine-tune it for them." (QMY20)

"My goal is to see Terry succeed and I need to be a part of that success...If I think that something is going to have a negative impact on Terry I need to really give Terry that coaching, not from blocking him, but from a skills set perspective." (QMY17)

In this sense, coaching provides a means to align individual goals with organizational objectives and may heighten goal cohesiveness through forging interpersonal information sharing and continuous updates in quality-oriented units. On a final note, despite subtle variation in opinions on assessments, quality managers and sales managers maintain that rigid expectations and involvement in evaluating performance are due to provision of guidance rather than micromanaging.

“It will be clear to Terry (the subordinate) that what we are doing is not micromanagement because I am not going to be sitting on his shoulder...it is not, it is absolutely not a question of telling you what to do but simply reviewing with you how best to overcome hurdles and challenges which will allow you to continue on your course... I want to be involved in that process as much as possible without micro managing. It is not a question of micromanaging but it is a question of providing support, providing guidance, sharing expertise, looking at best practices...you sit down and you have a conversation.” (QMX1)

“Pat shouldn’t dictate to Terry...Pat may offer advice...give Terry the opportunity to be creative, don’t dictate to Terry...if Pat dictates it takes away from what Terry actually accomplished...so there should be communication for guidance and not for telling him what to do.” (SMY12)

Again, the field evidence does not suggest a situation in which a budget-constrained style may dominate, nor do any of the other styles seem likely. Managers in both functional groups perceptions largely do not support *Proposition 3c, If frequent assessment interactions relative to infrequent assessment interactions dominates manager perception, the more likely a budget-constrained performance evaluation style*. Assessments are deemed as periodic and variable for both managerial types for a variety of different reasons. Quality function managers focus on regular discussions fostering two-way communication. Sales function managers have variable discussions and feedback, which could entail frequent or infrequent formal meetings depending on subordinate performance.

5.4.4 Summary: Managerial Perceptions at Evaluating

At the second stage, the evaluating stage, as sections 5.4.1 to 5.4.3 discuss, quality function and sales function managers have similar standpoints of objective judgment and an inflexible evaluative scope, whereas, they differ on frequency of evaluating. Investigation of managerial meanings on objectivity, flexibility, and frequency of evaluating has also led to my interpretation that the meanings still indicate subtle differences between managers by function and just as important the modification of the performance evaluation style types from the originally conceptualised types of budget-constrained, profit-conscious, and non-accounting. In particular, the use of vignette scenario 2 and the supporting probing

questions highlight that the evaluating component of performance evaluation style is largely distinguishable by managerial meanings of frequency of assessment interactions, in which quality function managers relate perceptions that incline towards emphasis on process, whereas sales function managers relate perceptions that lean more towards an assessment interactions in consideration of performance of target results.

5.5 Common and Divergent Perspectives at the rewarding stage

Finally, at the third stage, the rewarding stage, quality function and sales function managers gave similar perceptions of a transparent approach to rewarding (5.5.2). In addition, distinctions are made between performance evaluation and rewarding for a financial bonus, performance evaluation and rewarding for (future) promotion and performance evaluation and rewarding for recognition of activities (non-financial terms). Although these multiple approaches are integrated into a single system, the interview data reveal that superiors distinguish between them (5.5.1). Sales function managers generally emphasise monetary (financial) rewards, and quality function managers emphasise a mixture of monetary and non-monetary rewards.

5.5.1 Reward Type – monetary versus mixed rewarding

Lowe and Shaw (1968) and Merchant (1983) indicate reward type as extent to and manner in which targets are linked to rewards. Choice of reward type is based on superior perceptions of subordinate preferences for purposes of motivation. Both groups of managers gave perceptions that reflect use of mainly extrinsic rewards based on their perceptions of subordinates' preferences.

“It depends on the personality of the individual. The manager has to know what works best for each individual. Some personality types prefer recognition in the open whereas others don't, so you have to know your people.” (QMY14)

“People are far more motivated by monetary rewards...I believe in monetary rewards. Sure you can give someone a pat on the back, but results triple, even quadruple when you match their performance to something monetary.” (SMX5)

Rewards can involve financial and non-financial components for purposes of positive motivation of individuals and group behaviour, such as bonuses and salary increases (monetary rewards), short-term expressions of approval and recognition by immediate supervisor and senior management, as well as long-term progression and promotion. Most studies in the RAPM literature (e.g. Demski & Feltham, 1978; Waller & Chow, 1985; Cools et al, 2008, p.608) make mention of financial compensation / rewarding being contingent on comparison of actual performance to set objectives.

Although both functional groups warrant explicit rewarding (e.g. monetary rewarding that is contingent on Group and individual performances), quality managers are also willing to reward subordinates based on effort. Due to consideration of effort by quality managers, rewards also reflect non-monetary (soft) elements such as a note of thank you. Non-monetary rewarding can include certificates of appreciation, public compliments/highlighting performance in meetings, social events, or notes of appreciation by a superior, and are largely sources of intrinsic motivation and group as well as individual performance incentives.

“At the end of the day it is not a perfect system, but it does work because her bonus is also derived from how she performs at the end of the year, it is an incentive, the better you do, the more you make. (QMX8)

“...I know Terry likes to be recognised, that is all they need. Terry doesn’t even need money. Terry just needs me, Pat, to recognise him in the front of his peers. Terry is driven by that fact.” (QMX4)

“Some subordinates prefer recognition for a good job in public, in a meeting, others just a personal recognition like a pat on the back and saying ‘good job’ or maybe leaving them a little note.” (QMY14)

In particular, non-financial rewards are viewed as the most appropriate means to recognise non-accounting related performance, that is, performance beyond the technical role specifications such as subordinate behaviour, effort, and personal or professional development as per Simons (1995).

“It is a combination of financial and non-financial rewards. Non-financial being recognition including plagues, giveaways, trips, and recognition also for being professional in the role, coaching and development, effort...There are rewards recognising pro-performers, that is top performers for the year, they get incentives such as a trip, dinner, cruise at end of year...last year sent them to company headquarters to an exclusive event to receive accolades and their picture is placed in the newspaper...accolades in emails and the newspaper.” (QMX8)

Quality managers use company guidelines (clear allocation of rules) in pay for performance. Also, even though they appear to exercise discretion in use of non-monetary rewards in order to stimulate preferable behaviour ('sweeten the pot a bit'), they do so in a clear and structured way (see Section 5.5.2). For instance, one manager gives their parking space for a month as incentive to subordinate performance¹⁰³.

"...some managers in the building have assigned parking spaces so from time to time I may throw it out, 'well you know what guys, in addition to the monetary rewards'... whoever does xyz by this time, you get my parking space for a month so you don't have that headache. I have to go through the inconvenience of finding somewhere to park'. So it is non-monetary, it is not done by the bank but it is one of the personal things I do or it may be in addition to, 'listen I think you did a really great job here and to reward you, you get the individual monetary reward but I also may add that in' or whatever the case is. So there is some flexibility there as a manager. I am managing Terry and I want to sweeten the pot a bit." (QMY17)

"I have within my power to reward Terry through this recognition plan...if I think he went above and beyond, if I think he really applied himself, if I think he really did something out of the ordinary, I have it within my power to reward him for that..." (QMY20)

The vignette-based interviews revealed that all managers use performance contingent rewards (explicit rewarding) in line with company guidelines. For instance, managerial emphasis on monetary rewarding is related to preference for formula based evaluation, in which monetary rewards including salary bonuses are calculated based on standard ratings. Sales managers in particular utilise explicit forms of rewarding and recognition, such as praise of subordinate performance in the presence of colleagues. Nevertheless, bonuses are regarded as the main source of extrinsic motivation and incentives, and are mainly dependent on individual performance rather than effort.

"That motivates a lot of people because we get our incentive pay the first pay day in December and a lot of people look to get that so you are working towards your incentive pay. I think money motivates a lot of people. Money motivates people. Staff prefer to have a cash reward than to be given a gift certificate...so I think it is a good motivator." (SMX7)

In addition, whilst superior managers in sales functions mainly measure and evaluate performance using clear metrics, as well as give monetary rewards based on clear rules, they also use some discretion in interpretation of policies and allocation of salary bonuses as well as in making recommendations.

"Monetary rewards, we give you all monetary rewards because people love money and if you get an exceptional you might get a 20% or 25% bonus." (SMY21)

¹⁰³ This may also demonstrate some level of supervisory discretion in choice of subordinate non-monetary rewards: e.g. *"Mostly, the supervisors and managers at their discretion purchase little items or have functions or socials for the team"* (QMX3). Gibbs et al (2004) find a positive correlation between trust level and effective use of subjective (discretionary) incentives. For instance, when trust is relatively high (as in the majority of quality managers), subjective incentives prove more effective.

“We have a policy where you are paid for performance basically and in that way you determine your salary, your bonus...bonus at the end of the year and that is paid on a scale based on your performance.” (SMY15)

“Even though everybody may have the same targets we recognise people achieve at different levels and so they are compensated at different levels according to their performance.” (SMY16)

“I also have some flexibility at the end of the year to make some recommendations because Terry’s bonus, based on Terry’s grade level has a range and if Terry is a manager of people, and if he is an exceptional performer, more than likely he can get anywhere minimum probably about 7% bonus, up to 20% bonus, so based on performance I have it in my power to recommend where he should fall in that range.” (SMY15)

However, there is a limit to managerial discretion in rewarding.

“Outside of the merits and the bonus, there are different reward schemes within the unit...There may be some things that I can’t do anything about, can’t increase somebody’s pay.” (QMY18)

“...there is a cap, there is a cap of an increase in the individual salary but you can recommend an increase in salary for the upcoming year for the individual...negotiate incentives that don’t have to be monetary” (QMY20)

In sum, sales managers prefer extrinsic rewarding, especially monetary (financial) rewards, which they emphasise at year-end. Quality managers prefer a mixture of monetary and non-monetary rewarding (i.e. financial and non-financial) rewards. Therefore, in exercising their judgment on rewarding managers for motivation, quality managers use a wider range of rewards over the course of the evaluation period. Sales function managers’ perceptions relate to use of financial rewards with a basis solely on performance outcomes. Quality function managers’ perceptions relate use of a mixture of monetary and non-monetary rewards to subordinate behaviour (hence, reflecting a managerial focus on the means or practices that will lead to the ends i.e. performance outcomes). Therefore, interpretation of evidence suggests that *Proposition 4a. If subordinate preference for use of monetary rewards relative to non-monetary rewards for motivation dominates manager perception, the more likely a budget-constrained performance evaluation style, likely does not apply to this field context.*

5.5.2 Transparent approach to rewarding

Transparency in rewarding refers to the extent to which the subordinate is rewarded strictly based on objective criteria such as a formula/rating scales tied to their financial

performance and criteria set by company guidelines versus disregard of objective criteria by the superior in favour of reliance on subjective judgment in rewarding the subordinate, or a combination of both (Govindarajan, 1984, p.124). Moers (2005) defines transparency of reward distribution as involving clarity in rewarding through formulaic and traceable procedures, and so can also underscore flexibility in rewarding. Despite managerial differences expressed on reward type use, managers in both functional groups elevated views of transparency in rewarding. For both managerial groups, financial rewards are strictly administered by formula, based on accomplishment of predetermined goals / preset targets (see also Hartmann and Slapnicar, 2009). Even in instances of discretionary bonuses, managers note the importance of following the rules. Hence, managers objectively base their decisions around company standards.

“Even with the company rewards, Pat cannot change that, and she has to stick to the performance plan. The outcome of that plan would dictate whether you get a pay increase or a bonus, and that is largely up to the subordinate, their performance.” (SMY22)

“Even though everybody may have the same targets we recognise people achieve at different levels and so they are compensated at different levels according to their performance.” (QMY16)

Transparency can also relate to stringent (inflexible) approaches to rewarding. In such instances, rewards are used as a means of motivating, deterring, or correcting behaviour, wherein, subordinates are aware that if they do not perform to a certain standard they do not receive a reward such as a salary increment. Sales managers’ comments especially underscore this point. Their comments explain keenness to use penalties for non-performance of financial objectives.

“You have to be penalized for what you did not meet, and this is where the bonus comes in...if Terry met his financial which happens to be 40% of overall target, the customer services targets are 20% of overall, but only did 15%, he would get a not met for customer services and this would impact his bonus...because of the weighting he would get a smaller bonus.” (SMY12)

“You don’t perform; you don’t get a salary increase. That is fair and I think that is how it should be all around.” (SMX6)

“At the end of the year, there is no surprise so it sort of motivates you to push because if you don’t meet your targets it means you are not going to get a performance bonus at the end of the year....If you are a staff member that needs improvement you don’t get an incentive pay and you don’t get an increase in salary.” (SMX7)

Likewise, quality managers appear quite transparent in rewarding performance. Despite use of judgement in rewarding and discretionary use of non-monetary rewards such as recognition, they still attempt objectivity.

“I am kind of weary in terms of penalties because you don’t want to totally demotivate persons. I find that if penalties are really given, they have to really fit. I am also kind of sceptical for over-

rewarding persons for what is supposed to be their job because the thing is it then gets people into a rut and so you have to really make it something that is above and beyond to encourage that type of behaviour.” (QMY19)

“...that (rewarding) is very formal and very structured, and using the five-point scale, if unacceptable, no rewards obviously, in fact, there will be more consequences, you know, you either do better or we can't have you around. If you are a needs improvement, again, no reward, but you have to improve.... If you exceed expectations, we give you a 4% increase in salary, and 10% cash in hand as a bonus once the company is profitable... Obviously your recognition would be the document, obviously the performance appraisal to say, good job, excellent, that is on your file for the next year.” (QMX4)

The following excerpt also illustrates the stringent and transparent approach to rewarding for quality managers. In both field sites, rewards are mainly contingent on individual performance, and include a punitive element in which if managers do not meet a threshold level of performance (i.e. minimum standards), they are punished with no salary bonus. As the excerpt reveals, justification for superior manager punitive actions is sought by documentation not only of end results but also behaviours (actions) that led to the negative results.

“I: In that case then it seems as though the rewards won't really influence whether Pat relied on policies in terms of say being more stringent, in terms of rewarding Terry or punishing Terry for not meeting certain targets?”

“R: Again, it depends. There could have been one issue in a year regarding customer service with Terry because...Terry was slow to act, he used bad judgment, which adversely impacted customer service or increased regulatory risk so because of that, one customer left the bank. You could use those, again you have to keep a record of them and you have to have prior meetings with Terry but you could use this as a justification to slash (cut) his bonus.” (QMY20)

As a reminder, managers were presented with vignette scenario 3 which introduced rewards and then probed for their perceptions on the sorts of rewards the superior manager would offer, as well as whether they would rely on formal company procedures or superior judgement in rewarding. The interviews reveal that it is difficult to disconnect superior reward choice from the system. Also, despite existence of managerial choice (e.g. use of some judgment in rewarding), managers largely choose to follow system elements in rewarding, which provides greater transparency, providing clear justifications for actions, and relating to fairness and objective judgement. Along this line of reasoning, one can see how easy it is for managers to choose to determine rewards around formal policies such as benchmark ratings/scales tied to financial performance information. On this note, the results show that the relationship between a particular performance evaluation style and transparency in rewarding is not as clear-cut as previously surmised. *Proposition 4b. If transparency (stringency) in rewarding relative to non-transparent (leniency) in rewarding dominates manager perception, the more likely a budget-constrained performance*

evaluation style, is therefore unsuitable to the research findings. Both managerial groups provide meanings that suggest transparency in rewarding.

5.6 Summary Discussion and Conclusion

This chapter mainly draws on and discusses deviations between managerial meanings on properties in the performance evaluation process. Explanation of meanings and reasons for importance of dimensions to superior manager target setting, evaluating, and rewarding of subordinates provides richness of data, and helps distinguish the overarching managerial style choices of formal control use. Differences in perceived evaluation style do exist. These differences are not only based on the use of budgets or accounting information, a key feature in most of the existing RAPM-literature. All managers in both firms use plans such as budgets and accounting information (to varying levels of reliance), and all managers are rigid in setting targets. This provides due reason to re-examine evaluation styles. The management control literature has largely focused on control system use or style at either the target-setting stage or evaluating stage. However, this present study recognises that performance evaluation involves a process comprising three stages, in which there may or may not be interrelated elements of use.

To briefly recap findings, in comparison to the literature and based on fieldwork evidence and analysis, several key themes seem particularly relevant to distinguishing performance evaluation styles. The first theme refers to the extent to which a superior actually measures and assesses performance of the subordinate based on range of information. It is perceived that sales managers use a narrow range, with weighting mainly placed on financial indicators and quality managers use a wide range, with weighting placed on a mixture of financial and non-financial indicators. The second theme is performance focus, which refers to the extent to which a superior uses measurement emphasis and performance evaluating as a learning tool to develop the subordinate's future performance or emphasise present outcomes. Sales managers use the performance evaluation process as a short-term learning tool in order to focus on present outcomes such as 'hitting numbers' as well as external benchmarks. Quality managers use the performance evaluation as a long-term learning tool in order to mainly focus on operational targets and activities as well as future development of the employee and internal processes. The third theme is frequency of formal reviews. This refers to the behaviour of the superior in performance appraisal and

feedback decisions. Sales managers perceive frequent formal reviews and variable feedback on performance. Quality managers perceive as important normal periodic formal reviews, but continuous informal feedback. The fourth and final key theme which distinguishes evaluation style as established within the context of the fieldwork refers to superior behaviour in reward decisions. Sales managers place emphasis on explicit monetary rewards for subordinates meeting explicit performance outcomes. Quality managers place emphasis on both explicit and implicit rewarding for subordinate job-performance and non-job performance-related behaviour.

Here, in comparison to prior literature, performance evaluation style is more complex and involves multiple dimensions. An important development is that the subtle deviations in perceptions on the key properties identified relate to either process or outcome orientations of managers rather than the traditional budget-constrained, profit-conscious, or non-accounting styles. Another conclusion can be drawn that functional role especially determines supervisory use (i.e. style perceptions). Sales function and quality function managers tend to rely on different elements in the evaluation process. In particular, based on interpretation of meanings, sales function managers appear to have an evaluation style which is largely outcome-oriented; whereas, quality function managers appear to have an evaluation style which is largely process-oriented. Despite salient differences, several similarities in dimensions between sales function and quality function managers illustrate that they are not at completely opposite poles as one may believe. For instance, both groups emphasise monitoring, but to different degrees. Both styles are largely formal. However, an outcome-oriented performance evaluation style is more target-/results-driven. Also, whilst a process-oriented performance evaluation style involves a lesser intensity of focus on bottom-line results, it is not a wholly non-accounting style.

The following figure, figure 5.1 illustrates the characteristics that are both similar and different between managers by functional groups at each stage of the performance evaluation process. The arrows depict the differences in salient characteristics between managerial groups at target-setting, evaluating, and rewarding especially collectively identify predominant features of an outcome-orientation or process-orientation of evaluation style.

STAGES OF PERFORMANCE EVALUATION PROCESS	MANAGERIAL GROUPINGS	
	SALES-ORIENTED MANAGERS	QUALITY-ORIENTED MANAGERS

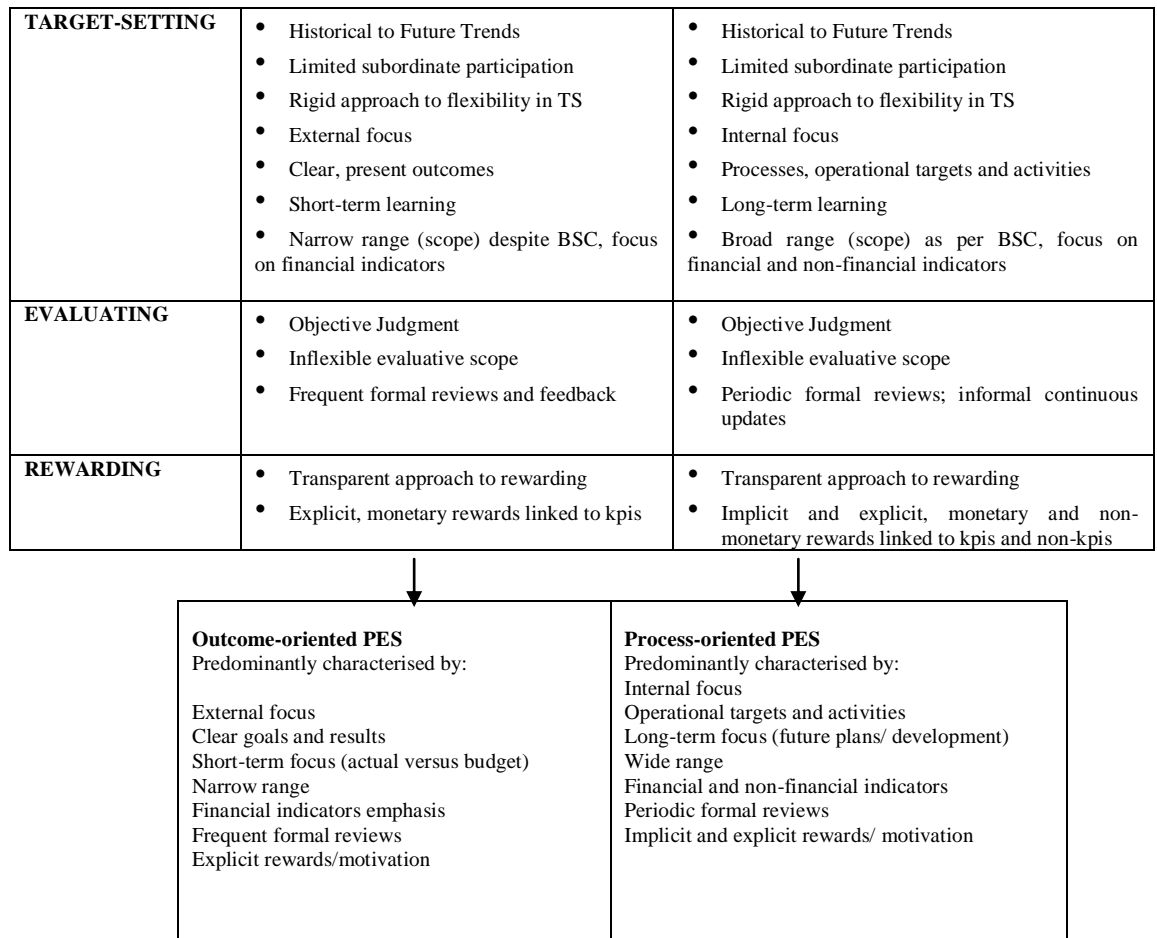


Figure 5-1 Summary of Similar and Divergent Perspectives in Evaluation Style Characteristics

Hence the following propositions are still relevant:

Proposition 1. Performance evaluation style is a multidimensional, management accounting process which is context-dependent.

Proposition 1a. A particular performance evaluation style can be determined by investigating managerial perceptions of features of formal control use i.e. type of information and how information is used in target setting, evaluating, and rewarding.

Proposition 2. Performance evaluation style is a function of perceived information content/emphasis, perceived manner of information use, and perceived level of employee participation characteristics in target setting.

Proposition 3. Performance evaluation style is a function of perceived frequency of assessment interactions, perceived supervisor focus in assessments, and perceived extent of scope for flexibility in assessment characteristics in evaluating.

Proposition 4. Performance evaluation style is a function of perceived reward type for employee motivation, and perceived flexibility/transparency characteristics in rewarding.

Finally, there is also evidence to argue for linkages between evaluation style components and trust. The next chapter, Chapter 6, provides a comprehensive discussion on trust in the context of superior manager perceptions in the two financial field study sites. The findings in both chapters help form the basis for the theory of superior choice which brings the concepts of trust and evaluation style together in Chapter 7.

Chapter 6 Establishing Trust in Superior-Subordinate Relations

6.1 Introduction

The purpose of this chapter is to investigate trust in the context of superior manager perceptions in financial institutions. As a reminder, the research question is: What is trust in the particular research contexts? This chapter highlights and relates findings from coding interview discussions for three categories of trust (beliefs about self, beliefs about other, and behavioural outcomes).

Similar to the previous chapter, this chapter presents the discussion of managerial perceptions by functional groupings. The first section reintroduces the concept of trust as exists in two layers within work relationships [see also Chapter 2 – Literature review]. Section 6.2 especially focuses on the first layer of trust (role trust). In identifying role trust perceptions, subsection 6.2.1 discusses the components of beliefs about self, subsection 6.2.2 discusses the components of beliefs about other, and subsection 6.2.3 discusses the components of behavioural outcomes. The evidence points toward a potential trade-off between different levels of trust. Several contingent variables influence managerial perceptions of trust at the second layer, which could result in shifting managerial perceptions beyond contractual (e.g. towards goodwill). Following this line of reasoning, section 6.3 presents a discussion on trust at the second layer (interpersonal trust) along with the contingent variables. The contingent variables included in this study are: the nature of the relationship, subordinate experience, and time in the relationship. As such, in identifying interpersonal trust perceptions, subsection 6.3.1 discusses the nature of the relationship, subsection 6.3.2 discusses subordinate experience, and subsection 6.3.3 discusses time in the relationship. Finally, section 6.4 closes the chapter with summary conclusions.

6.2 Beliefs about Self, Beliefs about Other, Behavioural Outcomes, and Role Trust

Discussions around beliefs about self, beliefs about other, and behavioural outcomes provide support for conceptual distinctions between two layers of trust in superior-subordinate relations, as well as distinctions in managerial perceptions by functional grouping rather than by firm. In a work environment, trust is established in two ways – through perceptions around role (role trust) and through perceptions around individual (interpersonal trust) (Atkinson and Butcher, 2003; Ring and Van de Ven, 1994). These perceptions potentially overlap and create tradeoffs between levels of trust. As a reminder of role trust components introduced and described in Chapter 2 (Literature Review) and Chapter 3 (Methodology and Methods), the category beliefs about self¹⁰⁴ include respondent perceptions on the following properties: superior perception of influences on risk propensity, superior predictability of behaviour preference, and the perceived basis of the superior-subordinate (trust) relationship. The category, beliefs about other i.e. beliefs about subordinates include respondent perceptions on the following properties of superior confidence in: subordinate reliability, subordinate task accomplishment (i.e. ability), and subordinate concern and interests. Behavioural outcomes comprise functional interdependence and cooperation. Interpersonal trust includes perceptions on the nature of the relationship, subordinate experience, and time in the relationship. Although categories and associated properties are derived from theory, they are also supported by the fieldwork evidence. During the course of this research, through iterations from literature reviews, conducting interviews in the field, and subsequent interpretations, the managerial meanings on identified properties have been explored, and differences between managers by function highlighted. In particular, from the field evidence, recognition of participation in task initiatives as another feature of trust (i.e. relevance of participation levels in trusting as potentially different from participation levels in discussion of the performance evaluation process), as well as subordinate experience adds to the original theoretical framework which was presented in Chapter 2.

The tables of the prevalent characteristics between quality and sales managers in Appendix 2 (section G) highlight the research journey from conceptualisation of each property

¹⁰⁴ Managers also noted that trust depends not only on beliefs about other but also beliefs about self. As one manager states, “At the end of the day, how you treat people, whether they are trusted or not, starts with self...” (SMX9)

related to the concept of trust (including identification of keywords and phrases necessary for interpretation to actual meanings derived from interview narratives). This exercise was initially done to enable between company comparisons, and then it became clear that overlap between meanings across field sites was the result of functional differences. Therefore, as with the majority of the discussion on the analyses throughout this thesis, this chapter details the analysis based on functional rather than company groupings.

In addition, as detailed in Chapter 3, views around initiative-taking in the superior-subordinate relationship is utilised as a basis for determining trust perceptions of managers in this research. Also, the difficulty in attaining a clear distinction between competence and goodwill in operationalisation meant that these two levels of trust in work relations were synthesized into one level which is herein identified as trust beyond contractual. Indeed, there is little evidence of the existence of goodwill relations in the field study firms, at least goodwill as defined in the literature. This reveals the possibility of a redefined goodwill in practice, and also signifies interpretation of meanings given by managers can entail identification of trust perceptions along a continuum of two extremes, contractual trust and trust beyond contractual. Langfield-Smith (2008) purported that contractual trust may not be distinct from goodwill trust. This present study does find some elements of goodwill trust are quite similar to contractual trust and competence trust elements. Sako (1992, p.142) originally defined goodwill trust as expectations of trustee selflessness; expectations that the trustee will act in the best interest of the the trustor at the expense of the trustee's own performance targets. However, other definitions position goodwill trust as focusing on perceptions of the other's intention to perform in accordance with the contract or beyond the contract (Ring and Van de Ven, 1992; Nooteboom, 1996). Das and Teng (2001) state that goodwill trust is associated with responsibility. These definitions are closer to contractual and competence trust (i.e. trust fostered via knowledge). Goodwill trust may therefore comprise a more realistic expectation of trustee responsibility in acting beyond the contract due to perceptions of combined self- and mutually-interested behaviour and concern¹⁰⁵.

¹⁰⁵ The following quote clearly illustrates this point, and is also illustrative of remarks expressed by other superiors during the interviews: *"You want someone who extends themselves, but you don't want a "yes" man, because when push comes to shove they might not help you. I would be concerned about a "yes" man, because a "yes" man might not tell me something that I need to hear. I don't know everything. Some subordinates know more than me in certain areas...I want someone who is not afraid to give me their input, is not afraid to say that I am wrong, that I did not look at it this way."* (QMY14)

Along this line of reasoning, the following table (Table 6.1) presents summary findings of role trust perceptions which are discussed throughout this section. The first column relates sales managers' role trust perceptions to a contractual level of trust. The second column relates quality managers role trust perceptions to a level of trust beyond contractual. These perceptions are explained in detail in section 6.2.1.

Table 6-1 Summary Analysis of Role Trust Perceptions

LAYERS OF TRUST TRUST BY TASK (ROLE TRUST)	MANAGERIAL GROUPINGS	
	SALES MANAGERS	QUALITY MANAGERS
	<p>Beliefs about self expectations of:</p> <ul style="list-style-type: none"> • Superior managing risks – risk averse Lower subordinate discretion • High prediction of subordinate behaviour Prediction to protect system and role specifications • Cognitive relational basis Superior use of facts (evidence) <p>Beliefs about other / Superior confidence in subordinate:</p> <ul style="list-style-type: none"> • Reliability to keep written promises (stay within rules) • Expertise (high ability/technical knowledge) around contractual obligations • Concern for self and others for promotion • Participation on task initiative if expert in role (little need for assistance) or test of ability Lower superior delegation to subordinates • Low functional interdependence Low collaboration / low shared learning 	<p>Beliefs about self expectations of:</p> <ul style="list-style-type: none"> • Superior rationalising risks – risk willing/ tolerant Higher subordinate discretion • Low prediction of subordinate behaviour Prediction to assist subordinate learning if necessary • Cognitive-Affective relational basis Superior use of facts and feelings <p>Beliefs about other / Superior confidence in subordinate:</p> <ul style="list-style-type: none"> • Reliability beyond written standards (ethical and moral duties) • Aptitude to learn (skill to adjust) and meet deadlines • Concern for self and others for development and promotion • Participation on task initiative if knowledgeable or if someone else able to check if low ability Higher superior delegation to subordinates • High functional interdependence High collaboration / shared learning

6.2.1 Beliefs about Self - Risk Propensity, Prediction, Relational Basis, and Role Trust

With regards to the properties within the beliefs about self category, quality managers' perceive low risk in subordinates initiative-taking, whereas sales managers perceive greater risk in subordinates initiative-taking. Such perceptions allude to higher propensity to risk among quality managers in comparison to sales managers. In addition, quality managers perceive lower need for prediction of subordinate initiatives than sales managers. That is to state, quality managers have a lower need for knowledge of the outcome of initiatives. In the final property under the beliefs about self category, the relational basis, quality managers make preferences for basing decisions in the superior-subordinate relationship around affective and cognitive elements; whereas, sales managers make preferences for

cognitive elements, such as facts, as the main basis in the superior-subordinate relationship. Hence, given overall respondent perceptions about self, as highlighted above, discussions reveal a level of trust beyond contractual for quality managers and contractual trust for sales managers. Aspects of these properties are discussed in the subsections below (6.2.1.1 to 6.2.1.3).

6.2.1.1 Beliefs about Self: Risk Propensity

The first identified property of beliefs about self is propensity to risk (trust). This involves the superior's level of willingness to risk or to be vulnerable in trusting subordinates' actions (Sitkin and Pablo, 1992; Gelderman, 1998). Where perceived risk and uncertainty are higher, trusting behaviour is lower, and bureaucratic controls are higher (Tyler and Stanley, 2007; Ross, 1994). Hence, a low level of willingness to risk (or perceived high risk) is associated with a low level of trust, herein termed contractual trust. Conversely, according to prior studies a higher level of willingness to risk or perceived low risk is normally associated with a level of trust beyond contractual (Mayer et al, 1995; Spreitzer & Mishra, 1999). With regard to managerial disposition to trust, the majority of interviewees made comments such as "I trust people until proven otherwise"¹⁰⁶. It is indeed likely that such statements are largely influenced by situational circumstances rather than personality¹⁰⁷. Based on the interview discussions, it is apparent that sales managers generally share a risk-disinclined attitude toward subordinate task initiatives. This is reinforced by less openness to subordinate initiative-taking unless it could be proven that such actions benefit the bank directly.

"Risk is risk, not acceptable...Risk is a major focus in the organisation...Don't even think about the initiative unless it benefits the Bank directly." (SMY13)

Such perceptions are based on pervasive fear among sales managers of outcomes such as money laundering, fraud or loan defaults. Hence, they attempt to minimise and manage risks partly through knowledge and partly through compliance. Forms of controlling for risks include superior oversight prior to subordinate taking on an initiative, verification and monitoring of subordinate behaviour, and adherence to bank policies.

¹⁰⁶ Costa and McCrae's (1985) personality items include a similar derivative, "My first reaction is to trust people."

“There has to be some discussion around it then go ahead...You can’t just go ahead and do it. There has to be some discussion around it” (SMY22).

“...willingness to take risk, I like that also, but because it is a sales role, you are limited to the amount of initiatives, you can’t just go out and decide to create extra sales, you have to perform within bank policy, you have to follow policy...there are manual procedures, set guidelines and if these guidelines are breached there is a risk to the system.” (SMX9)

Related to oversight, sales managers view subordinate initiative taking as part of a systematic mandate which even necessitates input from senior management:

“We have something going on right now, what we call helpful partners where individuals look at different areas and see what they can do to make improvements. It is sent up to senior management, they assess it, and it goes from there” (SMY22).

“I am questioning the skill and I am questioning the ability because I don’t want something to go out from this unit and they say it is crap...This is a reputation you have to carry up and down” (SMY12).

Trust in a systematic logic, in expert roles, in routines (helpful partners programme, policies and procedures e.g. checks and balances, ‘going by the manual’) is generally accepted as standard behaviour by sales managers. In particular, subordinates’ behaviour and discretion on initiatives are controlled by superior directed delegation (predetermined subordinate behaviour) in accordance with pre-action agreements between superior and subordinates, which are linked to subordinates’ job and overall bank objectives. The existence of such system features as positional clauses (i.e. “other duties as assigned”) delineates relations between superiors and subordinates in both firms, enabling potential for less perceived vulnerability and less conflict among superior and subordinate managers.

Moreover, managers that take a low risk stance (risk-averse managers) operate in a high control intensity environment which involves direct supervision, greater information provision in order to avoid surprises, and focusing on feedback related to specific performance outcomes in order to minimize any uncertainty or to manage risks.

“If you are going to be management, you have to be prepared to handle management accountability requirements which means while you have to be responsible for your sales targets I also have to be mindful that I am managing a team of x number of people, which means I have to track how they are...you as the supervisor or the manager develop the conditions necessary where Terry is doing well and Terry is working on other initiatives.” (SMX7)

¹⁰⁷ The researcher reflected on the likelihood that managerial viewpoints are influenced by differences in exposure to risks (levels of risks). However, all managers recognise that a minimum level of risk has to be taken; subordinates cannot be monitored at all times.

“Risk and return are key factors in the banking industry. The loan meltdown in the US is a good example of not really having the foresight to focus on risk. Banks increased risk levels in order to enhance returns in the short term, and they paid the price in years that followed. So it is important that Pat is evaluating what Terry is doing over and above the criteria set by the bank to avoid another catastrophe like the subprime mortgage meltdown.” (SMX2)

“I know the performance of all my employees...I have a hands-on approach to management and I am always here...I do walk around too...” (SMX6)

“All business is about risk, whether you take the required risk (in letting Terry take on the task) depends on the relationship Pat and Terry have.” (SMX9)

The final quote especially recognises that there is a minimum level of risk and managerial decisions on risk are likely influenced by other factors such as the superior-subordinate relationships (see sections 6.2.1.3 and 6.3.1). Managers who take a risk willing stance operate in lower control intensities. Contrary to sales managers, quality managers generally share a risk tolerant to risk willing attitude toward subordinate task initiatives. They are generally open to allowing subordinates to expand beyond their existing job roles, especially as concerns development opportunities requested by the subordinate. Such perceptions are based on a conscious weighing of risks. Risks are rationalised through conducting scenario analysis, and identifying risks as potential opportunities for subordinates.

“Everything depends on the type of manager Pat is. If Pat is the kind of manager who always has to be hands on and is afraid to trust and they can sit down and they can do everything that there won’t be enough hours in the day. So at some point in time you have to rely on your team.” (QMY18)

“You don’t need to control for reputation risk...You have to weigh the, I wouldn’t say the risk, but you have to weigh opportunities or identify what takes priority...it is based on the circumstances of prioritising.” (QMY20)

“I am considered to be a conservative type of person so I don’t take very many risks that seem to be extreme. I take more of the weighted risks, meaning where I believe I can live with the worse case scenario... Sometimes you have to take chances, you have to weigh the risks, some things you can afford to take a chance with, some things you can’t. The ones you can’t afford to do it with, just don’t take those chances” (QMY17).

“The supervisor, Pat, would provide recommendations based on what your plans are and your current role...It would be important to allow the subordinate to choose as opposed to choosing for them.” (QMX3)

Rationalising risks also means higher subordinate discretion due to lower emphasis on controls and staying within guidelines, as well as use of existing information about subordinates such as their capacity.

“Sometimes you have to make a decision that is sometimes outside of the guidelines.” (QMX10)

I: “So Pat wouldn’t be afraid...?”

R: *“No, Pat wouldn’t. You have to look at what people are capable of doing... I wouldn’t control their initiatives. I would just like to be kept advised...I would be willing to take the risk.” (QMX8)*

“No risk, I don’t see the risk. Some people have capacity for volume, some people can handle capacity, can handle a lot more. You wouldn’t want Terry to become involved in this at the detriment of this. This is primary for him, but certainly you don’t want, and especially if the request to do this comes from Terry, you don’t want to say ‘stay over here, why do you want to go there, stay right here, this is your job’.” (QMX1)

As the discussion above illustrates, risk propensity is generally a reflection of subsystem structures as per areas within the Bank and its policies (i.e. risk perceptions vary by role) as well as reflect individual influences (e.g. familiarity with an individual subordinate; see section 6.3 for further details). Also, recalling from Chapter 2, *Proposition 6a. If low propensity to risk relative to high propensity to risk dominates manager belief, the more likely a contractual level of trust*, managers in sales functions are more likely to convey a contractual level of trust than managers in quality functions.

6.2.1.2 Beliefs about Self: Prediction

The second identified property of beliefs about self is predictability of behaviour. Delegation of a task initiative to a subordinate without need for monitoring or prediction of the subordinate’s behaviour could be perceived as signalling a level of trust beyond contractual (Busch and Hantusch, 2000). Managers in both functional groups found it necessary to predict subordinate behaviour by gaining knowledge about subordinate initiative-taking activities. However, meanings around their preferences for prediction differed by function. Sales managers prefer high predictions of subordinate behaviour in order to accurately manage risk, as well as to protect self and company interests. This high level (intensity) prediction also extends towards sales managers preferences for tight monitoring of subordinate behaviour.

“Pat may say, ‘she (the subordinate) thinks she can do that, but I really don’t think she can. I think I need to coach her or I need to manage her tightly around it.’” (SMY16)

“There should be communication for guidance and not for telling him what to do.” (SMY12)

“They trust in me to give support and I trust in them to do the job.” (SMY13)

High prediction preferences allude to pervasive low trust among sales managers; a level of trust which emphasises job responsibilities rather than task initiatives, resulting in low ambiguity.

“I will know what will happen, what is required, who will do it, who has the go-ahead” (SMY23).

"The one thing I always maintain, if you are in charge you are supposed to know everything that is happening...That is my philosophy. I am not going to let you work for me and you know something and I am the boss and I don't know it. It doesn't work like that." (SMY21)

"There is not much leeway because it is a business firm that wants to make profits at the end of the day. Pat has to gain approval...so we operate under a controlled environment." (SMX2)

Monitoring of activities and behaviour increases with the level of uncertainty in the outcome of subordinate initiative taking.

"Pat has to get a commitment from Terry that Terry will do it by such a date...between time, Pat has to monitor, ask Terry on the next day, how far Terry has gotten...and keep monitoring." (SMX5)

"My subordinates, they know that I am watching so...they don't make a wrong move." (SMX9)

"Pat would continue to check that the expectations and aspirations of the business are aligned with that of Terry...You have to know what is happening." (SMX6)

Conversely, quality managers prefer predictions of subordinates' behaviour in order to ensure subordinates are adequately capable or obtain assistance if necessary (i.e. low control intensity predictions). In so doing, quality managers do not manifest anxiety over need for all knowledge of subordinate activities. Preferences for information sharing between both parties and subordinate initiative-taking is largely based on enabling subordinate learning of new areas given that primary duties are satisfactorily performed and that initiative-taking does not interfere with main responsibilities or quality of output.

"Terry should be clear in his mind as to which items he has the power to make decisions on in terms of what he can take initiatives on and which ones he probably should refer and get agreement from Pat before moving on with these, but regardless of what the initiative is at the end of the day, he needs to understand that it should in no way serve as an excuse for impacting our deliverables... I would ask less questions if I know that Terry has the ability to deliver and is up for a further challenge or can be challenged, I will ask less questions and I will feel more confident that it wouldn't affect Terry's deliverables." (QMY15)

"At the end of the day what Terry is doing is no surprise to Pat because Pat as her manager has the obligation to know what Terry's end destination will be...because they should have had any number of different conversations...if Pat is a conscientious and real forthright supervisor, Pat will say, 'darling, I think you need to focus on being a part of this...'" (QMX8)

Additionally, a superior clarifying expectation early in the relationship not only assists with prediction of subordinate behaviour, but also fosters openness and learning in the relationship.

"I always say to managers, anyone that I recruit, anyone that comes in the seat, any new persons, I say you have to make at least one significant change the first one hundred days...If you have a shortcoming let me know and we are going to work together to improve it..." (QMY20)

"From the relationship end, it is when Terry gets something that he thinks is beyond him or beyond his capability or timelines, he feels so comfortable that he can actually speak out and talk about that...Even sometimes I let them make their own decisions, I may set the parameters...When I see you can't manage it, that is when I am going to get in there and manage it if we are not meeting the

requirements.”

(QMY17)

“Initiatives obviously appeal to me...delegating is no problem as long as I tell them what I expect of them...They should also bring everything. Terry (the subordinate) should be armoured with information, she should make the supervisor aware of any shortcomings, if she can't get things together on the job.” (QMY19)

“To know exactly what Terry is doing every minute of the day is probably a bit too much. You want to set some expectations which you trust Terry will recognise and live to...and you try to provide some direction, some guidance.” (QMX1)

Therefore, quality managers relate their preference for prediction to superior assistance, which they perceive as potentially vital to learning and achievement. Quality managers place high standards on learning and/or personal development over emphasising results in role. Hence, there is less emphasis on competence in the formal role, and more emphasis on competence of the individual (capacity).

In brief, sales managers expect greater levels of prediction in subordinate behaviour than quality managers. This finding supports *Proposition 6b. If high predictability of behaviour preference relative to low predictability of behaviour dominates manager belief, the more likely a contractual level of trust.* The different intensities of views with regard to prediction are likely due to the specific nature of tasks for sales managers versus variety of roles for quality managers. Sales managers expect task initiatives which are results-oriented (e.g. oriented towards specific outcomes; greater profits/sales results for the bank) with lower likelihood of revisions. Quality managers have expectations of task initiatives oriented towards a variety of objectives including greater efficiencies / cost-savings for operations, and worker development leeway for revisions to task initiatives if necessary.

6.2.1.3 Beliefs about Self: Relational Basis

The final property of the beliefs about self category is the basis of the relationship. I propose that perception of an affective basis indicates a level of trust beyond contractual, and a perception of a cognitive basis indicates merely contractual trust (Ring, 1996). In particular, chapter 2 introduced *Proposition 6c. If cognitive basis of the trust relationship relative to affective basis dominates manager belief, the more likely a contractual level of trust.* The majority of managers in both functional groups perceive a mixture of cognition and affect as the basis of superior-subordinate relations. However, a particular basis dominates for each functional group as discussed in this section. This highlights the nature of trust as a complex, context-specific, multidimensional construct.

Firstly, managers in both functional groups do reflect on the awkward entanglements which might occur in managing formal role relationships and friendships.

"A lot of people find it difficult to draw the line between socialising with subordinates and ability to carry out supervisory roles." (QMY25)

"It is difficult to separate the personal relationship from work but Terry and Pat have to constantly be thinking equitably and do the job and not exploit the personal friendship." (QMY14)

"We as managers, we want to put a human aspect to everything but when we become too involved then it is hard to detach ourselves from it" (SMY22)

"...If someone is a buddy, friend, it is difficult to hold that person accountable to certain objectives...you can't allow personal relationships to get in the way of holding someone accountable...different people think differently. We have to balance these differences." (SMX2)

Although both groups recognise feelings as having an impact on the relationship, sales managers tend to place greater emphasis on cognition or actual proof. As one respondent states:

"I am a factual person...I believe it has to be facts, it has to be facts, and especially in this type of environment. We have lots of meetings and lots of discussion and everything is recorded, everything is documented. So once you have signed your signature, you are saying, 'you agree to what is outlined there'. It has to be facts. It can't be any personal issues." (SMY22)

Sales managers' views reflect their preferences for rational perspectives such as hard facts (including evidence of subordinate ability which is bound by adherence to system guidelines). Their understanding of the danger of potential for biases such as favouritism also reflects their preferences for facts rather than feelings. It also keeps them from pursuing relationships with subordinates beyond the reporting level.

"One of the things you do not want to be seen as a manager is having favourites." (SMX9)

"When they come in for the discussion, you better have some facts...it has to be facts." (SMX6)

The following mother-child analogy also infers the cognitive dominant superior-subordinate relationships typical of sales managers. Whilst relations are deemed as caring, superior managers focus on relations in order to establish authority and to keep subordinates in check.

"Actually the staff here call me mother...I say 'I am the mother and you all are supposed to be the obedient children', but you know (pause due to knock on door)...with my subordinates if they have a problem they can come to me, if they need time off they can come to me...We have a good relationship where I tell them I am the mother, I am the old one, I am the one in charge and...(pause due to entrance)...The managers will tell you I have a stick to keep them in hand. That is my trademark...If they come here from 8:30 to 4:30, they are in my possession, I own them between these hours so they have to conduct themselves in a right manner...all I ask is that they do their work...I will push them and sit on them until they get it done." (SMY21)

Furthermore, as mentioned previously, policies guide superior behaviour, expectations of subordinate actions, and low personal relations.

"This is a book called 'Guidelines for business conduct' which each one of our staff would have and the Bank's five basic principles...I know it by heart...I am strict, I believe in high standards...I am tough. They call me Margaret Thatcher. I couldn't care less." (SMX6)

"At the end of every year, we have to sign a 'Guidelines for business conduct certification', and what it does is ask you various questions about your subordinates, basically, whether you find them honest and you check the box, 'yes'." (SMX5)

Therefore, sales managers appear to possess a more rational, cognition-based form of trust. Bradach and Eccles (1989, p.136) view this form of trust as based on hierarchical control, contractual enforcement, self-interest, and emphasis on reputation.

Unlike sales function managers, quality function managers perceive trust can be built on relationships that have both personal and professional basis.

"We are in the real world, in the real world I don't see anything wrong with socializing, after a hard day at work, we should have a social life outside of work, on the weekend, after work, and you get to know people, and form friendships, some people get on better with others...so if you get to know people and like them it may become personal to the extent that feelings may become an issue that hinders judgment, but the right thing is despite feelings, cast it aside when it comes to getting the job done. Yeah, we have fun and laugh and socialize outside of work, but if you ain't getting it done, I will have to tell you about it, you not getting the job done affects me...you have to be professional." (QMY14)

The following remarks by 'QMY15' also encapsulate managerial perception that they are able to disentangle such a duality in use of cognition and affect as relational bases.

"I am purpose and goal-driven. I just don't let it get clouded. I could just be finished having a laugh with you about something and the next minute a phone call comes up that you didn't do this, you didn't do that, I will say, 'look here, we need to talk', and I put on a different hat. That smile is gone until we resolve what it is we are dealing with. I honestly have the ability to do that." (QMY15)

Quality managers appear to possess more personal sources of trust including affect and identification. Nevertheless, they tend to place more emphasis on relationships predicated on both affective and rational (cognitive) assessments. In such instances, quality managers attempt to balance objectivity with judgment. This translates into focused commitment to subordinates in addition to commitment to company such as ensuring compliance with audit mandates.

"I don't like the iron fist and iron hand...You know the 'you do it just because I say do it'. No that doesn't work because you will forever get mediocre performance because people will then only do what they have to do... you win them over, you can get almost anything done, once it is realistic, you will get their commitment so I think the focus should be a little less on the financial targets, and a little bit more on the people. Then the other things will just fall in place...so I am committed

to Terry but at the end of the day, we will have a bigger challenge if we are not compliant.” (QMY17)

“Pat should rely on facts but there is going to be some measure of subjectivity, gut feelings in there when you manage.” (QMY18)

“...trust him, not only because he is capable but because he is able to evoke feelings of trust in him...It is about building trust...It is wonderful to have high trust but it is established through a relationship...” (QMX1)

6.2.2 Reliability, Ability, Concern, Participation, and Role Trust

Based on the conceptual framework, perceptions of each property in beliefs about self such as reliability ranging from low to high are interpreted as indicative of a contractual level of trust to trust beyond contractual, respectively.

Managers perceive trust as deliberate. In the majority of instances, managers in both functional groups cite trust as initially given to subordinates in general (i.e. a form of ‘swift trust’ as per Meyerson and Weick 1996). Quality managers portray reliability in subordinates based on high confidence in their moral principles, whereas, sales managers portray reliability in subordinates based on high confidence in their adherence to principal duties. Quality managers’ display confidence in subordinates’ ability to learn and meet deadlines in comparison to sales managers’ who display confidence in subordinates’ high technical knowledge (via subordinate proof of ability) and expertise around contractual obligations. Quality managers’ views of high subordinate participation in initiative-taking differ to sales managers’ views of low subordinate participation in initiative-taking. Overall, as sections 6.2.2.1 to 6.2.2.4 detail, respondent perceptions about other reveals trust beyond contractual for quality managers and contractual trust for sales managers.

6.2.2.1 Beliefs about Other: Reliability

The first identified property of beliefs about other is the subordinate’s reliability. All managers perceive the importance of reliability. All managers recognise principles of honesty and integrity (Spreitzer and Mishra, 1999; Mayer et al, 1995) as well as confidentiality and discretion in handling sensitive information (Tyler and Stanley, 2007) as key features of subordinate reliability in role. Sales managers are especially concerned with honesty and subordinate conforming to agreements. Hence, sales managers base their

reliability in subordinates on principles of honesty. Expectations of subordinate keeping written promises in accordance with role duties support reliability in role, and hence, a contractual orientation.

"I depend on them to be honest. Honesty is what it is all about...One thing I always tell my people, telling the truth is most important, keeping written promises is important." (SMY21)

"Reliability should be a given." (SMY23)

Moreover, due to system features such as contractual obligations (e.g. signatures which signal agreement with the contract/objectives for the period, 'other duties as assigned' clauses, and principles of business conduct), trust in subordinate reliability is seen as a 'given.' This perception gives superior managers a certain level of reassurance, and helps reduce superior anxiety over risks (see section 6.2.1.1).

Like sales managers, quality managers also base their reliability in subordinates on honesty. However, they focus on honesty in terms of perceived ethical principles of personal and moral integrity of the subordinate such as telling difficult truths (e.g. informing superior of their inability to perform a task). They also underscore expectations of subordinate contributions beyond role responsibilities, in particular in relation to taking over their (the superior's) role/tasks.

"You shouldn't be honest because you are adhering to the primary responsibilities. You should be honest because of your own in-grown principles. It doesn't take written responsibilities for you to be honest." (QMY20)

"Terry is expected to function at a high level of integrity on the role." (QMY14)

"So you (the subordinate) understand what your job is generally but you go beyond." (QMX1)

"They will do things that were not set out in writing or that were not originally set." (QMX3)

Furthermore, expectations of subordinate reliability beyond written promises and role duties support an orientation beyond contractual. Quality managers recognise that trust develops from initial perceptions of honesty and respect in role.

"Relationships are based on trust... there are different levels of trust, competence builds trust if you deliver on what you say. You can't just be honest, it is more than honesty." (QMY14)

"You have trust and confidence in Terry, which has to be proven by a good working relationship, which starts with respect then builds to trust." (QMY19)

Therefore, managers' reliability perceptions allude to agreement with *Proposition 7a If low reliability relative to high reliability dominates manager belief, the more likely a contractual level of trust*, especially given sales managers' perceptions.

6.2.2.2 Beliefs about Other: Ability

The second identified property of beliefs about other involves the superior's beliefs about the subordinates' level of ability (Mayer et al., 1995). Sales managers possess high confidence in subordinate task accomplishment by means of subordinate ability in terms of proficiency (technical knowledge). A focus on high proficiency is linked to sales managers' expectations of proper task performance (i.e. no need for corrections to task assignments), as well as expectations of subordinates' expertise in role.

"...if Terry is incompetent and uncertain of his job, then Pat has no confidence in what he is doing so why am I there promoting you when I know more than you as far as I am concerned." (SMY22)

"If I gave it to him I know I have a certain level of comfort that it would get done properly." (SMY24)

"If you give it to her you are giving it to her because you think she is highly capable of doing it." (SMY16)

"I had a doctor who called me yesterday who wants a car loan, but you want to give it to someone who is going to spin that around within 24 hours." (SMX6)

"I am going to give it to someone who I feel has the capability to do it properly...If I give it to them, they have a high level of ability." (SMX7)

"There is a question of risk here...Pat will probably not want someone who does not have the ability to take on an initiative because it might prove costly to the Unit and Bank...Terry has to have the ability to perform the task, otherwise Pat would not consider giving the task to Terry." (SMX9)

Sales managers note that emphasis on high expertise leaves little room for subordinate learning. As one manager puts forth:

"Management wants you to get it right the first time, but if you don't, then they are understanding." (SMX5)

As such, sales managers gain a sense of security by placing full reliance on individuals with high capabilities, as well as systematically ensuring subordinates who take on initiatives are able to deliver. This is also accomplished by means of monitoring and policing subordinate activities.

Contrary to sales managers, quality managers possess high confidence in subordinate task accomplishment by means of subordinate timeliness. Their focus on subordinate ability to meet deadlines or timeliness is linked to their tolerance for mistakes, expectations of subordinate learning, and the process of checking and correction to task assignments.

"So if meeting deadlines is not a strength I doubt if Pat would give her anything." (QMX3)

"I know that Terry has a high level of reliability in terms of delivering on time...There could be errors...normally if I have to deliver a report with a timeline for Friday, I have to put Terry with a crunch to get it done by Wednesday so that we can review it on Thursday, make any amendments that are necessary and still make our Friday deadline." (QMY17)

"You know the people you don't have to check on. They do it (tasks) before time...When you assign a task, they will get it done. You have no worries. You don't have to keep checking with the person because you trust them to be responsible enough to know that I have been assigned this task, my delivery date is this...If they deliver on the task (critical or non-critical), this builds trust." (QMY14)

"...once you train them leave it up to them, but keep a close eye when you are checking because you still have your checks in place. You can't get away from that...eventually the trust builds and you are able to do it and you are able to leave them alone and let them do it on their own and at the same time encouraging them..." (QMX10)

Both functional groups believe a subordinate will "pick up slack" on their own accord as long as the subordinate is meeting their original targets. Sales managers interpret this "picking up slack" with regard to staying within the rules of the contract. Whereas, quality managers make suggestions that subordinates will extend themselves beyond their contractual responsibilities.

"...it is good to go above and beyond and it is good to not just stay within a confined box...So you want to encourage Terry to go outside the box." (QMX1)

As an extension to their beliefs about subordinate ability, another distinguishing sub-property which resulted from fieldwork is the view of the task initiative as a test of subordinate ability for sales managers versus view of the task initiative as a means of learning for quality managers. Sales managers focus less on support and development in assigning a task initiative, and more on task assignment as a test of ability. This perception relates to their expectations of a particular level of subordinate ability.

"You wouldn't necessarily give every subordinate the same task. It is better to test people first." (SMY23)

"Skilled people get stuff done with little instruction. All you need to do is tell them what the task is, they will get it done even if it is a short deadline and this is where trust comes in...You can run an experiment on those subordinates that you aren't certain of with less critical tasks and see how they perform." (SMY12)

"Pat gives the task to Terry knowing Terry's capabilities...So Pat would delegate the task to see what Terry is capable of...Can Terry allocate information in a format that can withstand scrutiny? This is a test for Terry to deliver or once the task is assigned, can Terry handle the task?" (SMX2)

"I have to see the capability in the employee." (SMX7)

Conversely, quality managers make distinctions between subordinate skill and aptitude for learning. For instance, one manager states,

“Terry has an average level of skill but a very high aptitude...” (QMY25)

In so doing, quality managers mainly focus on confidence in individual subordinate capacity to learn, develop, and improve performance on the job, i.e. skill to adjust, as well as cross-functional learning. Such opinions also reflect superior perceptions on giving task initiatives as a means of superior and subordinate learning (gaining informational symmetry) as well as creating a sense of confidence and comfort in each other (aspects of trust development). This confidence potentially reduces uncertainty. Ross (1994) conferred that trust development plays an important role in mitigating suspicious behaviour.

“Pat would delegate...we work together...and what Pat tries to do is to ensure that Terry knows what has to be done every day so if she is not there she will be able to jump right in and get it done, so everything Pat does, Terry should know what it is.” (QMX10)

“Now sometimes you can use an initiative that does not lay within the individuals strength to develop the person’s weakness.” (QMY20)

“I have learned through lots of trial and error that while you may not have the confidence in somebody to do something, as a supervisor you need to give them the opportunity so when you give them, with sufficient time, you explain it to them, you explain that these are the deadlines, these are the parameters, do you need any assistance, and here.” (QMY15)

“I prefer to take the biggest clown and see if I can coach them through working with me on a project...Even someone who is known to be struggling, you want to give them an opportunity...You have to be able to distribute the responsibility evenly across the group giving everyone the opportunity to demonstrate they have the capacity to do this work.” (QMX8)

In brief, expectations of subordinate ability in role support a contractual trust orientation for sales managers. Whereas, expectations of subordinate ability to learn beyond role assignments support an orientation of trust beyond contractual. The findings do not exactly support *Proposition 7b If low ability relative to high ability dominates manager belief, the more likely a contractual level of trust*. Sales managers perceptions cannot be defined as low ability, but rather focus on ability in role rather than subordinate skills to adjust in situations including non-role assignments.

6.2.2.3 Beliefs about Other: Concern and Interests

The third property of beliefs about other is concern and interests¹⁰⁸. Respondents generally perceive subordinate actions as well-intentioned (i.e. non-blame-fixing behaviour), and as showing care and concern about the goals of the organisation (Spreitzer and Mishra, 1999).

¹⁰⁸ The original conceptual framework has concern and interests as separate constructs. However, after careful review of meanings given to each, it was decided to amalgamate both constructs.

As confirmation that distrust was not a focus of the study, the potential for blame-fixing was introduced into the hypothetical situation in Scenario 5. Blame-fixing is a dysfunctional behaviour that may allude to mistrust in relationships (Argyris, 1952). In vignette scenario 5, participants were given three options. First, Terry may attempt to shift blame for the wrong-doing to Pat; second, Terry may share the blame with Pat; third, Terry may accept all the blame. However, fixing blame was not perceived as likely due to interviewees' views on superior manager responsibility and/or on teamwork¹⁰⁹. Therefore, interviewees' perceptions confirm that managers generally possess healthy, non-dysfunctional perspectives of relations between superior and subordinate. In fact, the majority of managers briefly considered factors which could possibly result in loss of confidence (i.e. mistrust) and deterioration in relations between superior and subordinate, such as setting overly-challenging targets or lack of formality in the evaluation process (see Chapter 4).

Moreover, sales managers perceive subordinates as ambitious go-getters who initially act in a self-serving manner in order to advance their careers¹¹⁰.

"From experience I would say that it would be self motivated because most people want to get ahead so they would do whatever it takes for them to get ahead. I mean it wouldn't be, I don't think they would sabotage me in the process, but by and large I would say it is for them to get ahead. Terry would be more self serving than to glorify me." (SMY24)

"This person is career oriented. This person can be seen moving up the ladder more quickly than somebody else." (SMY21)

"The trust aspect would be that the subordinate would always look out for the superior but have their own best interest at heart." (SMY22)

"Terry is self-motivated for whatever reasons. It could be a position (promotion) or a pay check at the end of the month." (SMX2)

¹⁰⁹ For example, "At the end of the day, what we want is the report done, we want it done properly, or task done properly and we are not going to walk into this trying to determine who is going to get blamed" (QMX1); "Unless you do the report yourself, then you don't have to worry, but if you are going to give someone else the report to do, you are going to have to accept all the responsibilities that comes along with that person doing that report" (SMX7). Several respondents also anticipated subordinates' accountability to the superior even if the superior officially took blame for something that went wrong: "Pat trusts Terry to the extent that Terry is someone who will accept the blame if it was something she was responsible for" (QMY25). Of note here, Six (2004, p.85), and Ryan and Oestreich (1998) assert that even when something goes wrong and the superior takes responsibility for it rather than blame the subordinate, his or her action is likely to be perceived as a positive relational signal.

¹¹⁰ Prior studies (e.g. Hosmer, 1995) have purported that a "what's in it for me" attitude, whilst suggestive of self-interested behaviour in the short-term, could also prove beneficial to an organisation, in that an employee would not do anything averse to hamper his or her career development in the longer-term.

Sales managers expect subordinate actions based on rational perspectives such as expert performance of limited tasks, that is, subordinates willingness to perform tasks and to share ideas and information for promotional aspirations. Such beliefs convey contractual trust in role.

"Everyone is trying to outdo each other...You have to perform for yourself." (SMX6)

"When you look at a job, you should always be thinking to move to the top." (SMX7)

In giving their perceptions, quality managers generally perceive that subordinates are not just working for the company, but they are also working for themselves (i.e. self and mutually interested behaviour). In this respect, quality managers expect subordinate performance of multiple cross-functional task assignments for the purposes of cross training, sharing ideas and information (i.e. mutual benefit), and for promotion (Butler, 1991). Their opinions highlight the potential for affective commitment and potential for trust beyond contractual.

"Commitment to act in the company's best interest even at cost of own target I think is good because that brings in the element of working together. You have to have that kind of commitment. Not that you are going to go out there and do it all the time..." (QMY25)

"I am going to believe that you are acting on behalf of the interests of the team, the unit, yourself and the overall company." (QMY18)

"You make the sacrifice because I think that as a leader, I think you have to be willing to sacrifice something." (QMY20)

"...the individual employee would have an interest in the department...want the boss to succeed because when your supervisor succeeds then of course you succeed...would pick out problems or provide solutions...can be called on in a time of need to produce." (QMX3)

"Terry understands that all of her success is going to be driven by her individually which means that there is a certain level of selfishness that is required." (QMX8)

"If it is mutual then we can work together so that we can achieve both your personal and mutual interest and that will be the focus...we should have an understanding and what it would do too is to allow us to determine how do we share this with the team, the other managers." (QMY17)

Therefore, the interpretations of meanings on concern and interests suggests agreement with Proposition 7c *If low concern relative to high concern dominates manager belief, the more likely a contractual level of trust*, and Proposition 7d *If low mutual interest (high self interest) relative to high mutual interest (low self interest) dominates manager belief, the more likely a contractual level of trust*. Despite this, the findings reveal that not everything is as simple as high versus low concern or interest. For instance, quality managers'

perceptions reveal a mixture of beliefs toward self interest and mutual interest of subordinates.

6.2.2.4 Beliefs about Other: Participation

Research studies have also examined the relationship between trust and participation. Within the organisational context, a certain level of trust is required in order to promote a more participative management style (Hosmer, 1995) and lower formalisation by emphasis on delegation of authority (Whitener et al, 1998). Participation could influence superior-subordinate relations to the extent of encouraging negotiation, social interaction, and subordinate involvement and cooperation or superior delegation of some decisions to the subordinate (Covaleski et al, 2003). A manager's view of participation and involvement may be associated with a more hands-on approach to performance management (i.e. low subordinate participation in decision-making on tasks) and greater centralisation of authority. In such cases, a manager may intervene in situations where subordinate autonomy would otherwise have taken place. At the other extreme, a manager may view participation as having a facilitative and integrative role that acts as a catalyst to encourage, empower, and inspire employees. The latter approach to participation is meant to stimulate information sharing, to generate dialogue, and encourage trust development (Simons, 1995). Spreitzer and Mishra (1999) demonstrate that trust may help managers to be more willing to involve subordinates in decision making. A trustor will examine information at his or her disposal in order to form a conclusion about whether to engage with the subordinate (trustee), entrusting them with certain things (Zucker et al, 1996).

In this present study, superior manager beliefs about other also reflect their views on subordinate participation levels in task initiatives. Participation as a feature of beliefs about other was inductively derived from the data. Although it was not in the original conceptual framework of trust, I thought it important to separate participation in target-setting from participation as a characteristic of beliefs about other. Sales managers generally do not allow a subordinate to perform a particular task unless the superior feels that the subordinate is able and ready to perform the task without the need for supervisory intervention (i.e. no need for someone else to go over the task). Therefore, participation for sales managers is based on high perceived ability of the subordinate. Views on participation rely on superior confidence in subordinate proving role expertise. If superior confidence in subordinate expertise is lacking, the superior manager is most likely to

proceed by taking it upon him or herself to complete the particular task assignment (i.e. a 'do it right or do it yourself' mentality). This standpoint results in low delegation of task initiatives to subordinates.

"If this person is a better performer I am going to give it to that person because I know when I give this person an assignment I don't have to look back to see what they are doing, and that makes the difference." (SMY21)

"The tendency is to give it to someone you can trust who would give you a certain level of comfort." (SMY24)

"I wouldn't give a task to someone who doesn't have the capabilities to do it." (SMY13)

"The determining factor as to whether tasks are given, it should be based on employee capability." (SMY23)

"...you probably would rather you do it yourself because at the end of the day you know that you are only responsible for it yourself anyway but you would certainly want to give it to somebody who you have the highest level of confidence in, in their capability." (SMY16)

"Pat wouldn't give a task to Terry if she didn't think she could do it...You can't give someone something if they don't know anything about it...If Pat was given a report to do, how could she delegate it down to someone else!" (SMX6)

"Pat expects Terry to act quickly, efficiently...Terry may be the only one who can do it...want to give the task to the most responsible person...if Terry has shown in the past that she is not responsible, then it is most likely that Terry will not be given the task." (SMX5)

Conversely, quality function managers allow subordinate participation in task initiatives for subordinate cross-training and empowerment. However, participation is only to the extent of performance of a task initiative or segments of it. Quality managers do not require any reviews if sufficiently confident in subordinate ability to perform a particular task. Otherwise, they will allow for sufficient time to validate/check.

"I would ask my direct report to do the first cut and then I would do the final...If Pat is like me, what I try to do is I will not take communication from Terry and just pass it on to somebody else. I will validate it. I will review it, not analyse it in detail but just make sure..." (QMY20)

"We can have a conversation about it up front to assist Terry in understanding how to approach it and checking in with him or have him check with me from time to time to ensure things are running smoothly and of course making him aware that I am available if you need me." (QMX1)

"Me being Pat, would make the time to go over whatever Terry puts together with sufficient time to make adjustments or corrections...and discuss it." (QMX4)

For quality function managers, participation on task initiatives is clearly linked to shared experiences of teaching and learning overtime. Quality managers place greater emphasis on task delegation to subordinates than sales managers.

"The key one to me would be...who will bring more input to that initiative...Maybe Terry does this portion and another person does another portion." (QMY25)

"I can do it myself but it is probably a good learning opportunity for one of my guys who may have this gap of information, because here is a chance now for you to learn something additional..." (QMY17)

"Pat would delegate to Terry but it is Pat's responsibility to ensure that it is completed correctly." (QMX10)

As such, sales managers' perspectives on participation highlight an overall orientation towards contractual trust in role. However, quality managers' expectations of high subordinate participation highlight an overall orientation towards trust beyond contractual.

6.2.3 Interdependencies, Cooperation, and Role Trust

Individuals within organisations are dependent on each other to achieve goals. This dependency is often reflected in their behaviour (Mayer et al, 1995). As suggested in Chapter 2, examples of such behaviour include cooperation among managers and trust in role (Zand, 1972). It is arguable that system features, such as segregation of duties, enable functional interdependencies. Certainly, respondents recognise that they can accomplish tasks and achieve more through cooperative and collaborative networks both within and across units¹¹¹ (c.f. functional interdependence; see also Lindenberg, 1997).

For sales managers, cooperation and teamwork are conditioned by good management oversight (as detailed in Section 6.1.1). Indeed, sales managers tend to talk less about collaborative relationships, and more about accomplishing tasks through identifying competent subordinates to get the tasks done. In fact, Atkinson and Butcher (2003) contend that interpersonal closeness is not essential for effective managerial relationships. Therefore, sales managers' reliance on impersonal components of interdependence with subordinates, supports their focus on role expertise (e.g. sharing best practices), working together as a team, and building impersonal relationships around subordinate task responsibilities.

"It is relying on each other's expertise, doing it together as a team....Persons with different knowledge so we do it together..." (SMX6)

"Sharing information is important and that is why when we meet in a sales meeting, we have the person who is exceeding sharing information with every member of the department...it is 'one team, one goal' and everyone should be looking to do the same thing and that is increase the

¹¹¹ Phrases used by managers in both functions which evoke interdependence include "good relationship with my team"; "always available,"; "fight with my team"; "only as good as the people under me".

profits of the bank because it only helps us in the long-run so everyone's eyes should be on the same thing to reach the same goal." (SMX7)

Additionally, sales managers appear to lack a certain level of interdependence i.e. likely openness to share information in certain instances e.g. in order to safeguard against trust infringement.

"If there is a breakdown in communication then that is it! Trust is breached. That is why you don't tell them everything. Don't tell them everything. Just tell them what they need to know." (SMY12)

Several factors influence perceptions on degree of interdependence for sales function managers. First, the specificity or clarity of roles may reduce level of interdependence. Sales function staff can make programmable decisions, and hence, there is little need for assistance. Second, sales managers note the high level of competition among staff and even sub-units, which limits the potential for interdependence.

Conversely, quality managers' low or non-programmability in task assignments is one factor that can influence their perceptions of interdependence. Also, quality managers perceive greater engagement (higher functional interdependencies / inter-relationships) between employees in different subunits (see also Chenhall and Morris, 1986). Higher levels of functional interdependence engender high cooperation and support. As Lee (2004, p.635) argues:

"By building and improving trusting culture, and by promoting stronger employee identification, organisations could benefit equally or much more than from direct quality improvement technologies...Employees who feel that they share common fate with their employing organisation will contribute more in times of uncertainty...Creating a trusting climate...among employees may require significant efforts and may take long, but without a doubt it will prove to give companies a clear advantage".

It is clear that quality managers for the most part recognise the importance of intangible assets in creating and maintaining a competitive edge. They attempt to promote a strong culture of shared identity through recognition of greater interdependencies¹¹².

"We have a lot of networking too because we don't know everything...We just don't know everything so we have to rely on a network of people who are experts in different areas and build relationships..." (QMY15)

"I don't know everything, some subordinates know more than me in certain areas." (QMY14)

"We have to stand together, if we are working with it, we have to stand together. I am accountable for delivering it, Terry is doing the hands-on work. When Terry fails, I fail. When I fail, to a certain extent, whoever I am doing the work with, we fail together." (QMX8)

¹¹² In pilot interviews, subordinates conveyed a sense of shared destiny with their supervisor. As one subordinate manager stated, "I have to look out for my boss..."

Quality managers perceive interactions with subordinates as leading rather than managing.

"I know of some managers that don't share their knowledge for fear of running the risk of being redundant, their motto is that you failed as a manager if things get done without you there. I disagree. I think you would have failed as a manager if things don't get done without you. It is a good thing if things get done without you, that means that you have less stress, there is less work for you to do...I think that is great leadership." (QMY14)

In establishing relations, quality managers tell how they would allow subordinates to try things their (the subordinate's) way, and simply assist subordinate behaviour (indirectly manage/lead) by informing a subordinate of how the superior manager would handle similar situations. As part of coaching, quality managers act as cheerleaders rather than commanders, and they give advice to subordinates on how to narrow the gaps between skills and competencies. In frequent (sometimes daily) interactions, the superior might occasionally ask a subordinate questions regarding their performance of certain assignments (rather than having formal discussions on how things are progressing) until the superior no longer has to ask because they are confident in subordinate skill level and also confident that the subordinate will keep them informed if any issues arise.

"From a leadership perspective, I would have failed in my effort if I haven't shared as much as I could or groomed somebody to take over from me...Real leaders build leaders, real leaders build leaders and you build your replacement. People get concerned with, 'if you train them they will take your job'. Well, I want someone to take my job...because I have done it before, I have experienced it where, you build your team to a point where, the more my guys know, the better it is for me because at the beginning stage you may have been doing about 70% but you increase the knowledge of your guys, you will be doing 60%, 30%,40%,20% and then you will do more leading and coaching as opposed to the work which is what you really should be doing... They don't call to give you the problem to deal with, they are calling you just to let you know that we have a problem, we have it under control, here is what we are doing, and we are going to call you back and give you an update...because you would have trained them to the point that the things you would have normally done, they would be able to do." (QMY17)

Due to perceptions of higher functional interdependencies than sales managers (e.g. cross functional learning, sharing information in order to develop subordinates) quality managers have more time to develop personal relationships than sales managers. Quality managers note that greater trust allows more room for innovation and less need to supervise (i.e. more leadership and less management). Also, although sales managers note their accessibility to assist subordinates and to solve any issues arising, they expect subordinates to take the initiative on any developmental needs.

Finally, the task behaviours of managers in both functional groups provide further evidence of role trust levels. Sales managers' task-orientation towards external focus (e.g. external customers and industry benchmarks) and reliance on clear outcomes (e.g. dispatching a loan, balancing figures, providing finance; the bottom-line, sales figure)

create expectations of rigidity in subordinate role behaviour due to clear areas with less variety and expected deviation from role behaviour. Subordinates are expected to complete actions as agreed (promise-keeping) which must subsequently be approved.

“This goes back to behaviours, whether Pat wants subordinates to focus on the bottom line versus development. If Pat is focusing on the bottom-line then he might be uneasy about letting Terry take on that initiative that would take Terry away from regular duties.” (SMX9)

“If Terry is a sales person, Terry should have the flexibility to feel that they can pitch a product and can compete, but within specific and clear areas, and boundaries. Terry has to seek approval from upward to do anything.” (SMX2)

This implies lower subordinate discretion in role, and lower expectations of functional interdependence for sales managers (i.e. interdependence only to the extent of setting targets for subordinates that reflect their own targets). Curtailing of subordinate discretion reduces their potential access to learning. The outcome-oriented nature of the sales function also makes it quite easy to monitor and predict subordinate actions. Superiors are unwilling to delegate or allow initiatives unless they perceive subordinate expert performance and especially resulting improvements to the bottom-line. The combination of factors for sales managers points to a contractual level of trust in role.

For quality managers, task orientation towards an internal focus (e.g. internal customers and reliance on processes such as review of branches, tasks that are non-client-facing) can create a degree of flexibility in subordinate role behaviour. An example of flexibility is revisions to process standards. Changes can make it difficult to accurately predict subordinate behaviour. For instance, one quality manager states:

“...The times can be adjusted to meet those targets...I am willing to give Terry the flexibility to adjust times that suit her best. So for example instead of officers coming in at 8am to 4pm, they can come in at 10am to 6pm, which is fine with me because the bulk of the work comes in at 12 noon.” (QMY19)

This implies greater subordinate discretion in role, and higher expectations of functional interdependence for quality managers. Quality managers require process standards to be met but place less emphasis on prediction of subordinate initiative taking, subject to consultation and shared learning experiences.

“I don’t expect that everything you give to a staff member, he or she would master right away but this is how you grow and develop so even though I have to give you a task that would stretch you, you strain a bit, cause you to split at the seams a little at least, I am not going to give it to you and say ‘just get this done and that is it.’” (QMX1)

Trust in such instances transcends expectations of performing a single or a few transactions (as normally stated in contractual obligations), and acts as an enabling mechanism for

expectations of building associations (e.g. cooperative behaviour, learning, and competence) for quality managers in both field study sites. The combination of these factors points to trust in role beyond contractual for quality managers.

Therefore, managerial perceptions support *Proposition 8a If low interdependence relative to high interdependence dominates manager belief, the more likely a contractual level of trust.*

6.2.4 Summary: Role Trust

Consideration of the combination of meanings assigned to beliefs about self, beliefs about other, and behavioural outcomes alludes to contractual trust in role for sales managers and trust in role that extends beyond contractual for quality managers. Throughout discussions, sales managers' perceptions around contractual trust in the role make the development of trust at the interpersonal layer seem unlikely and unnecessary. On the other hand, quality managers' perceptions which associate their trust beyond contractual are likely to enable the development of higher trust perceptions in certain subordinates at the interpersonal layer. Indeed, the aforementioned arguments support the notion that some roles lend themselves more to development of trust in superior-subordinate relations. Therefore, quality managers possess greater scope for trust development through their emphasis on processes and learning. Such emphasis could enable greater latitude for initiative taking by subordinates in quality functions. Conversely, sales managers possess less scope for trust development due to their emphasis on outcomes. Such emphasis results in less latitude for initiative taking by subordinates in sales functions. High role clarity for sales managers potentially constrains interpersonal trust. Initiative-taking by subordinates in sales functions are subject to the same contractual standards as in their formal role duties. The aforementioned discussion details managerial trust perceptions in role. The other layer of trust, interpersonal trust, is considered as emergent with time (contact in the relationship), emergent with subordinate experience, and as a function of the nature of the relationship between individuals (e.g. impersonal or personal). Managers in each function have differing perceptions regarding each of these properties. The next section (6.3) discusses the managerial trust perceptions at the interpersonal layer, especially highlighting the differing perspectives by function.

6.3 Interpersonal Trust and Contingent Variables

Trust is also contingent on managerial perceptions such as regarding the nature of the relationship. Formation of personal / interpersonal trust has been recognised as based on more specific, intentional interaction within a particular relationship (Atkinson and Butcher, 2003). Findings reveal managers in quality roles might lend themselves more to develop interpersonal trust with a subordinate than managers in sales roles. Hersey & Blanchard (1993) and the university theses of Noeverman (2007) argue that a superior may vary his evaluation in relation to tenure and education differences between subordinates. In this present study, contingent variables highlighted include: the nature of the relationship (personal or impersonal), subordinate experience (perceptions of subordinate skill based on education and qualifications, past performance/track record, and/or subordinate tenure), and time in the relationship¹¹³.

The following table (Table 6.2) presents summary findings of interpersonal trust. The first column relates sales managers' interpersonal trust perceptions (of low personal relations and superior confidence in knowledge gained on subordinate in the short-term) to a contractual level of trust. The second column relates quality managers interpersonal trust perceptions (of high personal relations and superior confidence in knowledge gained over the long-term) to a likely trust beyond contractual.

Table 6-2 Summary Analysis of Interpersonal Trust Perceptions

LAYERS OF TRUST	MANAGERIAL GROUPINGS	
	SALES MANAGERS	QUALITY MANAGERS
TRUST BY	Expectations of:	Expectations of:
CONTINGENCY	<ul style="list-style-type: none"> • Low personal interdependence Higher formality (impersonal relations) Greater objectivity, less use of judgment 	<ul style="list-style-type: none"> • High personal interdependence Lower formality (personal relations) Greater use of judgment
(INDIVIDUAL/ INTERPERSONAL TRUST)	<ul style="list-style-type: none"> • Confidence in knowledge gained over short-term Familiarity gained from emphasis on preceding subordinate experience i.e. reputation, qualifications 	<ul style="list-style-type: none"> • Confidence in knowledge gained over long-term Familiarity gained from emphasis on subordinate experience in role overtime

Explanations on the interpersonal trust perceptions are detailed in subsections 6.3.1 to 6.3.3.

¹¹³ It is not the purpose of this study to investigate the individual strength of each contingent variable, but rather to comparatively examine the influence of such variables on respondents' perceptions.

6.3.1 Nature of the relationship

Superior perceptions on the nature of the relationship could influence trust in an individual subordinate (McAllister, 1995; Zand, 1972; Currall & Judge, 1995; Doney and Cannon, 1997). A relationship of high personal interdependence could encompass low formality in role, greater use of judgment, and result in a level of trust beyond contractual. On the other hand, a relationship of low personal interdependence could encompass high formality in role, greater use of objectivity, and result in a low level of trust (i.e. contractual trust). Role trust perceptions also influence perceptions on nature of the relationship. Whilst all managers acknowledge the importance of personal interdependence (i.e. individual to individual gaining of knowledge), managers also recognise the importance of maintaining functional role relations. These perceptions can also influence role trust perceptions, in particular, the basis of the superior-subordinate relationship.

Sales managers perceive interactions as normally the result of formally instituted mechanisms. Sales managers mention regular team activities (e.g. kick-off meetings every morning) or organised socials (luncheons, end-of-quarter functions) in order to foster cohesive relations among managers. Similar to pre-action arrangements in role, such activities represent reliance on formal arrangements to form interpersonal relations. Perceived difficulty detaching the personal aspects of the relationship from managerial responsibility means that the majority of sales managers manage the superior-subordinate relationship in a somewhat impersonal and detached manner. Contractual obligations (such as the position description) and other impersonal elements are used to regulate relations.

"You are not here to make friends. You are here to do what the man is paying you to do...so this is your goal in this job so I am here to meet that or even exceed that if I could." (SMY16)

Sales managers' view of relationships is influenced by their stringent emphasis on performance of role objectives (i.e. attaining results).

"It can't be about the relationship per se. Not in terms of results." (SMX10)

Related to this, there also appears to be greater belief in use of formal procedures by sales managers to manage individual subordinate behaviour.

"I try to always make sure that we document it, particularly when there is something negative coming in there, and usually when you do that, I find it drives people a bit more to turn it around because they see it in black and white, they know it is a part of maybe something formal." (SMY23)

Quality managers emphasise continual interactions. They perceive personal relationships as vital to the formation of opinions about an individual, and ultimately, trust development.

“Humans are social animals. It (socialising) could help in forming an opinion about Terry.” (QMY19)

“You can’t ignore team-building, cohesion, time-off socially to develop trust...” (QMY14)

Birthday celebrations and informal gatherings at the end-of-the-week are several illustrations of events in which personal affect develop. These interactions are not official, sanctioned by bank policy, and represent ad hoc, social interactions on the part of the superior manager. As one quality manager observes:

“It comes with knowing your folks and a lot of that happens by you trying to create an atmosphere for that to happen. What Pat does is Pat really takes a personal interest...I have a general rule that on Fridays from mid-day I don’t take any more meetings...that is almost like my guys time, so I get out of this box that we call an office and spend some time with them casually...have some discussions, try to foster that kind of environment that is not necessarily so tight, but where people can actually share stuff that they may want to share. Make yourself available...Some days, ‘guys what are you doing after work? Let’s get something to eat’ or we order stuff, like on, sometimes I buy them breakfast on Fridays.” (QMY17)

Quality managers also appear to have greater belief in informal discussions to manage subordinate behaviour.

“I have these off-the-record type conversations and I am sharing something with you from a personal perspective, I am not speaking to you on behalf of the organisation.” (QMY17)

Quality managers anticipate building personal relationships of mutual commitment, and in so doing, a level of trust which extends beyond contractual.

“I trust that he is going to put in the time necessary and if he has to come back he will put in over-time without claiming overtime.” (QMY18)

“As an example, if I come in here on any given weekend I will find one of my subordinates at work, and they don’t ask for anything else, no overtime...that is what you want to foster.” (QMY14)

Quality managers argue for consideration of individual personality of subordinates in trust development (see section 6.2.3). They consciously adopt behaviours that encourage trust development with individual subordinates (i.e. interpersonal trust beyond contractual). Sales managers, on the other hand, present few arguments towards individual trust development, but rather for trust through structured, systematic ways (hence, contractual trust).

6.3.2 Subordinate Experience

Managerial perceptions on subordinate experience (track record) impact their levels of cognition and affect in the relationship (Tyler and Stanley, 2007). As such, unsurprisingly,

sales managers focus more on information derived from non-familiar circumstances, such as reputation of a particular subordinate beyond the current interface. Sales managers utilise objective, pre-established information, which also provides the superior with assurances that the subordinate will not act opportunistically. On the other hand, quality managers focus more on information derived from personal experiences established within a relationship. Quality managers utilise subjectively-derived, knowledge-based information (such as track record in the subordinate's current role) which provides the superior with assurances that the subordinate will not act opportunistically. Superior perceptions on subordinate experience could impact trust in an individual subordinate. A perception of limited information about new persons means that quality managers do not base expectations on 'unfamiliar' factors such as qualifications, reputation, or prior experience in similar roles. Quality managers view subordinate experience in the current role as vital to both parties gaining knowledge about subordinate level of capability and likewise subordinate gaining knowledge for developmental purposes.

"Well, if you are new to a role then you would not have completed the initial period of getting to know. There would not have been opportunity for you to show your supervisor or your supervisor to see how you work...so time plays a role in that because that is very important." (QMX3)

"Qualifications don't matter, what matters is subordinate loyalty and leadership potential. I'll give you an example, I was always chosen above my colleagues for leadership posts, despite the fact that most of my colleagues have more credentials than me. Why? Because my manager saw that I was loyal and committed. I operate in the same way." (QMX4)

"If you and I haven't worked together before I want to see what it is you are producing. You can come in with all of the accolades but every time you go into some place new, things can change and when I say things change you are bringing in your exposure to the other area but the reporting may be somewhat different, the details may be somewhat different so let me see what you do. Let me review it. Let me ensure that what you are writing for this is adequate for the way we do it here." (QMY18)

Following this line of reasoning, quality managers focus on managing the superior-subordinate relationship through supervisory knowledge of subordinate activities and supervisory assistance. In particular, quality managers have higher expectations in subordinates who have more experience in role.

"My expectation would be that of my more veteran persons I expect a greater output from them..." (QMY17)

In addition, sales managers preferences for information on tasks which support subordinate roles and hence, better facilitate prediction of outcomes also depend on knowledge of an individual subordinate gained either through their past experience in role or otherwise. Sales managers use 'unfamiliar' factors such as subordinate reputation and qualifications in managing expectations about an individual subordinate:

"I would be more inclined to initially give Terry who went to Harvard the chance to prove him or herself (in an initiative) than I would Terry who went to college...Terry who went to Harvard I would have high expectations for...We know their ability because they come highly recommended." (SMX2)

"...try to give a proper assessment as to whether the individual can handle it based on their past roles and experiences" (SMY23)

Therefore, even at the interpersonal layer, sales managers are careful to mainly base decisions about individual subordinates around formal rather than informal elements. Confidence in subordinate experience based on reputation and qualifications is supportive of contractual trust. Whereas, confidence in subordinate experience based on tenure in role is supportive of a higher level of trust, that is, trust beyond contractual.

6.3.3 Time in the Relationship

Superior perceptions of time in the relationship also impact trust in an individual subordinate. Indeed, time in the relationship and subordinate experience are closely related concepts (McAllister, 1995). Perceptions on interpersonal trust development are impacted by both subordinate experience and actual experience with the subordinate [i.e. time (to gain knowledge) in the relationship]. This point is highlighted in the following excerpts:

"I: So how would they get up to that level of trust...?"

"R: It would take experience and time." (SMY24)

"I: What influences Pat's perceptions of Terry?"

"R: I guess the number of years they have known each other, the work ethic, the performance, what he has seen in the past." (SMY22)

Time in the relationship perceptions is vital to superior use or intended use of system elements. For sales managers, time in the relationship incorporates choice of adherence to a directive or non-adherence, as well as deeper knowledge of individual subordinate skills that match organisational goals.

"...depends on how experienced Pat is with Terry. If Terry is new, Pat will follow the directive. If Pat knew Terry and worked with Terry for 5 to 10 years, Pat has a thought process about Terry, Pat would probably use a combination and underlying factors" (SMX2).

"Everyone is different...you know that Terry is very quick with numbers, Pat can multi-task, whereas Jan can only deal with one task at a time...So you have to know how to take those characteristics and use them to push them to their best in conjunction with what the organisation's requirements are." (SMY13)

Quality managers' evaluation of individual subordinates depends on knowledge of perceived training gaps for subordinates, addressing such training gaps, and establishing higher trust built around superior experience with a subordinate (i.e. comfort with a subordinate overtime). Through close contact, superiors gain knowledge of subordinate skill level to role and in general. Therefore, they are able to make judgments on the reliance of an individual subordinate for guidance, for transferring knowledge to other team members. This perspective on time in the relationship also reflects potential for discretion and indeed establishing a degree of flexibility in evaluating subordinate.

"I normally give tasks to people to do, the newer people get newer stuff and depending on how they are handling those things they take on more and more and more but I think, for me, I establish it pretty quickly, learn the person fairly quickly...for me I would entrust you as a new person with stuff that I can live with the worst case scenario. I am not going to put my neck on the chopping block for you until I am comfortable with you...newer people, I don't necessarily have that relationship." (QMY17)

Time in the relationship is also vital to superior perceptions of subordinates based on objective facts or judgment. Sales managers use 'unfamiliar' factors such as subordinate qualifications in managing the relationship and expectations in the short-term. However, over a longer time-span, more time in the relationship would result in greater reliance on familiarity and use of judgment.

"I can't use judgment when evaluating Terry. I can only use facts and figures, until I have known Terry for 3 to 5 years. Then I have the experience with an individual to use judgment vis-à-vis relying on formal certificates...When you know someone well, the intangibles are factored in evaluating performance...there is a time allocation to the amount of time it takes to get to know someone.." (SMX2)

For quality managers, as briefly mentioned in the previous section, newcomers would be treated differently from more seasoned employees. Newcomers would receive closer coaching and on-the-job training. Quality managers also mentioned that the system would allow for such differences in treatment:

"If you have been in that role for less than six months, your grade is entered in as new to role which ensures that you don't get a failure when you are in an unfair situation like that because you are still learning, you are still skill training in the new area." (QMY15).

"We have made some allowances within the standard (rules) for being new to the role." (QMY17)

"Time would influence the perception. It is important to get to know the other person...I think after a year or 2, Pat would know who the other person really is, and during this time Pat is able to watch and see what happens." (QMY17)

"It is a learning process. If someone is new in their role, there is allowance for this, and it is at the discretion of the supervisor, but you have to be fair." (QMY14)

Views on the subordinate are conditional on knowledge (familiarity) gained in the relationship over a period of time. Time in the relationship (familiarity with an individual subordinate) assists with developing role trust perceptions of moral principles of reliability, as well as cognition and affect.

I will not necessarily question Terry's reliability because of the fact that, one, if I have been working with Terry for a while and have a relationship, I should know what Terry's reliability is like and so I can vouch for Terry. If Terry has a history of being unreliable in that stuff, then I know that whatever Terry is giving me, I have to review this in some level of detail because I know the guy will get the stuff to you but it is not necessarily in the format that you want...It comes back to a relationship." (QMY17)

"You spend time with them, getting close to people, you know your staff; each has a personal identity." (QMY14)

"Some learning has to go on, so when it comes to reliability, it really has a lot to do with history." (QMY17)

Similarly, predictability of behaviour and risk preferences are dependent on history with individual subordinates:

"An example would be that lady...I trust her to give me the updates as they come in. She is like a Terry. Others that I have in that same scenario, I will flag those reminders and chase at certain intervals to get updates because I will not leave it to them to do that because it seems as though sometimes, from history, dealing with smaller issues,...it seems as if they are only following up because of your prompt to them for an update now means that they need to go and follow-up, those ones I am not taking a risk with." (QMY17)

In forming opinions about the subordinate, quality managers rely more on the longer-term aspect of time in the relationship (via emphasis on subordinate learning and development). Sales managers rely more on short-term knowledge of subordinate experience (i.e. reputation) than on time in the relationship.

In addition, time in the relationship is likely to change subordinate interests (and hence, superior beliefs of subordinate interests) from one of self preservation to mutual interest and exchange (collective promotion via sharing of ideas and information). Therefore, although this belief is highly subject to changing perceptions overtime, it still draws attention to the likelihood of trust perceptions that are beyond contractual.

Quality managers allow subordinate initiative taking when past experience suggests the subordinate is capable. Time in the relationship enables managers to make a knowledgeable assessment of risks involved with trusting an individual subordinate.

"It comes down to knowing your people, so you know who to take your chances with, who to take your risks with, and it also tells you what kind of risks to take with what type of people as well." (QMY18)

Lastly, the superior-subordinate relationship can influence how managers approach their evaluation style.

“If he (the subordinate) and Pat (the superior) has a good relationship, leaving the job aside this will be reflected in the performance plan, Terry’s goals.” (QMY19)

Sales managers even recognise personal experience of working with a subordinate is necessary for evaluation of ‘soft’ targets (such as evident with quality managers), whereas, interaction is not necessary if subordinate performance is evaluated on financial criteria. As mentioned previously, in such instances, knowledge could be gained from the subordinate’s reputation.

“The experience of working with Terry is very important in order to evaluate the customer service issues, the audit issues, the team issues so that would be interaction with Terry...and then the financial ones of course would be the numbers. That is the only way I could call that one...You could also talk to some other colleagues, maybe other colleagues that Terry interacted with and they will give you some feedback on their experience with Terry.” (SMY24)

Extent of the relationship and past performance in role matters to quality managers in making evaluative judgments.

“...and the opposite is true, if the person slunked and if they were a failure, and if you got in trouble for it, it never really leaves you, even though they did a very good job (in 2006), you are kind of like I am not sure what they, you know, I don’t want to build them up and then they disappoint me, so you kind of moderate your, your evaluations according to past performances if you have worked with them intimately. You know what they can achieve, you know the failures. It affects it. I think it is very difficult to separate it entirely in a code-objective manner.” (QMX1)

There is also some evidence that superiors adapt their approaches to individual subordinates personalities. For instance, some managers indicate that they will consider individual personalities in the level of information which they give them and how they approach sharing information. Knowledge of individual personalities suggests time in the relationship and interpersonal competence. Therefore, not only does competence involve technical skills but also interpersonal competence (emotional intelligence). Emotional intelligence entails self awareness, social skills, empathy, assertiveness, ability to adapt to different personalities, and to make decisions intuitively and read other people’s emotions (Cooper and Sawaf, 1997). I picked up on subtleties of managerial awareness of the importance of emotional intelligence in work relations.

“It is not just about job and bank, but more than that. Pat has to know subordinates, some are more approachable than others.” (QMY20)

“It is a good thing to take courses in psychology because you get an understanding of how people work, their mindsets and are able to handle people well...managers will undoubtedly have different styles, different preferred ways of doing things, and hopefully you are able to marry that with the role to have a strategic advantage. You are able to let someone know that he is a director and you know how he works, whereas, another subordinate might be a socializer, these are different styles, which if known, they can help each other in order to be a cohesive team...these styles could be

offset if you have an effective team who's members are satisfied, working well, are in the right relationships...they trust each other..." (QMY14)

"So it really depends on from past experience, how well I know Terry and how I think Terry is going to react to the information, and that is one of the biggest things Pat has to do, myself, when it comes to leading the team, knowing your people and what motivates them. In doing that, that is how you are really going to make those targets." (QMY17)

One quality manager suggests that sales managers give little leeway for adjustment to targets in order to consider individual subordinate circumstances, and that emotional intelligence does not matter as much in managing performance of individual subordinates in sales functions.

"Terry is probably hitting all her numbers when you talk about managing relationships or building strong relationships, we reach that question, "do I really want to tell her she has to work on her interpersonal skills and how she manages the staff and being more open to discussion while we talk around how we achieve goals as a team". No one wants to be that person to relay that information and that is unfortunate and so we end up with an above-average workforce (in sales) that doesn't produce much...Different personalities exist...personalities should be reflected in job assignments, so you should do what you like...the supervisor can suggest courses, training, for example, if Terry is not that good with dealing with people, Pat can suggest that Terry reads a book to deal with people, how to resolve conflicts. Every organisation has cross-training." (QMX8)

However, even some sales managers recognise the importance of human resources management and psychology in supervision of individual subordinates.

"The role of supervisors is supervision of individuals because everyone has different personalities...you have to question how people think also. You have to deal with their mentality, how they think...Not everyone wants to be supervised...so it comes back to attitude, performance, thought patterns." (SMX9)

6.4 Summary

It was found in a work environment trust is established in two ways – through perceptions around role, and through perceptions around interpersonal relations. These perceptions potentially overlap and create tradeoffs between levels of trust. Evidence based on discussions around beliefs about self, beliefs about other, and behavioural outcomes reveal differing trust perceptions between functional groups at both field sites.

As a result of their research on the role of trust in financial services business relationships, Tyler and Stanley (2007, p.337) find, "trust is a complex construct incorporating a number of elements and functions that exist severally, but not necessarily independently nor constantly. There [is] no common understanding of, nor response to, trust." This present study reports similar findings. Each individual manager possesses unique viewpoints on trust and its characteristics. However, despite this fact, salient similarities on

characteristics of trust exist between managers by functional group. As an explanation, Singh (2008) portends that shared context or background characteristics induce similar individual attitudes and decisions.

The present inquiry identifies several key themes which seem particularly relevant to distinguishing meanings of trust between managerial groups, and that are in agreement with the literature. The first key theme, superior propensity to risk, refers to the superior's level of willingness to risk or to be vulnerable in trusting subordinates' actions (Sitkin and Pablo, 1992; Gelderman, 1998). To recap findings, quality function managers are generally risk willing, and sales function managers are generally risk averse. The second key theme, superior predictability of behaviour preference, refers to the extent of need to monitor or predict subordinates behaviour. Quality function managers have a low prediction preference and sales function managers have a high prediction preference. The third key theme, superior confidence in subordinate characteristics such as ability to accomplish a task, identifies quality function managers as confident in subordinates' aptitude to learn to accomplish tasks (beyond role), and sales managers' high confidence in subordinates role expertise. As such, quality managers create opportunities for learning, and sales managers use tasks as tests of ability. The fourth key theme that distinguishes trust between managers by function is extent of interdependence. This theme identifies quality managers as placing high emphasis on interdependence, and sales managers as placing low emphasis on interdependence. This implies expectations of behaviours including higher collaboration and shared learning by quality function managers in comparison to sales function managers. Lastly, the fifth key theme is superior emphasis on interpersonal relations. Several contingent variables prove especially helpful in exploring trust perceptions at the interpersonal layer. Variables include the nature of the relationship between the superior and an individual subordinate (quality managers perceive likelihood of more personal relations and higher interdependence; whereas sales managers perceive likelihood of more impersonal relations and less interdependence), subordinate experience and time in the relationship (quality managers gain familiarity from emphasis on subordinate experience in role overtime, whereas, sales managers gain familiarity, not from length of the relationship with an individual subordinate but rather from preceding subordinate experience e.g. reputation and qualifications).

Here, in comparison to prior literature, trust is more complex and involves multiple dimensions. An important development is that the subtle deviations in perceptions on the key properties identified relate to either contractual trust or trust beyond contractual levels.

Another conclusion can be drawn that functional role especially relates to trust perceptions. Figure 6.1 below synthesises the findings discussed throughout this chapter. It illustrates the characteristics that are both similar and different between managers by functional groups. The arrows depict the combination of the key themes presents a full picture of managerial trust perceptions.

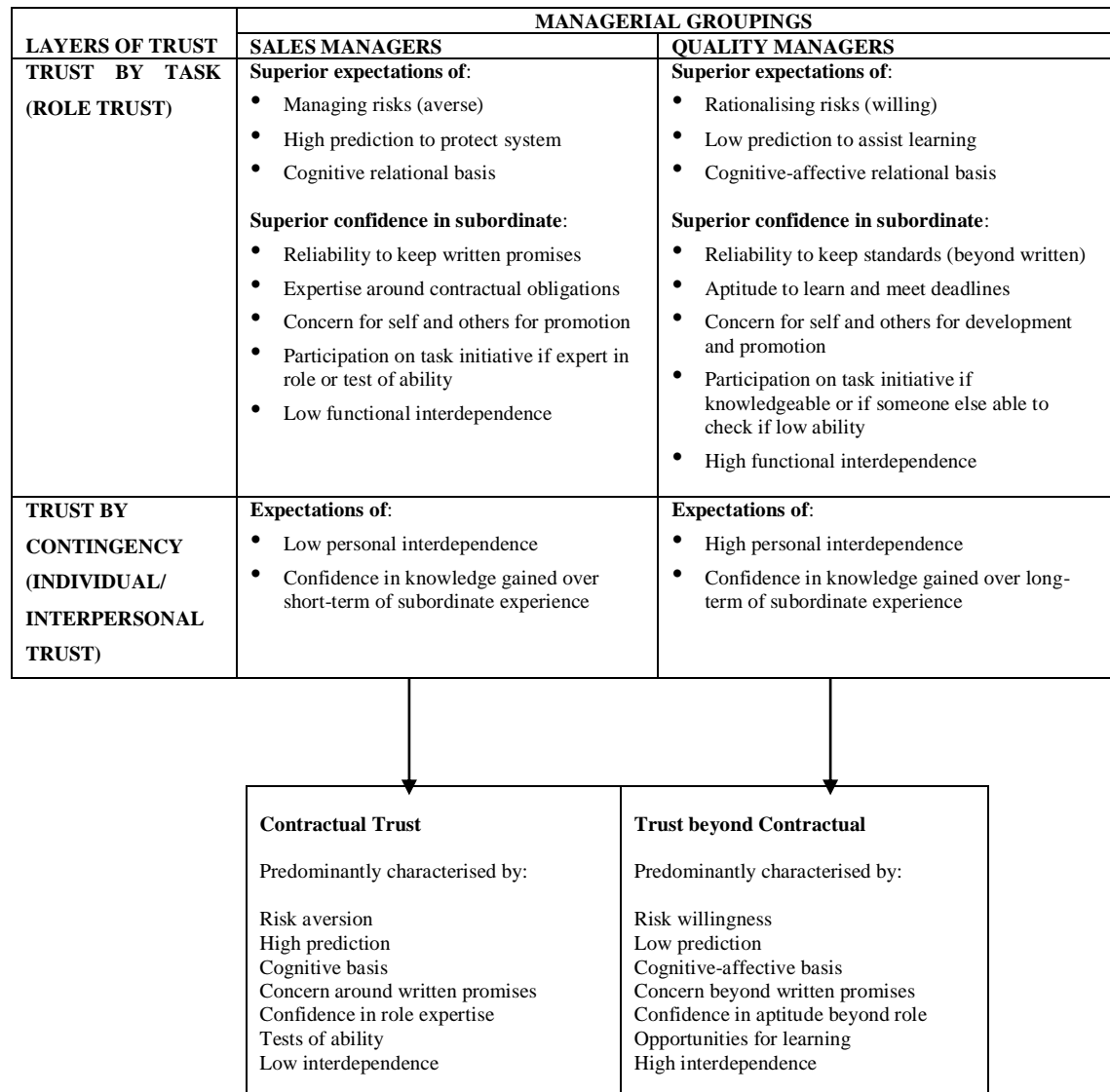


Figure 6-1 Summary of Managerial Trust Perspectives

Sales managers in both sites convey a contractual level of trust in role; quality managers in both sites convey trust beyond contractual in role. Similar to role trust, at the interpersonal layer of trust, sales managers convey limited potential for trust beyond a contractual level, whereas quality managers convey potential for trust beyond contractual in an individual subordinate. The findings suggest that trust in role dominates and restricts development of interpersonal trust for sales managers. Sales managers, therefore, have less scope for trust beyond contractual. Contrary to sales managers, role trust perceptions facilitate (enable)

interpersonal trust for quality managers. Therefore, quality managers have greater scope for trust which extends beyond contractual to encompass trust in interpersonal relations.

In addition, the following primary propositions are still relevant:

Proposition 5. Trust is a multidimensional, social process which comprises two layers (role and interpersonal) and is context-dependent.

Proposition 5a. A particular trust level can be determined by investigating managerial perceptions of features of degree of confidence as expressed in beliefs about self (trustor), beliefs about other/s (trustee/s), and behavioural outcomes interactions.

Proposition 6. Trust is a function of propensity to take risks, predictability of behaviour preference, and basis of the trust relationship assumptions in beliefs about self.

Proposition 7. Trust is a function of reliability, ability, concern and mutual interest assumptions in beliefs about other.

Proposition 8. Trust is a function of behavioural outcomes assumptions.

In sum, refinement of trust and performance evaluation style in work relations is necessary. The findings lead to a number of suggestions. Superior-subordinate relationships do not have to be interpersonal, such as evidenced by sales function managers. However, in order for trust to play a significant role in organisations managers must allow themselves (and perhaps management control systems must also allow) relationships with other employees including subordinates that are more informal. On this note, the next chapter, Chapter 7, investigates the possible linkages between the two concepts, trust and performance evaluation style within context.

Chapter 7 The Complementary and Substitutive Nature of Trust and Performance Evaluation Style

7.1 Introduction

The previous two chapters discussed findings with regard to the first and second research questions: ‘What is performance evaluation style in the particular research contexts?’ and ‘What is trust in the particular research contexts?’ The purpose of this chapter is to discuss findings with regard to the third research question, ‘How is trust linked to performance evaluation style?’ As with the previous chapters, this exercise is conducted in the context of superior manager perceptions within financial institutions. Section 7.2 of this chapter reintroduces the original matrix of potential links between trust and performance evaluation style. Section 7.2 especially explains the development of the matrix based on the interview data. Section 7.2 ends with a new matrix of trust and performance evaluation style which reflect the findings. Section 7.3 explains how the association between trust and performance evaluation style now differs from previous proposals. Finally, section 7.4 ends the chapter with summary conclusions.

7.2 Relating the prior theoretical framework to the field data

7.2.1 The role of the original matrix

A matrix of hypothetical associations between different levels of trust and styles of performance evaluation was developed from prior theoretical and empirical literature. The matrix is a conceptual framework, and the original matrix is shown as Table 7.1 in this chapter. It provides nine different combinations of trust and performance evaluation style, according to which there are supportive (complementary) and unsupportive (substitutive) associations, and one particular combination should dominate superior manager perception.

Table 7-1 Original Matrix of Potential Trust and PES Linkages

Trust Levels	Performance Evaluation Style		
	Budget-constrained PES (1)	Profit-conscious PES (2)	Non-accounting PES (3)
Contractual	- Short-run targets e.g. meet budgets,	- Medium-run targets e.g. 6-12 months to	- Long-run targets e.g. improve

Trust (A)	deadlines (in 1-6 months period) - Frequent evaluation - Monetary rewards - High predictability of behaviour via pursuit of contractual obligations - Keeping written promise/ low reliability - Belief in other high focus on self-interest i.e. extrinsic motivation e.g. salary	improve profits - Mixed formula-based and subjective evaluation - Mixture of monetary and non-monetary rewards - Aversion to risk-taking means controlling for reputation risks and rigidly establishing and enforcing means-ends relations - Belief in low concern of other	cooperation, worker attitude overtime - Flexible, infrequent evaluation - Nonmonetary rewards - Superior-Subordinate relations based on facts (more formal) - Rational expectations of behaviour - Belief in other keeping obligations, including oral promises
Competence Trust (B)	- Narrow range of evaluation criteria - Focus on historical trends for target-setting - Tight/rigid guidelines in evaluating process - Medium Predictability of behaviour via focus on compliance with technical and managerial standards - Belief in other ability to meet and exceed the targets / prescribed performance standards	- Medium range of criteria - Focus on present trends for target-setting e.g. efficiency and error minimization - Quantitative and qualitative factors - Risk-neutrality - Skills enable provision of explanations for (independent) decisions and ability to inform superior of problems in advance - Belief in other skill to adjust (in event of increased task delegation/ responsibilities)	- Wide range of evaluation criteria - Focus on future trends for target-setting - Relaxed/lenient guidelines - Qualitative factors emphasised - Superior-Subordinate relations based on mainly facts as well as some feeling - Moderate expectation of benevolence due to interpersonal skills - High reliance on aptitude due to high focus on adequate training
Goodwill Trust (C)	- High participation in determining work roles - Monetary rewards based on company manual, individual performance - Low predictability of behaviour via pursuit of additional, non-contractual responsibilities - High focus on intrinsic motivation e.g. value congruence - Belief in other willingness to take initiatives/ actions outside contract (e.g. work overtime to meet shared objectives)	- Medium participation in determining duties Rewards based on company-wide/team performance / collective incentives and individual performance - Affective basis of relations enables high participation to take place - Willingness to take on risks - Belief in accommodating needs-based assistance of others (demonstrating concern at own potential expense)	- High emphasis on qualitative factors - Rewards based on superior judgment - Superior-Subordinate relations based on feelings (affect) - High expectation of benevolence - Sharing control / task delegation - Commitment to act in company's best interest even at cost of (not meeting) personal target

I explained the original matrix in great depth in Chapter 2 and so shall not do the same here, except to restate that the original matrix represents an open formulation of hypothetical associations. In particular, the light grey fields represent complementary associations, and the white fields/cells represent substitutive associations. In Chapter 2, I gave general arguments for the presence of a substitutive relationship if trust and formal control (e.g. use of accounting mechanisms) are inversely related – when more trust is evident and there is less use of formal control mechanisms, and vice versa (see Shore and Wright, 2000). On the other hand, the complementary relationship argument suggests that trust and formal control use are additively related and an increase in the level of either trust or a mechanism of formal control results in a higher level of control (Das and Teng, 1998). Moreover, the matrix does not propose the particular direction of cause-effect relations between trust and performance evaluation style (i.e. it does not propose trust as influential to performance evaluation style or style as influential to trust). Nonetheless, the original matrix merely provided provisional combinations of characteristics and linkages, and therefore had to be revised to reflect evidence from the field. The following section discusses the modification of the matrix from the original version, and in so doing answers the third research question, ‘how is trust linked to performance evaluation style?’

7.2.2 The development of the matrix based on the field data

Trust was originally conceptualised as either contractual, competence, or goodwill; and performance evaluation style was originally conceptualised as comprising three alternative styles - budget-constrained, profit-conscious, and non-accounting. The evidence from the interviews still points to performance evaluation style operating along a continuum, but the evidence points to a continuum between an outcome-oriented performance evaluation style and a process-oriented performance evaluation style. The field evidence also suggests trust in the research contexts exists along a continuum of two levels – contractual trust and trust beyond contractual. These changes reflect subtle differences in managerial perceptions. Table 7.2 presents a general summary of the dominant characteristics of trust and performance evaluation style found in the interview data, and especially relates these findings by functional group.

Table 7-2 Summary of Dominant Characteristics: Trust and PES from field study evidence

FUNCTION GROUPS	PERFORMANCE EVALUATION STYLE	TRUST (1) – TRUST BY TASK (ROLE TRUST)	TRUST (2) – TRUST BY CONTINGENCY (INTERPERSONAL TRUST)	TYPE OF ASSOCIATION BETWEEN TRUST AND PES
SALES	<ul style="list-style-type: none"> • External focus • Clear, present outcomes • Short-term-oriented feedback • Explicit, financial kpis and rewards • Narrow range (scope) despite BSC • Frequent formal reviews • Coaching: Management by exception 	<p>Expectations of:</p> <ul style="list-style-type: none"> • Superior managing risks • High prediction of subordinate behaviour • Cognitive relational basis <p>Superior Confidence in Subordinate:</p> <ul style="list-style-type: none"> • Reliability to keep written promises • Expertise around contractual obligations • Concern for self and others for promotion • Participation on task initiative if expert in role or test of ability <ul style="list-style-type: none"> • Low functional interdependence 	<p>Expectations of:</p> <ul style="list-style-type: none"> • Low personal interdependence • Higher formality (hence, largely impersonal relations) • Greater objectivity, less use of judgment <ul style="list-style-type: none"> • Confidence in knowledge gained over short-term in relationship • Familiarity gained from emphasis on preceding subordinate experience i.e. reputation, qualifications 	<ul style="list-style-type: none"> • PES and Trust are complements • Role trust level stems from reliance on formal PES, which also limits interpersonal trust
QUALITY	<ul style="list-style-type: none"> • Internal focus • Processes, operational targets and activities • Long-term-oriented feedback • Implicit and explicit, financial and non-financial kpis and rewards • Broad range (scope) as 	<p>Expectations of:</p> <ul style="list-style-type: none"> • Superior rationalising risks • Low prediction of subordinate behaviour • Cognitive-Affective relational basis <p>Superior Confidence in Subordinate:</p>	<p>Expectations of:</p> <ul style="list-style-type: none"> • High personal interdependence • Lower formality (hence, largely personal relations) • Greater use of judgment 	<ul style="list-style-type: none"> • PES and Trust are substitutes • Interpersonal trust influences role trust level, which can also change manner of use from formal to informal use

	per BSC <ul style="list-style-type: none"> • Periodic formal reviews; informal continuous updates • Coaching: Engagement between top-bottom and potential for cross-functional learning 	<ul style="list-style-type: none"> • Reliability beyond written standards • Aptitude to learn and meet deadlines • Concern for self and others for development and promotion • Participation on task initiative if knowledgeable or if low ability someone else able to check • High functional interdependence 	<ul style="list-style-type: none"> • Confidence in knowledge gained over long-term in relationship • Familiarity gained from emphasis on subordinate experience in role overtime 	
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The second column in Table 7.2 represents all of the dominant style features for each group of managers. The evidence especially shows an outcome-oriented evaluation style dominates for sales managers. As a result of dominant dimensions/characteristics such as their short-term oriented feedback and frequent formal reviews, sales managers are more focused on outcomes. The dominant characteristics for quality managers' such as their long-term oriented feedback and periodic formal reviews, point towards a process-oriented performance evaluation style. Quality managers are more focused on the processes or activities that lead to outcomes over placing sole emphasis on results. The characteristics outlined in the third column in table 7.2 relates to my findings on managerial role trust. Sales managers' beliefs in self and other as well as their expectations of behaviour point to contractual trust. Quality managers' beliefs and expectations of behaviour point to trust beyond contractual. The interpersonal trust characteristics outlined in the fourth column support a contractual level of trust for sales managers and trust beyond contractual for quality managers (see Chapter 6 for further details). The fifth column of table 7.2 in part answers the third research question in this study. Performance evaluation style and trust are deemed complements for sales managers. Managers' role trust and interpersonal trust (trust by contingency) perceptions include characteristics of contractual trust, such as superior managing risks and low interdependence which complements superior manager preferences for clear, present outcomes, explicitness, and frequent formal meetings in performance evaluation. Therefore, in terms of the direction of the relationship it appears that the formal performance evaluation style elements of an outcome-orientation coercively¹¹⁴ reinforce characteristics of contractual trust in role and also in interpersonal relations, so that trust the development of trust beyond contractual is limited. Performance evaluation style and trust are deemed substitutes for quality managers. In general,

¹¹⁴ Coercive in terms of bringing aspects of the performance evaluation process together to make style choice more effective by reducing likelihood of bias in performance related judgment, such as use of explicit and objectified metrics (Moers, 2005).

managers in quality functions related a mixed approach to performance management in which they might place features of the formal control system aside in favour of more opportunities for subordinates' development. Their role trust and interpersonal trust perceptions include characteristics of trust beyond contractual, such as superior rationalising risks and expectations of high interdependence, which are at odds with some features of their formal control use such as rigidity in setting targets and frequent evaluations. In terms of the direction of the relationship it appears that quality managers' trust perceptions can influence formal performance evaluation style / control use, enabling informal control mechanisms. Therefore, mapping the characteristics of trust and performance evaluation style for each functional group (i.e. based on the field evidence) supports the theoretical basis that trust and performance evaluation style are complements and substitutes, and also supports a bi-directional link in association. These findings allowed for subsequent development of the original matrix. The original matrix went through several modifications in which the cells/fields were modified to reflect the empirical patterns from interpretations in the data. The revised matrix below (Table 7.3) is the end result of modifications from the original matrix (Table 7.1).

Table 7-3 Revised Matrix of Alternative Trust and PES linkages from field evidence

<p>Trust beyond Contractual</p> <p>Characterised by: Risk willingness Low prediction Cognitive-Affective basis Concern beyond written promises Confidence in aptitude beyond role Opportunities for learning High interdependence</p>		<p>High personal and functional interdependence</p> <p>Rationalising of risks and pursuit of initiatives beyond role via 'objective judgment'</p> <p>Trust over time by shared knowledge and emphasis on learning</p> <p>Potential for negotiation</p> <p>High delegation/participation on tasks outside role</p> <p>High familiarity and low formality in role (personal relations)</p>
<p>Contractual Trust</p> <p>Characterised by: Risk aversion High prediction Cognitive basis Concern around written promises Confidence in role expertise Tests of ability Low interdependence</p>	<p>Limited functional interdependence as per clear goals, bounded and segmented by roles</p> <p>Formulaic approach i.e. emphasis on objective criteria; qualifications to meet job standards in role</p> <p>Trust in short-term role performance (honesty to keep promises within written contract) but verify</p> <p>No negotiation is likely</p> <p>Low delegation/participation on tasks outside role</p> <p>High formality and low interpersonal familiarity (impersonal relations)</p>	<p>Risks management via periodic formal reviews, continuous updates and superior input over entire process</p> <p>Preference for formality over the long-term via subordinate experience in role activities</p>
	<p>Outcome-oriented PES</p> <p>Characterised by:</p>	<p>Process-oriented PES</p> <p>Characterised by:</p>

External focus	Internal focus
Clear goals and results	Operational targets and activities
Short-term focus (actual vs. budget)	Long-term focus (future plans/development)
Financial indicators emphasis	Financial and non-financial indicators
Explicit rewards/motivation	Implicit and explicit rewards/motivation
Narrow range	Wide range
Frequent formal reviews	Periodic formal reviews

The revised matrix display supports the description of trust levels and performance evaluation styles along continua in the research contexts. The two performance evaluation styles (along with their distinguishing characteristics) found in the research settings are displayed along the horizontal axis, whilst the two trust levels (along with their distinguishing characteristics) that are relevant to the research settings are displayed along the vertical axis. Clearly, if one were to compare the 2x2 matrix based on the evidence to the original 3x3 matrix, one would hopefully identify the blatant differences in presentation and content. These differences account for a more streamlined comprehension of the relationship between trust and performance evaluation style in the research context. The refinement of the matrix reflects a continuum from contractual trust to trust beyond contractual. In particular, competence and goodwill levels were combined into ‘trust beyond contractual’ as there was especial difficulty establishing construct validity for theoretically pre-established definitions of trust in the field. Similarly, performance evaluation style was redefined along a continuum of two extremes, process-oriented and outcome-oriented. The intersection between trust beyond contractual and process-oriented style has several similar characteristics to the four cells in the original matrix related of competence trust, goodwill trust, profit-conscious, and non-accounting style (i.e. B2, B3, C2, and C3). These similarities include wide range, financial and nonfinancial indicators, risk willingness, and interdependence. The intersection between contractual trust and outcome-oriented style especially has similar characteristics to the intersections between contractual trust, budget-constrained performance evaluation style, and profit-conscious performance evaluation style (i.e. A1, and A2). Similarities include external focus, financial indicators, extrinsic monetary rewards, risk aversion, confidence in written promises, and low interdependence.

Each of the four cells within the matrix includes several descriptions of what takes place in the field study contexts given a particular combination of trust and performance evaluation style. Notably, it still includes the multiple sub-dimensions of each construct, which provide better operational clarity and low-level abstraction (Noeverman and Koene, 2005). The matrix serves as a basis for generating more comparable empirical perspectives in the

future (Bourgeois 1979). It reflects alternative choices of trust and performance evaluation style that managers can make. The next section, section 7.3 shall detail these alternative choices.

7.3 A refined theory on managerial choice

It is noteworthy that the first cell in table 7.3, the point at which trust is beyond contractual and outcome-oriented performance evaluation style ‘integrate’ is blank. This reflects the fact that managers in the field sites who perceived trust beyond contractual did not perceive an outcome-oriented formal control use (and vice versa). Hence, any display within this cell would be irrelevant to the research findings. One could posit that there is no link between trust beyond contractual and an outcome-oriented style, complementary or substitutive due to the distinct nature of both. It is expected that trust will be limited to a contractual level for a manager who is largely outcome-oriented, as they will not emphasise individual relations with subordinates, and so will not have opportunity to even consider trust beyond contractual. The cell below the blank cell illustrates this point. It is the point at which contractual trust and an outcome-oriented performance evaluation style merge. I have briefly mentioned that this association appears to be one of compatibility, that is, contractual trust and an outcome-oriented performance evaluation style appear complementary, and is particularly associated to sales function managers perceptions. The implications of this association are highlighted within the cell. A superior manager who emphasises clarity of goals in the evaluation process may also perceive limited functional interdependence because the clarity of roles maintains boundaries. Clarity in role assignments also means that room for negotiation is unlikely on target-setting and task assignments. Hence, low subordinate participation or delegation on tasks outside of role. Also, in this association, managerial expectations of prediction favour a stringent focus on ‘objective’ criteria such as is afforded by emphasis on financial criteria e.g. amount of loans a subordinate should make, awarding salary bonuses via a spreadsheet, and so on. Also, feedback elements of control such as short-term feedback and frequent meetings may be mainly utilised in order to clarify goals and to ensure specific outcomes related to the role are met (i.e. means of verification). Moreover, a manager that places emphasis on formal criteria such as subordinate qualifications to meet job standards in role is looking to gain confidence in subordinate performance by focusing on such formal criteria rather than familiarity gained with subordinate overtime. Similar associations between other features

of contractual trust and outcome-oriented style characteristics are found, and are matched in a complementary fashion such that the outcome-oriented control use influences trust level – in that it limits managerial choice of substituting formal control for a higher level of trust.

Furthermore, I posit that if contractual trust characteristics were to dominate along with a process-oriented style, the linkage is likely to be complementary rather than substitutive. As highlighted in table 7.3, if a manager is process-oriented, he or she will prefer periodic formal reviews and continuous updates, which is complementary to managing risks, and enhancing formal control. Despite the distinct characteristics from an outcome-oriented style, a process-oriented style is still a formal means of control, and hence will likely complement contractual trust but not to the extent that it coerces contractual trust as outcome-oriented style seems to do. Another example is preference for subordinate experience in role activities over the longer-term is a likely feature of a contractual trust-process-orientation. However, I did not uncover any evidence of managers who displayed process-oriented style characteristics and solely or dominating contractual trust characteristics. Hence, the particular cell (i.e. the intersection of process-oriented style and contractual trust) would otherwise be blank, except to highlight the fact that if a manager were to merely operate at a contractual level of trust, the interaction between the formal performance evaluation style (i.e. in the case of quality managers, the process-oriented performance evaluation style) and contractual trust would be complementary.

My evidence reflects trust beyond contractual and process-oriented style characteristics dominates for quality function managers. The field evidence suggests that if a manager possesses a level of trust which is beyond contractual, it is likely to be substitutive to the formal control use. Trust at this level is misaligned with formal performance evaluation style features. The interviews uncovered managerial changes to performance management due to managers' trust perceptions. For instance, managers cited examples of times when they would place emphasis on individual bonds (familiarity) in order to gauge their expectations in a subordinate, e.g. whether they put their confidence in a subordinate enough to give them tasks outside of their normal roles. Quality managers are willing to leave their formal performance evaluation style for certain individuals. In certain instances, managerial application of judgment might be heavily used to simplify issues of monitoring subordinate performance when certain tasks require teamwork through the creation of "sub-specialties...to more readily permit comparison of performance between like workers...direct the efforts of subordinates on an ad hoc basis...create an atmosphere

in which directives will be willingly followed” (Ouchi, 1979, p.836). For example, quality manager statements such as “treat everyone fairly but not equally” and emphasis on sub-specialties or ‘expert roles’ through creation of the “champions of this” programme underline managerial philosophies, and how philosophies relate to higher trust and control¹¹⁵.

Trust beyond contractual also introduces the possibility for negotiation in expectations to the extent that formality in role characteristics (e.g. job descriptions and emphasis on performance to targets) is replaced with personal attention and any foreseeable risks are rationalised. One manager perceived this rationalisation of risks as “weighing options” and conducting “cost-benefit analysis”. However, for the majority of managers whose perceptions suggest a level of trust beyond contractual, their choices were based on more than just “weighing options” (objective judgement). Their choices were largely based on their beliefs in shared knowledge and learning. Therefore, misalignment between trust perceptions and style represents potential for change from the formal performance evaluation style, perhaps toward a style that embodies greater subordinate negotiation and participation on task assignments and informal use. Superior manager continual interactions with subordinates might promote support and learning where trust counters the apparent formal system and also acts as an enabling factor to introduce more leeway and substitutions among different mechanisms/properties in the performance evaluation process. Quality managers were willing to look at talent in the form of employee “effort”, even if the employee is not meeting the formal performance evaluation requirements. Trust beyond contractual and the potential vulnerability in behaviour that might accompany a high level of trust is developed over time through shared knowledge and emphasis on superior-subordinate learning of behaviour based on prior actions. Managers in certain roles are able to rely on the length of relationship in forming opinions about a subordinate and establishing interpersonal relations (i.e. understanding individual behaviour). The influence of time in the relationship on trust perceptions also provides the potential for evaluation style changes. As evidenced by quality managers, the matrix shows if trust is characterised by risk willingness, low prediction, cognitive-affective basis, concern beyond written promises, confidence in aptitude beyond role, opportunities for learning, and high interdependence, then trust offers the opportunity of influence over performance evaluation style.

¹¹⁵ According to the framework by Busco, Riccaboni and Scapens (2006), the creation of ‘expert’ roles reinforces the development of personal trust as well as trust in a systematic logic (that is, socially accepted routines and practices).

It is also noteworthy that managers perceive that trust cannot replace entire performance management systems. At the end of interviews I asked managers whether they thought that trust could replace aspects of performance management. Some managers reflected that trust could substitute for formal perceptions on task initiatives and introduce potential changes to elements of control use.

“Trust is based on how well initiatives are met if you give projects, so it has nothing to do with the target and if they don’t meet it.” (QMY19)

“I think it is important to develop a relationship with subordinates...so it is more than just about targets...if they give me their best shot, at the end of the year I will still look out for them and that is where there is some subjectivity.” (QMX1)

“To a certain degree you can’t find time to keep track of all metrics and that is where the trust comes in to a certain degree...As Pat I won’t be able to see everything and again like I said the trust comes in.” (QMY25)

“Trust is important when you talk about performance evaluation and how you work with people and evaluate them it is, so trust leads to dependability and reliability and some other stuff so it is important...it could add to the overall evaluation of performance. It could serve as beneficial to the person if they prove they are trustworthy.” (QMX8)

As the aforementioned statements reveal, trust development is one way to manage superior expectation through its vital role as an enabler to control. This outlook is supported by Tyler and Stanley (2007, p.339), who state that trust is “not used by banks as an alternative to other control mechanisms. Instead, trust act[s] as a part of control mechanisms to make them more effective and secure...without trust there would be no interaction; “no relationship”.”

On the other hand, sales managers’ interpretations of lower frequency of informal interactions and higher formal monitoring imply superiors may need to coerce subordinates to achieve goals in situations of low trust. Their utilisation of formal interactions (i.e. formal reviews), objective measurement and monetary, standard reward preferences in order to manage performance also reinforce their aspirations toward provision of clarity in outcomes, constraining the value they place on relationship development and trust¹¹⁶. Sales managers perceive objective elements in the performance evaluation process (e.g.

¹¹⁶ Harvey and James (2002, p.305) describes such a relationship: “There is some evidence that extrinsic incentives “crowd out” intrinsic incentives (Frey and Jegen, 2000), suggesting that attempts to foster trust via incentive mechanisms may ultimately undermine trust.”

SMART goals and other guidelines) as providing tangible safety nets to protect against trust infringement. Perceptions of trust are limited to a contractual level.

“If trustworthiness can replace performance management? Hell no! Because the very nature of trust is, trust is intangible. I think you need to have performance management because in there you have evidence. You have SMART, the acronym, specific, measurable, achievable, reliable, and time-based. See that plan right there protects.” (SMY21)

“...that is why you have to have guidelines and processes because you can’t just go out there on blind trust you know. You have to say that I am trusting you, that you know what the policy is, that you know what the guidelines are and that you are operating within them, I trust you to do that, and I trust that you understand.” (SMY16)

“Trust is a factor...but it shouldn’t play too much of a role.” (SMX2)

Therefore, trust is necessary (to differing degrees) for managers. Certainly, trust plays a role in managerial functioning, but this is likely to differ by functional orientation of managers as this present study suggests. To recap, trust can be complementary and additive/reinforcing to formal control (see also Dekker, 2004) as supported by interpretations of sales managers, and it can also be contradictory to formal control and hence substitutive as supported by interpretations of quality managers. Until now, the discussion on the matrix as relates to the data has given very little reference to prior theory. Hence, the purpose from herein is to corroborate the findings and to relate them to existing knowledge. Identifying both consistencies and inconsistencies between findings and existing literature helps explain how this study relates to existing knowledge by confirming, extending, or rejecting it.

Explanations for sales managers’ perspectives include Keeley (1977), who found that supervisors may reduce their uncertainty by emphasizing performance measures such as accounting metrics, which also limit their need for subjective judgment and trust development (cf. Hartmann, 2000, p.475). Some studies (e.g. Malhotra & Munigan, 2002) suggest that formal control may reduce interpersonal trust. Similarly, Bradach and Eccles (1989, p.136) explain contractual trust as based on hierarchical control, contractual enforcement, and emphasis on reputation. Also, reliance on detailed contracts and other formal control elements may control for risks by serving as records of promise-keeping, agreement, and records of specification of actions to be taken by the subordinate and the superior, especially in the event of wrongdoing¹¹⁷. In work relations, it is realistic to state

¹¹⁷ Some managers are very much concerned about the sensitive nature of certain information and in a similar vein maintaining confidentiality. In view of this, the particular evaluation style serves as a (coercive) basis for contractual trust rather than a replacement for trust.

that managers who do not comprehensively display features of trust-based behaviour are not necessarily displaying distrusting behaviour. Contrary to prior studies and theories of dyadic relationships (e.g. principal-agent models, game theorisation, et cetera), a basic level of trust, contractual trust, is likely established at the outset of the superior-subordinate relationship¹¹⁸. As the evidence shows, superior managers who are not as receptive to individual subordinate's ideas or who do not accept greater interdependence, are normally simply displaying trusting behaviour within established systematic boundaries.

Other studies such as Bijlsma and Bunt (2003, p.658), which concluded that monitoring (a formal control mechanism) does not negatively relate to trust, also offers support to a complementary association between trust and control. As I related in Chapter 5, monitoring was often mentioned by managers as relevant to non-micromanagement, and seen as enabling other behaviours such as risk reduction, feedback on performance and appreciation of good work. Woolthius et al (2005, p.7) contend that managerial displays of trust may complement perceived constraints or traditional safeguards, which "can impose a straightjacket constraining the scope for unpredictable actions in relation that one needs to maintain especially when the aim of the relationship is innovation" (also see Nooteboom, 1999). In this study, sales managers' formal performance evaluation style acts as a form of 'straightjacket' that constrains trusting behaviour such as subordinate initiative-taking. Due to heavy reliance on formal performance evaluation style, sales managers do not need to display higher trust or perceive that they do not need to build trust beyond the level of the contract. Therefore, trust at this level is limited and complementary to the particular style.

On the other hand, developments in trusting behaviour involves greater openness, receptiveness to other's ideas (greater opportunities for learning), acceptance of more interdependence, and less need to impose formal control (Woolthius, et al., 2005, p.6; Zand, 1972). Prior research has also shown that an atmosphere of openness and personal friendliness enables problem solving, efficiency, and future planning on both individual and organizational levels without having to specify everything in advance (Six, 2004; Bradach and Eccles, 1989). Quality managers in this present study are willing to invest their time in engagement with subordinates (i.e. forming personal relations over time in the relationship), which enhance their trust level beyond contractual, and can substitute for

¹¹⁸Not only is this supported by researchers such as Meyerson and Weick (1996), but is also supported by managerial viewpoints, which comprised statements such as "I will trust them (the subordinate) initially"; "Trust them to do the job until they prove otherwise."

formal control elements. Madhok (2006) provides sound arguments for greater emphasis on social processes rather than on outcomes in building trust. The dynamics of social relations, in particular trust perceptions may either reinforce or undermine the objectives of the formal control system (Flamholtz, 1976). Also, as a reminder, it was mentioned in Chapter 2 that Zand (1972) relates trust as potentially substitutive to formal control. Through experimentation he shows that trust is based on attitudinal perceptions, which can change over time, and is perhaps moderated by how performance indicators are used. Therefore, Zand (1972) certainly supports the fact that there is a relationship between factors of trust such as time in the relationship and performance evaluation style characteristics. Mills and Ungson (2003) explain empowerment in a decentralised manner of decision-making authority arising from high uncertainty and ambiguity in tasks (such as is the case with quality managers) is an effective way to facilitate trust development in work relations and also to limit traditional control mechanisms of monitoring and contract enforcement.

Importantly, I had previously anticipated a complementary and substitutive relationship, and found this to be the case based on interpretations of the data. Perhaps one of the most notable studies that support this dynamic relationship is Tomkins (2001). Tomkins (2001) argues that trust can be both complementary and substitutive to formal control mechanisms. He further asserts the type of association is dependent on multiple factors including information scope. If one were to investigate this line of argument simply by exploring the information scope characteristic, as previously discussed, sales managers focus more on a narrowly defined information scope (i.e. focus on subordinate sticking to formalized written role duties, and clarity of outcomes through emphasis on financial indicators), which relates to high prediction along with other characteristics of contractual trust in a complementary manner. On the other hand, quality managers focus on a wider information scope (i.e. a wide range of financial and non-financial indicators in a formalized fashion), relates to their perceptions of trust beyond contractual in a substitutive way (features of trust beyond contractual such as knowledge gained from personal relations, low prediction, et cetera, are in conflict with the formal performance evaluation style characteristics).

In comparison with the original matrix, the evidence in this study also suggests that a bi-directional association between trust and performance evaluation style exists. For the most part, prior studies that have investigated both trust and aspects of formal control (from a subordinate perspective) have treated trust in superior as a consequence of formal control

rather than considering control mechanisms as a consequence of trust level, or bi-directionality. Also, similar to previous studies in the management accounting literature, I have attempted to investigate the relationship between a particular evaluative style and trust by pre-supposing simple ‘linear’ or ‘curvilinear’ associations, such as high reliance on accounting information, high participation, and high likelihood of contractual trust (see also Luft and Shields, 2003, 2009). However, as the findings show, the associations between trust and performance evaluation style are more dynamic. Dekker (2004) suggests that the possible explanation for different associations between trust and management accounting and control mechanisms is that the relationships may not be linear (and hence, not always complementary); that different levels of trust (e.g. contractual, beyond contractual) may differentiate between types of control (e.g. outcome-oriented performance evaluation style, process-oriented performance evaluation style)¹¹⁹. Zenger, Lazzarini, and Poppo (2002) also reason that formal and informal institutional mechanisms are deeply intertwined. They contend that the interplay between formal and informal concepts is little understood, and requires exploration into multiple modes of managerial treatment in organisational functioning.

Lastly, Hartmann and Slapnicar (2009) study the relation between trust and formal control of managers in Slovenian banks from subordinates’ perspectives. They proxy for contractibility, (i.e. difference in functional easiness of defining measurable outputs) by distinguishing between front-office managers and back-office managers based on their main responsibilities¹²⁰. Hartmann and Slapnicar (2009, p.6) found high-contractibility jobs (sales function managers) involve low interdependencies and very little effort by managers to clarify goals (a management by exception approach). On the other hand, low-contractibility jobs (quality function managers) involve greater interdependencies, extra effort by superiors to clarify targets and measure performance (see also Hartmann, 2007). Their findings also reveal that managers in less contractible functions are more sensitive to formality as relates to trust formation. Back-office superiors’ efforts to include some explicit numerical standards (e.g. ‘x amount in cost savings’) and some wholly subjective measures (e.g. activities should involve careful use of resources) in measuring performance

¹¹⁹ Even the use of different elements of performance evaluation style or trust can be complementary or substitutive. For instance, Baker et al (1993) provide evidence which illustrates that although objective and subjective performance measures are often treated as substitutes in theory, in reality they often overlap, reinforcing each other in incentive contracts (see also chapter 7).

¹²⁰ They regard differences between function based on managerial job characteristics: front-office managers’ main responsibilities are viewed as involving market transactions (i.e. sales), in comparison to back-office managers’ main responsibilities as involving internal services (i.e. quality).

targets results in greater likelihood of subordinate trust. Conversely, they conclude that subordinates in front-office functions are unlikely to possess high trustworthiness in superior managers due to the relative contractibility of outputs (i.e. performance outputs are easily measurable in quantitative and objective terms). They state, “This suggests that for the front-office subgroup, formality of performance evaluation does not invoke subordinate’s trust of the superior” (p.11). Clearly these conclusions support the evidence in the present study. The dynamic association between trust and performance evaluation style is dependent on function (task contractibility). Functional group differences between superiors could represent organisational subcultures, in which managers in similar task environments (i.e. with similar degrees of task programmability and contractibility) are likely to impose similar treatments of trust and performance evaluation style on their subordinates.

7.4 Summary Conclusions

This study develops a theory on superior choice. By bringing the two concepts of trust and performance evaluation style together, this chapter enhances our understanding of superior-subordinate relations and managerial use of control system features. Complementary and substitutive associations exist between trust and performance evaluation style. It is also a bi-directional association in which formal control use/ performance evaluation style can influence trust in a complementary fashion, and trust can influence formal control use/ performance evaluation style in a substitutive fashion. These findings are consistent with Tomkins (2001) and several other studies that investigated trust and aspects of control use.

Furthermore, Hartmann (2000) concluded that RAPM studies address important research problems in rich contexts, and therefore, do not manifest quick solutions. Certainly, no quick answers were found during this present research undertaking. The complexity of the research problem entailed careful design and analysis in order to generate ‘rich’ and relevant theory. The alternative linkages between trust and performance evaluation style is captured in a framework (the matrix), which incorporates multiple dimensions of each concept based on the field evidence.

Finally, it is important to note that although the findings of alternative linkages are based on interpretation, they provide a logical basis from consistent coding of categories, properties, and dimensions of each construct. It is important that researchers and practitioners broadly consider the options and trade-offs superiors face in choosing performance measures, assessment, and rewards elements, and their use in the management accounting process. In the future, the development of this model might be used to redefine how academics and practitioners view trust and performance evaluation style (see chapter 8 for future directions). Therefore, the frameworks presented throughout this thesis and especially the final matrix, along with the supporting story development are all theoretically and practically relevant. The next and final chapter develops this line of reasoning, detailing the contributions of this study to knowledge and research methods, as well as implications for future research.

Chapter 8 Conclusions, Contributions, Limitations, and Future Research

8.1 Introduction

The purposes of this study were outlined in Chapter 1. The research purposes were to investigate performance evaluation style, trust, and their association from the perspectives of superior managers in services-based settings. These research purposes were divided into three main questions presented at the end of Chapter 2:

- 1) What is performance evaluation style in the particular research contexts?
- 2) What is trust in the particular research contexts?
- 3) How is trust linked to performance evaluation style?

The answers to these research questions reveal performance evaluation style and trust are context-dependent, multidimensional constructs, and both concepts influence management control. Additionally, in answering the research questions I also address a secondary issue – the need for more theory-generating field research in management accounting.

In this chapter I will discuss how my findings have contributed to my research aims and also to the management accounting and control literature in general. I will do so by first providing a brief summary of the main findings of this study (section 8.2). Next, I will discuss the contributions of this study to theory and empirical research (section 8.3), and identify several limitations of this study and promising directions for future research (section 8.4). This chapter will end with some final comments (section 8.5).

8.2 Summary of main findings

In chapter 2, I identified several research gaps to study of trust and performance evaluation style. Few studies consider:

- Trust or performance evaluation style as multidimensional;
- Relevance of context;
- Perspectives of evaluator / superior manager; and
- Potential association(s) between trust and performance evaluation style.

These gaps presented opportunities for research. I conducted a field study using an innovative research design. Vignette-based interviews with twenty-four middle level superior managers within two multinational subsidiary firms in the financial services industry located in The Bahamas were conducted in order to garner managerial views on ‘sent’ performance evaluation style and trust in superior-subordinate relations. The perspectives were collected and analysed with a view to build theory of association between both concepts.

My investigation began with the development of *a priori* conceptualisations of trust, performance evaluation style, as well as their potential associations based on literature reviews (see Chapter 2). The conceptual frameworks were used as guidance to data collection and analysis. Figure 8.1 highlights the research journey from development of the conceptual frameworks to field evidence.

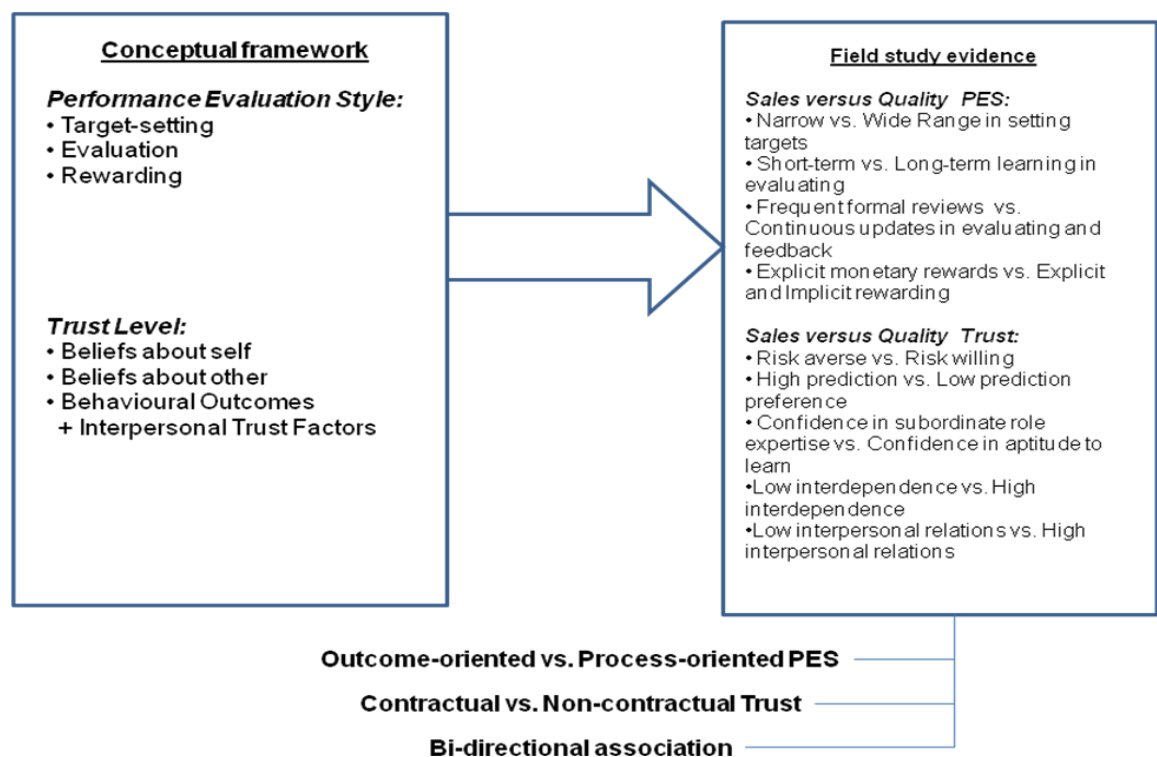


Figure 8-1 Research Process from Conceptualisation to Findings

Figure 8.1 illustrates evaluation style encompasses perceptions of use at three stages (i.e. target-setting, evaluating, and rewarding). The conceptualisation supports investigating the relevance of dimensions at each stage in order to ascertain ‘sent’ performance evaluation style in the field contexts. Figure 8.1 also shows trust perceptions encompass perceptions of beliefs about self, beliefs about other, and behavioural outcomes in the superior-

subordinate relationship. The conceptualisation of trust supports examining the relevance of dimensions of beliefs and behavioural outcomes to ascertain trust in the field contexts.

Hopwood's (1972) management styles for performance evaluation were initially used to distinguish the types of formal control use. The field evidence reveals differences in managerial interpretations to formal control use. Findings relate these differences in style perceptions by functional responsibility of managers. The findings also show that the definition of 'sent' performance evaluation style (initially presented in chapter 2) is theoretically valid. Performance evaluation styles exist along a continuum in between two extremes. In so doing, four key themes seem particularly relevant to distinguishing performance evaluation styles among managers in the field. The four themes include:

1. The extent to which a superior measures and assesses performance of the subordinate based on range of information;
2. The performance focus, which refers to the extent to which a superior uses the performance evaluation as a learning tool to develop the subordinate's future performance or emphasise present outcomes;
3. Frequency of formal reviews which refers to meanings that relate to the behaviour of the superior in performance appraisal and feedback decisions; and,
4. Superior manager behaviour in reward decisions.

Sales function managers in both field sites focus on limited key financial indicators such as the amount of loans in setting subordinate performance targets, frequent formal evaluating, and monetary rewarding. Quality function managers in both field sites generally differ from sales managers' perceptions on formal control use in that they perceive formal control use as involving a wide range of performance indicators, periodic evaluations, mixture of rewards, among other perceptions of use. Based on meanings in the field data, I re-conceptualised performance evaluation styles from Hopwood's definitions typology into two context-specific types: outcome-oriented and process-oriented. Sales function managers' perceptions characterise a more outcome-oriented evaluation style. Quality function managers' perceptions characterise a more process-oriented evaluation style.

The typology by Sako (1992) provided a basis for distinguishing trust levels. The field study evidence relates subtle differences in managerial interpretations of trust by functional responsibility of managers. The findings also show that the definition of trust (initially presented in chapter 2) is theoretically valid. Levels of trust exist along a continuum in between two extremes, and also involve role trust elements and interpersonal elements.

Five key themes which seem particularly relevant to distinguishing trust perceptions among managers in the field are identified. The four themes include:

1. Superior propensity to risk, which refers to the superior's level of willingness to risk or to be vulnerable in trusting subordinates' actions;
2. Superior predictability of behaviour preference, which refers to the extent of need to monitor or predict subordinates behaviour;
3. Superior confidence in subordinate characteristics (such as confidence in subordinate ability to accomplish a task);
4. Superior views on extent of interdependence; and
5. Superior emphasis on interpersonal relations.

Sales function managers perspectives differ from quality managers. They are generally risk averse, have high need for prediction of subordinates' behaviour, low perception of interdependence between individuals (e.g. between superior-subordinate) other than for purposes of performance outcomes, and are confident in subordinates' role expertise in task assignments. These features allude to their role trust. In terms of their interpersonal trust perceptions, sales managers were also adamant about maintaining formality in personal relations with individual subordinates. On the other hand, quality function managers are generally risk willing, have a low need for prediction of subordinates' behaviour, high perception of interdependence between individuals (e.g. more team-oriented), and are confident in subordinates' aptitude to learn rather than subordinates' current expertise. These features allude to their role trust. Quality managers were generally willing to forgo formality in developing interpersonal relations with subordinates. Meanings in the field data enabled re-conceptualisation of trust into two types: contractual and beyond contractual. More precisely, sales function managers' perceptions convey contractual trust, and quality function managers' perceptions convey trust beyond contractual.

Regardless of one formal control system present in each site, managers in similar functional areas of responsibility in both sites appear to give similar interpretations of performance evaluation style and trust. Several other studies (e.g. Creed and Miles, 1996) also suggest managerial perceptions are likely to differ by task contractibility /

responsibility of managers (see Chapter 3 and Chapter 4). These findings suggest context is relevant to investigation of trust and performance evaluation style¹²¹.

Analyses of the data reveal a bi-directional association between trust and performance evaluation style. In so doing, it highlights contributions towards further theory development. Pulling together trust and performance evaluation style into a coherent theoretical approach is important due to recognition of both as potential elements of control. Performance evaluation style is influential to trust and trust is influential to performance evaluation style. On the former association, the (short-term) outcome-based performance evaluation style of superior reinforces contractual trust. This relation implies trust can complement formal control use. For instance, in the field settings, managers in sales functions place emphasis on knowledge gained in the short-term of a relatively objective manner (e.g. reliance on certificates of subordinates) over familiarity gained from direct interactions with subordinates over-time. Factors such as length of the relationship have very little (if any) effect on sales managers' views. Sales managers de-emphasise getting to know subordinates on a personal level, and therefore place limits on informal social relations and emphasis on formality in relations. Moreover, sales managers' trust development is limited due to the emphasis they place on elements of formal control such as short-term outcomes and feedback (single loop learning). Therefore, sales managers' often question innovative suggestions made by subordinates (characteristic of their need for prediction) and heavily monitor subordinates' actions if outside of role duties (characteristic of their propensity to take risk).

There is also the potential for trust to influence the application of formal control. Trust beyond contractual enables subtle changes to management control of individual subordinates. This relation suggests trust can substitute formal control use. Indeed, interpersonal trust factors such as length of the relationship may influence quality managers' views of a subordinate. Managers in quality functions place emphasis on developing familiarity and trust from informal (interpersonal) interactions with subordinates over-time. Quality managers' rely on developing interpersonal relationships with individual subordinates in order to gain knowledge of individual subordinate capacity for initiative-taking outside role duties such as cross-functional learning. Quality managers

¹²¹ The relevance of context to my findings may also explain contradictory results reported in prior studies. For instance, contradictory findings between the seminal papers of Hopwood (1972) and Otley (1978) are likely the result of contextual differences, more precisely, divergent managerial groups. Hopwood utilised managers responsible for cost centres, and Otley utilised profit centre managers.

introduction of unwritten policies such as “laid back Fridays” and “Champions of this” are indicators of trust beyond contractual. Such policies enable more effective control¹²². Subordinates are encouraged to take on initiatives and more direct responsibility for matters outside their normal duties with the introduction of such policies as the “Champions of this” program for instance. Quality function managers’ interpersonal trust perceptions influence their role trust perceptions. Higher trust, i.e. trust beyond contractual may enable a quality function manager to de-emphasise formal control use characteristics (such as periodic formal reviews) in favour of more informal approaches (such as feed-forward controls e.g. informal continuous updates and intrinsic rewards; double-loop learning). In the field settings, quality managers’ do not often question innovative suggestions made by subordinates (characteristic of their low need for prediction), and they monitor subordinates’ actions if outside of role duties in order to offer assistance (characteristic of their propensity to take risk).

8.3 Discussion of contributions

My findings show differences in managerial perceptions of ‘sent’ evaluation style do exist. These differences are not merely based on the use of budgets or extent of reliance on accounting information. If we were to take the traditional view of distinguishing performance evaluation styles based on these dimensions, then all managers would appear to use a budget-constrained performance evaluation style. All managers in both field sites use accounting information (in varying degrees of reliance) and rigidly established targets. Unlike the majority of prior RAPM-related studies, this study relates performance evaluation style to superior manager perceptions on use at three stages - target setting, evaluating, and rewarding of subordinates. My conceptualisation of performance evaluation style as a multi-dimensional construct which can differ by context provides a theoretical contribution to the management accounting literature.

¹²² Kim Langfield-Smith (1997, pps. 208-209) purports, “Informal controls are not consciously designed. They include the unwritten policies... the effectiveness of formal controls may be dependent on the nature of the informal controls that are also in place.”

Trust is a complex concept. This research considers complexity in conceptualisation and operationalisation of trust. Most of the existing literature conceptualises trust as a confidence or belief in the trustworthiness of another (see Chapter 2). This perspective basically relates to the trustor beliefs in the characteristics of the trustee. However, this study relates trust to superior manager perspectives on beliefs about self, beliefs about other, and behavioural outcomes in the superior-subordinate relationship. My findings show that trust is based on beliefs and behaviour, and does differ by context. Moreover, the field evidence provides support for trust in work relations as potentially existing in two layers – role trust and interpersonal trust. Hence, the conceptual refinement of trust as a multidimensional construct (involving beliefs and behaviour) which can differ by context provides a valid contribution to theory.

Moreover, this field study contributes to interdisciplinary perspectives in management accounting research. Ahrens and Chapman (2007, p.302) remark, "...events in the field may best be explained with reference to multiple theories." Chenhall and Langfield-Smith (2007) and Merchant et al (2003) also contend that research should draw on multiple disciplines for ideas and inspiration. Interdisciplinary research is foundational to theory development. Integration of trust and management accounting and control literatures in this study addresses a primary concern for theory development in management accounting (Vagueur and Peiperl, 2000; Noeverman, 2007; Hartmann, 2000). Moreover, few studies exist on the relationship between trust and formal aspects of management control (Hartmann and Slapnicar, 2009). Study of the association between trust and performance evaluation style has implications for management control. Therefore, this study answers calls for broader perspectives of performance evaluation and control – perspectives that consider sociological and psychological factors in determination of managerial choice (Noeverman, 2007; Hartmann, 2000; Noeverman and Koene, 2005; Vagueur and Peiperl, 2000). Trust is treated as a sociological and psychological construct which is relevant to managerial choice of control. Enhancement of theoretical knowledge of performance evaluation style and trust involved investigation of how they are defined by managers in services-based settings, as well as how they possibly relate to each other in the field settings. The development of a theoretical matrix to fit the study findings also provides insight (see chapter 7).

As far as I am aware, this study is the first to investigate the association between trust and performance evaluation style from the perspective of the superior manager. Prior studies have mainly researched lower-level subordinate attitudes and responses to self evaluation

style. For over a decade, researchers have noted the lack of studies which investigate evaluator perspectives on performance evaluation style (see Atkinson, 2004; Atkinson and Butcher, 2003, Hartmann, 2000). Furthermore, field sites in the Bahamas were chosen for accessibility reasons. Conducting research in The Bahamas also answers calls for more research in the management accounting discipline in less developed field contexts. Despite the relatively undeveloped nature of the research, choice of middle-level superior managers in multinational financial subsidiaries situated in the Bahamas provided a rich and novel insight into trust and performance evaluation style. In the field sites, quality managers' control use differs from sales managers, and their trust also differs. Despite a limited number of interviews, the findings are still theoretically relevant, as they suggest that trust may help explain differences in control use by managers operating within the same or similar settings. Hence, this study demonstrates that performance evaluation style can be usefully re-analysed in consideration of the role of trust to management control.

Moreover, parallels exist between my study, and other theories / management control. More precisely, my general theoretical conclusions may relate to Simons (1995) levers of control¹²³, Adler and Borys (1996), Tomkins (2001), and Broadbent and Laughlin (2009). The relevance of Simons' framework to the organisational contexts of the field sites in this study was briefly discussed in Chapter 4 (section 4.4). In terms of mapping the current findings to Simons (1995) levers of control, performance evaluation style can be an instrument of boundary or diagnostic control (e.g. a style that focuses on keeping to standards and rules via monitoring) and a particular level of trust (such as trust beyond contractual) can be an instrument of interactive control in that it encourages learning and initiative-taking¹²⁴. Adler and Borys (1996) (see also Ahrens and Chapman, 2004) proposed two alternative formal workflow arrangements: enabling and coercive. My study findings also imply alternative work arrangements. Sales function managers' formal control use appears coercive, likely limiting trust development and reinforcing contractual trust (Deutsch, 1973). On the other hand, it is apparent that quality function managers' trust beyond contractual has the potential to enable more informal uses of management

¹²³ Hartmann (2000, p.474) considers Simons'(1995) control framework may also support understanding of the multiple roles for accounting information and budgets.

¹²⁴ Epstein and Manzoni (2002) argue for a new model of management control that incorporates performance measurement based on values (beliefs) and benchmarks as well as an interactive control (learning) process that should involve trust, communication and involvement between subordinates and superiors. Chenhall (2003, p.138) also states, "It would be useful to examine how contemporary, interactive information systems can provide a blend of tight controls with the opportunity to source more open, informal and subjective information."

control. Similarly, Tomkins (2001) introduced a theoretical framework on the relationship between trust and information needs of various structures, which supports my general conclusions. Tomkins' (2001) framework suggests all relationships depend on at least a minimum level of trust, and notes that in the initial periods of a relationship trust and (accounting) information are additively (positively) related, while they become substitutes in later stages. This conceptualisation supports my general conclusions of a complementary and a substitutive relationship between trust and formal control, the type of association depending on various factors including managerial perceptions on the period of a relationship, and that trust is vital to consider in management control system design¹²⁵. Also, the study by Broadbent and Laughlin (2009) sheds light on my general conclusions. Broadbent and Laughlin (2009) develop a 'middle range' model of Performance Management Systems in which they regard alternative forms: 'transactional' and 'relational' that are guided by contextual factors. A relational PMS is driven by a communicative rationality, normally characterised by engagement, building consensus between stakeholders, acceptance of quantitative factors but likelihood of qualitative indicators, and participation in target-setting. A transactional PMS is driven by instrumental rationality, which is characterised by specific outcomes, formalisation, and quantitative indicators. Clearly, the 'relational' PMS has similarities to the situation in which quality function managers use a mixture of relational elements (i.e. trust beyond contractual) and process-oriented evaluation style; and the 'transactional' PMS has similarities to the situation in which sales function managers use an outcome-oriented performance evaluation style and contractual trust.

The study findings imply there is potential for a particular combination of trust and evaluation style to bring about changes within organisations. Simons (2010) posits that theoretical developments could contribute to enhancements in Management Control Systems design and implementation, providing greater insights into 'best practices'. On a practical standpoint, my findings demonstrate it might be worthwhile for organisations and even subunits within the same organisation to perform tailored approaches to management control system design. The best fit for management control is likely to incorporate formal approaches in addition to some informal social mechanisms such as trust. As an example of the benefit of incorporating trust into Management Control Systems design, Bromiley and Cummings (1992) point to the production of increased efficiencies when hierarchical

¹²⁵ Tomkins (2001, p.166) states, "It might not be too extreme to argue that information and accounting system designers should always commence the design of their systems by considering carefully and explicitly what and who can...be trusted."

relationships are designed to promote reliance on trust. Firms can retain accounting / budgetary control but modify its application or reduce its importance in certain situations (Hansen et al, 2003).

Moreover, managers cannot directly choose their subordinates' beliefs and behaviour, but superior managers can choose their specific details of practice / behaviour that will in turn influence subordinate beliefs and behaviour. Managers in both field sites were conscious of the need to sometimes tailor their management control approaches to different subordinate personalities (see Chapter 4). Therefore, companies will likely benefit from providing employees in supervisory posts with cross-discipline expertise so that they can more effectively manage and understand motives of subordinates in performance management and control. Knowledge of human resources management, psychology, and related social sciences will undoubtedly help managers to better handle personnel issues, and enable them to place greater emphasis on employee learning and development, and hence, shift focus from just bottom-line results to a learning organisation. It is possible that organisations can align the expectations of superiors and subordinates through intentionally introducing more trust building mechanisms into its management control system. Social mechanisms embedded in control design may give managers more latitude to allow subordinates' initiative-taking, autonomy and other forms of relational signalling. These signals help build trust.

The methodology and method of data collection applied are original and innovative. Middle provides justification for my approach to data collection and analysis. It provides justification for my research process from reviews of the literature to develop partial understanding, to my research instrument that embedded categories, properties, and dimensions of each concept identified from the literature, to adopting a qualitative field-based approach to data collection, discourse (thematic) analysis, and utilisation of the literature in order to make any amendments to the research instrument and/or aid with interpretations. Chenhall (2003) and other studies purport that field studies conducted within organisations enable the conceptualisation and measurement of evaluation style in ways that are relevant, meaningful and valid to the particular context. The vignette-based field interviews comprised a series of hypothetical scenarios and probing questions in a semi-structured format. The vignettes and probing questions were developed directly from initial theoretical frameworks of trust and performance evaluation style as well as preliminary (pilot) interviews. The use of vignettes and probing questions enabled distinguishing subtleties in the research phenomena, eliciting meanings from the

interviewees. Although hypothetical, vignettes are effective tools for conducting research into sensitive topics (such as trust). Respondent managers were all able to associate with the role of the superior manager and to provide structured insight which closely maps reality. This is a key strength as it enabled comparisons across respondents (see Chapter 3). Reality of scenarios also aids credibility. Interviewees identified with the characters and situations. Certainly, the research approach provides a novel contribution to management accounting research. This study opens the door for future studies to examine issues in management accounting using qualitative approaches. However, this study was not without limitations. Therefore, section 8.4 discusses several limitations of the study and directions for future research.

8.4 Limitations and Directions for Future Research

Firstly, the constraints of interview time in some instances restricted what aspects of trust or performance evaluation style could be discussed. Despite this, data gathered in each interview was of sufficient depth to make sense of each interviewee's viewpoints on elements of trust and performance evaluation style by category. For instance, hypothetical scenario 3, which deals with rewarding in the performance evaluation process, might have been bypassed in a particular interview because interview perspectives on rewarding were likely to have been addressed earlier in the interviews.

The presence of other trust forms, in particular institutional trust might have relevance to my research. However, research into this trust form was beyond the scope of this study. Institutional trust especially focuses on organizational commitment behaviour. Interestingly, one common view shared among managers is that part of the superior and subordinate managers' responsibility is to manage the culture of the organization so that people are comfortable with working within the organization. Future research may benefit from investigating institutional trust as a precondition to role trust and interpersonal trust. Also, the introduction of more team-based structures influences the approaches managers take to performance management and control. Meyerson and Weick (1996) investigate the role of trust in organisational designs. They observe that organisations are moving away from formal hierarchical structures to more flexible and temporary groups in which a person's conduct of behaviour is trusting from the start of the transient interactions. They term this trust as 'swift trust'. Future research can explore 'trust' and formal management

control approaches in relationships other than hierarchical superior-subordinate relations, such as in temporary team-based and project-based arrangements. On this note, data was collected from the perspective of superior managers at one level within the field sites. This could be extended to include evaluator (superior) and evaluated (subordinate) perspectives. Future studies may also investigate perceptions across multiple organisational levels (i.e. from top-level to front-line staff).

Future research could also benefit from investigating trust at different stages in relationships. The study of Meyerson and Weick (1996) also maintain that trust must be studied at different stages in order to transform trust from initial 'swift' trust to a higher level of trust, which takes time to build. Vignette-based interviews at a single point in time were sufficient for the current research purposes. However, future research could investigate changes in trust over several time periods in a field environment using a longitudinal approach (Lewicki and Bunker, 1996). In addition, although my study findings suggest 'weak' causal relations between trust and performance evaluation style, it was not the purpose of this study to determine the strength of relations. It is also possible that the identified components of performance evaluation style and those of trust may be mutually reinforcing. For instance, in terms of the propensity to risk in trusting a subordinate, the perceived risk and need for information may affect or be affected by the superior's perception of reliability, ability, and concern exhibited by the subordinate (Mayer et al., 1995; Johansson and Baldvinsdottir, 2003, p.222). Future research could provide stronger evidence of variable covariance. Again, longitudinal analysis can be used to examine cause-and-effect between variables over time, or more positivist forms of data collection and analysis such as predictive modelling (e.g. structural equation) could be used to test statistical correlations.

The use of a relatively small sample of managers at the middle level in each organisation is unlikely to represent the general population of a particular group studied. The views expressed by mid-level managers in a particular organisation do not necessarily represent the views of all ranks of managers and employees in that organisation, nor do mid-level managers' perceptions necessarily represent those of all mid-level managers in any organisation. Nonetheless, researchers have found that undertaking organizational research at the middle, boundary-spanning level, actually presents more insight into aspects of control and behaviours between lower and higher echelons, and are therefore likely more representative of views among employees in similar organisations (Creed and Miles, 1996; Lewicki and Bunker, 1996). However, regardless of any arguments in favour

of or against ‘sample representativeness’ the social constructivist nature of the research merits analytical interpretation rather than statistical generalisation. A small sample size is appropriate for generating rich evidence which is necessary for analytic interpretation.

I also found it useful to incorporate a typology of trust (and a typology of performance evaluation style) in my study. In spite of this, trust research has been criticised for tendency to under-generalise through high specificity and unnecessary partitioning of trust and its origins into separate sub-types. On the other hand, studies such as Seligman (1997) explain that trust is a modern phenomenon and cannot be generalised into one type for all forms of social organisation. The latter outlook supports my partitioning of trust into potentially different types and my treatment of trust as a context-dependent construct. Moreover, very little research exists that examines and compares multiple dimensions of trust or performance evaluation style (Dirks and Ferrin, 2002). The incorporation of multiple dimensions in my research is an attempt to move beyond the conceptualisations and research approaches of earlier studies with the knowledge that key characteristics (or themes) that distinguish levels of trust and different performance evaluation style types in this present study may not transfer to other research settings¹²⁶. Without undertaking further empirical research, it would remain unclear exactly how these present findings relate to other research contexts. Nonetheless, the conceptual frameworks incorporate an array of dimensions, which I believe are broad enough to examine trust levels and styles in multiple contexts. Therefore, the refined frameworks can be used to guide future research. It is important to note here that my findings show that future research could benefit from the study of trust and performance evaluation style as context-specific, multidimensional constructs. In particular, the definitions of trust and performance evaluation style in this thesis lend themselves to study of each as multi-dimensional constructs based on perceptions in context. As a reminder, trust as defined in this study is the degree of confidence a superior manager has as expressed in beliefs about self (trustor) and beliefs about other (trustee), and as manifested in behavioural outcomes. Performance evaluation style is defined as the use of different types of information, as well as the different ways of information use by supervisors. This definition regards evaluation style as characteristic of superiors (their attitudes / preferences) as well as interpretations of technical system design; interpretations resulting from the three different but related stages of information usage – target setting/measurement emphasis, evaluating, and rewarding, which might

¹²⁶ Transferability of empirical findings may be best suited to similar contexts (e.g. middle-level managers in business services industries where business is conducted in similar ways to the field sites). See Appendix 4 for further detail on transferability of this research and other evaluative criteria.

align with policies, practices, and procedures or deviations from these in the organisational context; and which may also be applied differently to individual subordinates in particular instances. In addition, future research should recognise that trust in the workplace is likely to involve a professional layer and a more personal layer, namely role trust and interpersonal trust.

Future research could also utilise vignette-based interviews. Whilst still quite rare in business-related studies, my research underscores that the vignette technique can usefully be applied. Vignette-based interviews offer a number of advantages. In this present study, the approach afforded me the ability to grasp subtle differences in managerial perceptions on trust and performance evaluation style. Another advantage is that vignette scenarios are often tailored to the particular context of study. In this study, the scenarios provide realistic managerial work situations. For instance, the introduction of hypothetical scenarios around a task initiative (scenarios 4 and 5) represents a typical management control context in a business (i.e. service-based) setting. Vignette-based interviews can be easily replicated as a method to extract meanings, and then compare findings with existing theory and existing empirical evidence (see Chapter 3 for list of benefits).

The field sites in this study have very similar organisational structures, size, strategies (e.g. use of technologies), and operate in the same external environment in the same country. Due to these similarities one would expect the same formal control use perceptions among managers. However, my study findings demonstrate that subtle differences exist among managers. Functional differences can explain these subtle differences. One conclusion is that individual approaches to management control are dependent on situational demands of different roles. It is important therefore that future studies recognise function as a potential explanatory factor in MCS design and implementation. Functional group differences between managers are likely to represent organisational subcultures¹²⁷ or different types of structures within the organisations, in which managers in similar task environments (i.e. with similar degrees of task programmability, task contractibility) are likely to impose similar treatments of trust and performance evaluation style on their subordinates. Broadbent and Laughlin (2009, p. 290) support this by stating, “Context, in broad terms,

¹²⁷ Ferreira and Otley (2006) do not include culture in their extended framework on the design and use of management control systems. They state, “culture, a notable contextual variable, pervades the entire control system influencing choices and behaviours of individuals...But, for the moment, we have not included (these) factors as we view them more as contingent variables that might explain why certain patterns of control are more or less effective, rather than characteristics of control system” (Ferreira and Otley, 2006, p.36).

refers to the nature of the organisation or the part of the organisation which the PMS is attempting to control.”

Lastly, in section 8.2 I discussed the potential for my study findings to support understanding on alternative uses of management control. Future research could make more explicit attempts at mapping different combinations of trust and evaluation style characteristics for certain managerial functions bearing in mind Simons (1995) levers of control and other control frameworks. Notably, study of the balanced scorecard framework in particular contexts is still a relevant area for future research. Hartmann (2000) purported that research in management accounting could explore the usefulness of balanced scorecards - whether balanced scorecards improve organisational control (see also Atkinson, 1997). Studies have merely scratched the surface of understanding on the usefulness of balanced scorecards. Prior studies (e.g. Ittner et al., 2003) show that balanced scorecards can potentially introduce greater subjectivity into the evaluation process. Balanced scorecards (BSCs) are a fundamental part of the integrative performance management systems in both field sites in my study, and my study findings suggest subjectivity in measures is associated with particular use of performance evaluation style and trust.

8.5 Final comments

Research has demonstrated that formal control and trusting relationships are critical to organizational performance. Yet, prior studies have done little to identify the specific details of practice or to examine the alternative combinations of trust and performance evaluation style from the perspective of the superior manager. This present study addresses the alternative associations of trust and performance evaluation style through investigating details of managerial control choice from superior manager perspectives in the field. My study suggests that performance evaluation style can influence trust and trust also has the potential to influence performance evaluation style (use of control elements in the performance management system). This provides support for theoretical enrichment of the role of trust to management control and indeed to other theories (e.g. it underscores the work of human relations theorists such as McGregor, 1967, who note the importance of supervisor trust in subordinates). Figure 8.2, a diagrammatic schema of performance management and control, incorporates trust at the outer boundary.

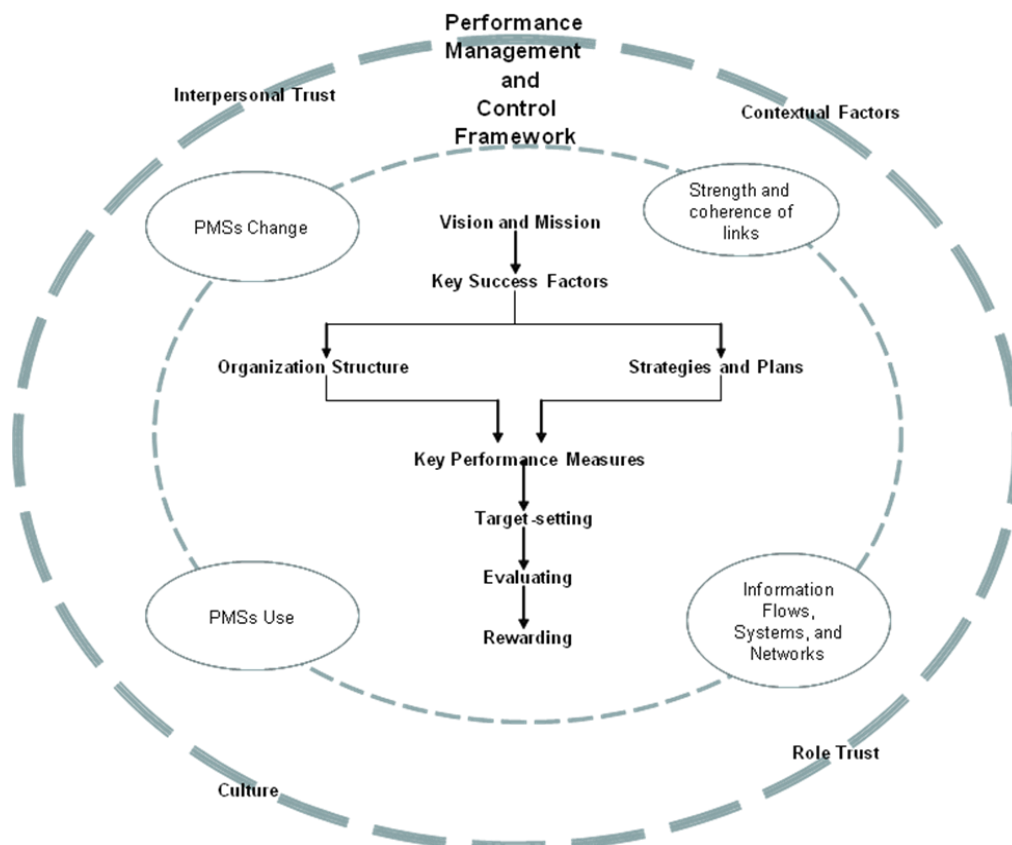


Figure 8-2 Revised Performance Management & Control Framework (adapted from Ferreira and Otley, 2009)

‘Role trust’ and ‘interpersonal trust’ at the outer boundary of the framework represents the fundamental importance of trust in personal and professional bases (layers) to management

control. 'Contextual factors' has also been added to the outer boundary of the schema (figure 8.2). Recent studies contend research in management accounting must consider context. This study suggests that the functional area of responsibility (i.e. task contractibility) of managers is one contextual variable that can help explain differences in managerial perceptions of trust and performance evaluation style.

To end, in Chapter 1 I suggested that Hartmann (2000) and Briers and Hirst (1990) provided useful critiques of the RAPM literature. Both studies identify opportunities for future research including the opportunity to develop theory-relevant research that considers the complexity of the relationship between formal control use and various elements of management control. Examination of self performance evaluation style, trust, and their association by means of vignette-based interviews within field study contexts reflects such complexity. The study findings provide sufficient reasons for examining 'accounting' information use in its social and organisational context, and also for establishing an interdisciplinary research agenda which should generate useful theory on management accounting and control.

Appendices

Appendix 1

The following table (table A1.1) presents a summary of the primary theoretical and empirical journal articles highlighted in the literature review that address aspects of performance evaluation style and trust.

Table A1.1: Primary sources of literature

1. Studies that address aspects of performance evaluation style			
Article	Journal*	Type of study	Features relevant to thesis
Briers and Hirst (1990)	AOS	Critical review	- Multidimensionality of information use
Hartmann (2000)	AOS	Critical review	- Multidimensionality of RAPM
Chenhall (2003)	AOS	Contingency-based perspectives	- Past, present, future trends - Process characteristics differ by context
Ferreira and Otley (2009)	MAR	Analytical field study	- Objectivity in evaluating - Reward types
Merchant and Otley (2007)	HMAR	Critical review	- Evaluating and Reward types
Kaplan & Norton (1996)	HBR	Theoretical	- Balanced scorecard metrics e.g. past, present, future indicators
Hakansson and Lind (2004)	AOS	Case study	- Financial to non-financial
Shields and Young (1993)	JMAR	Empirical survey	- Participation in Budgeting
Chenhall and Morris (1986)	TAR	Empirical study	- Tolerance for ambiguity - Broad scope information
Merchant (1984)	AOS	Contingency-based perspective	- Frequency of assessments - Sub-unit perspectives
Moers (2005)	AOS	Field study	- Leniency in process - Subjectivity in performance measures
Hopwood (1972)	JAR	Mixed method empirical study	- Management styles in two-dimensional framework: budget-constrained, profit-conscious, non-accounting
2. Studies that address aspects of trust			
Article	Journal*	Type of study	Features relevant to thesis
McAllister (1995)	AMJ	Empirical study	- Reliability, ability, competence
Mayer, Davis, and Schoorman (1995)	AMR	Theoretical	- Risk taking in the relationship - Beliefs about other
Sako (1992)	N/A	Empirical survey	- Trust framework – contractual, competence, goodwill - Prediction of behaviour
Das and Teng (2004)	JBP	Empirical study	- Propensity to take risk in trusting
Lewis and Weigert (1985)	SF	Theoretical	- Basis of trust relationship (cognitive to

			affective)
Gillespie (2003)	JAP	Mixed method empirical study	- Interdependence - Multidimensionality of trust
Dirks and Ferrin (2002)	JAP	Meta-analytic study	- Dual layers of trust
Creed and Miles (1996)	N/A	Theoretical	- Trust in context
Gabarro (1978)	N/A	Case studies	- Role and interpersonal trust
3. Studies that address aspects of performance evaluation style and trust			
Article	Journal*	Type of study	Features relevant to thesis
Hartmann and Slapnicar (2009)	AOS	Empirical survey	- Multidimensionality in subordinate trust and performance evaluation style - Association between process characteristics and trust based on task contractibility
Tomkins (2001)	AOS	Theoretical	- Complementary and substitutive associations
Mayer and Gavin (2005)	AMJ	Empirical survey	- Trust at different levels in different circumstances interacts with style elements
Woolthius, Hillebrand, and Nooteboom (2005)	OS	Longitudinal case study	- Trust and formal control can influence each other
Whitley (1999)	AOS	Theoretical	- Interactions between control elements and trust in context

*AOS=Accounting, Organizations, and Society; TAR=The Accounting Review; BRA=Behavioural Research in Accounting; JAR=Journal of Accounting Research; JMAR=Journal of Management Accounting Research; MAR=Management Accounting Research; HMAR=Handbook of Management Accounting Research; AMR=Academy of Management Review; AMJ=Academy of Management Journal; HBR=Harvard Business Review; JAP=Journal of Applied Psychology; OS=Organisation Studies; JBP=Journal of Business and Psychology; SF=Social Forces; N/A=Not applicable (most likely another medium e.g. book)

Appendix 1 (Section B): Features of Performance Evaluation Style and Trust (expanded)

I have given due consideration to validity and reliability of Hopwood's styles. This includes consideration of subsequent critiques and potential use of other taxonomies for encapsulating evaluation processes. In brief, the majority of the MA literature relate to general control process alternatives. In particular, Ouchi's (1979) market, bureaucracy, and clan controls, and Merchant (1989) presents alternative taxonomies of Management Accounting process. However, my research deviates from study on general control / general management accounting processes to specific study on managerial performance evaluation style, and therefore, Hopwood's styles were

considered most appropriate at encapsulating this process. If I were to consider using Ouchi (1979) or Merchant's (1989) control framework instead of Hopwood's (1972) typology of management styles for performance evaluation, I would recognise that they have similar components to that of Hopwood (1972). I suggested Ouchi (1979) as rather a good basis for identification of the form of MCS present in the field sites overall (see section 4.4 and table 4.3 on page 144 of chapter 4). Moreover, Langfield-Smith (1997) and other studies recognise the overlap between Merchant's (1989) controls and elements of performance evaluation styles:

"Empirical research that studies management control system and strategy has focused primarily on formal controls. These include output or results controls which are of a feedback nature, and often financially oriented. They include controls that aim to ensure that specific outcomes will be achieved and involve monitoring, measuring and taking corrective actions. Controls that focus on feedforward control (ex-anti controls) include administrative controls (standard operating procedures and rules), personnel controls (human resource management policies) and behavior controls (the ongoing monitoring of activities and decisions)..." (Langfield-Smith, 1997, p.208)

Merchant (1989) and subsequently Merchant and Van der Stede (2007) presents a comprehensive framework for understanding ways controls influence behaviour in organisations. However, as briefly discussed in Chapter 2, Hopwood (1972, 1973) was among the first authors to extensively research into the ways managers use information to influence behaviour. Hopwood (1972) characterised supervisory style in terms of the extent and manner of budget use in performance evaluation¹²⁸, and distinguished between three styles: a budget-constrained style, profit-conscious style, and a non-accounting style. A budget constrained style is traditionally accounting focused (e.g. budgets, sales forecasts, profit plans), involving mainly quantitative, short-term criteria. Profit-conscious and non-accounting styles were conceptualised as involving longer-term criteria, the former comprising a mix of quantitative and qualitative features, the latter focusing on qualitative aspects.

Despite the mass of studies using Hopwood (1972) as a basis, the concept of formal control 'use' has still not been well developed and there have been criticisms surrounding Hopwood's styles (e.g. Kahn, 1972). Two such critical limitations mentioned are dimensional scope as well as contradictions among replication studies (see also Chapter 2). Much of the prior literature focuses on single dimension use

¹²⁸ In fact, for the past three decades, numerous researchers have continued to use Hopwood's three styles, their original definitions and one or two of the distinguishing features: time span, degree of emphasis on accounting data, and/or extent of use in a rigid fashion (i.e. manner of information use).

features at one particular stage of the performance evaluation process (e.g. rigid versus flexible use in setting targets as per Hopwood, 1972; see also Ferreira and Otley, 2009). Scholars have questioned the effectiveness of such approaches, as they agree one-dimensional perspectives present a narrow research focus and leads to biased interpretations of evaluation style. For instance, Briers and Hirst (1990) provide a critical review of studies on performance evaluation style, and conclude that “*supervisory style is not a unidimensional variable. Styles differ in terms of time horizons as well as the extent and manner of budget use in performance evaluation. Moreover, differences in the manner of budget use can be distinguished*” (p.395). In short, Briers and Hirst criticise studies for not exploring the variety of ways in which managers use budgets, other accounting, and non-accounting information¹²⁹ (see also Hartmann, 2000 for a critical review; Hansen et al, 2003).

However, if I were to utilise an alternative taxonomy of control such as provided by Merchant (1989) I am likely to find that on its own it is insupportable for specific study of ‘sent’ performance evaluation style, although characteristics of each type of control relates to the design of management control systems. Table A1.2, directly below, illustrates each of Merchant’s controls and their characteristics.

Table A1.2 Table of Merchant's controls framework

Results controls	<p>Indirect form of control that does not focus explicitly on employee actions, but encourages employees to produce desired results e.g. promise of high rewards for good performers / pay for performance.</p> <p>Conditions necessary for effectiveness of results controls include knowledge of desired results and ability to affect the desired results.</p> <p>Often supplemented by action and personnel/cultural controls.</p>
Action controls	<p>Involves ensuring employees perform certain actions known to be beneficial to the organisation.</p> <p>Can include four basic forms: behavioural constraints (e.g. restriction of decision-making authority / separation of duties; computer passwords), preaction reviews (e.g. budget expenditure approvals), action accountability (e.g. professional judgement; prespecified policies linked to expectations of rewards and punishment such as internal audits), and redundancy (e.g. assigning more employees to a task than is necessary).</p>

¹²⁹ Also, Noeverman and Koene (2005, p.4) note that in the majority of the RAPM literature, the concept of evaluation style has become narrowly focused on one dimension – normally the extent to which a superior uses budgetary information to evaluate subordinate managers’ performance. They contend that performance evaluation style has to be recognised as more complex in which a superior manager may use broader scope of information depending on patterns of behaviour and attitudes. Similarly, the unpublished working paper, Gelderman (1998) perceives the differences between dimensions of styles used in the literature as unrealistically simple; mainly treated as existing along two main dimensions – extent of reliance on accounting measures and extent of rigidity in use.

Personnel controls	<p>Adaptable control.</p> <p>The purpose of personnel controls are to: clarify expectations, ensure each employee is able to do a good job via necessary capabilities and resources, and increase likelihood of engagement in self-monitoring (i.e. self-control, intrinsic motivation, and trust).</p> <p>Three methods of implementing personnel controls are: selection and placement of employees; training; and job design and provision of resources necessary.</p>
Cultural controls	<p>Adaptable control.</p> <p>Designed to encourage mutual monitoring. A powerful form of group pressure on individuals who deviate from norms and values of the group.</p> <p>Most effective in situations where group (e.g. organisational) members have emotional ties to each other.</p> <p>Means of effecting cultural controls include: establishing codes of conduct; group based rewards; intraorganisational transfers or employee rotations (to improve socialisation of employees throughout the organisation); physical arrangements (e.g. dress codes, office plans); and tone at the top (statements and behaviour of management should be consistent to culture they want to establish).</p>

Source: Merchant and Van der Stede (2007)

Chapter 2 and Chapter 3 relate redefinition of performance evaluation style in view of the shortcomings recognised in the literature, such that I develop a multidimensional conceptual framework of potential styles, and a research design that supports the context-specificity of style. Therefore, despite the criticisms and alternative taxonomies of management accounting practice, Hopwood's styles were considered most appropriate as a starting point to research performance evaluation style in this present study.

Prior conceptualizations of trust can involve inter-organisational (Aulakh et al., 1996); interpersonal (e.g. Lane, 1998); intergroup (Zander and Kogut, 1995); or organisational approaches (Bradach and Eccles, 1989; Gambetta, 1988; Hosmer, 1995). Previous literature focused mainly on inter-organisational (i.e., between organisations) perspectives such as buyer-supplier relationships (*see* Sako, 1998). Interpersonal trust and inter-organisational trust are seen as separate constructs (Zaheer, McEvily, and Perrone, 1998). Nonetheless, a certain amount of trust is needed in both circumstances for cooperation to develop (Blomqvist, 2002). Therefore, studies identified in this review are not limited to those that focus solely on interpersonal trust. In order to illustrate the diversity of definitions (extent of similarity and disparity) in the extant literature, as well as the immense difficulty in conceptualising and operationalising trust in this present research, a 'webs of trust' diagram was developed. Due to word limits, this thesis does not detail every study

identified in the 'webs of trust' diagram. However, this does not subtract from the usefulness of the 'webs of trust' depiction as it draws attention to features of trust that form the basis for categories, properties, and associated dimensions to be investigated in this present study. The broken lines represent indirect links between concepts (e.g. from one study to another), and the full lines show direct links (e.g. concepts of trust within the same study).

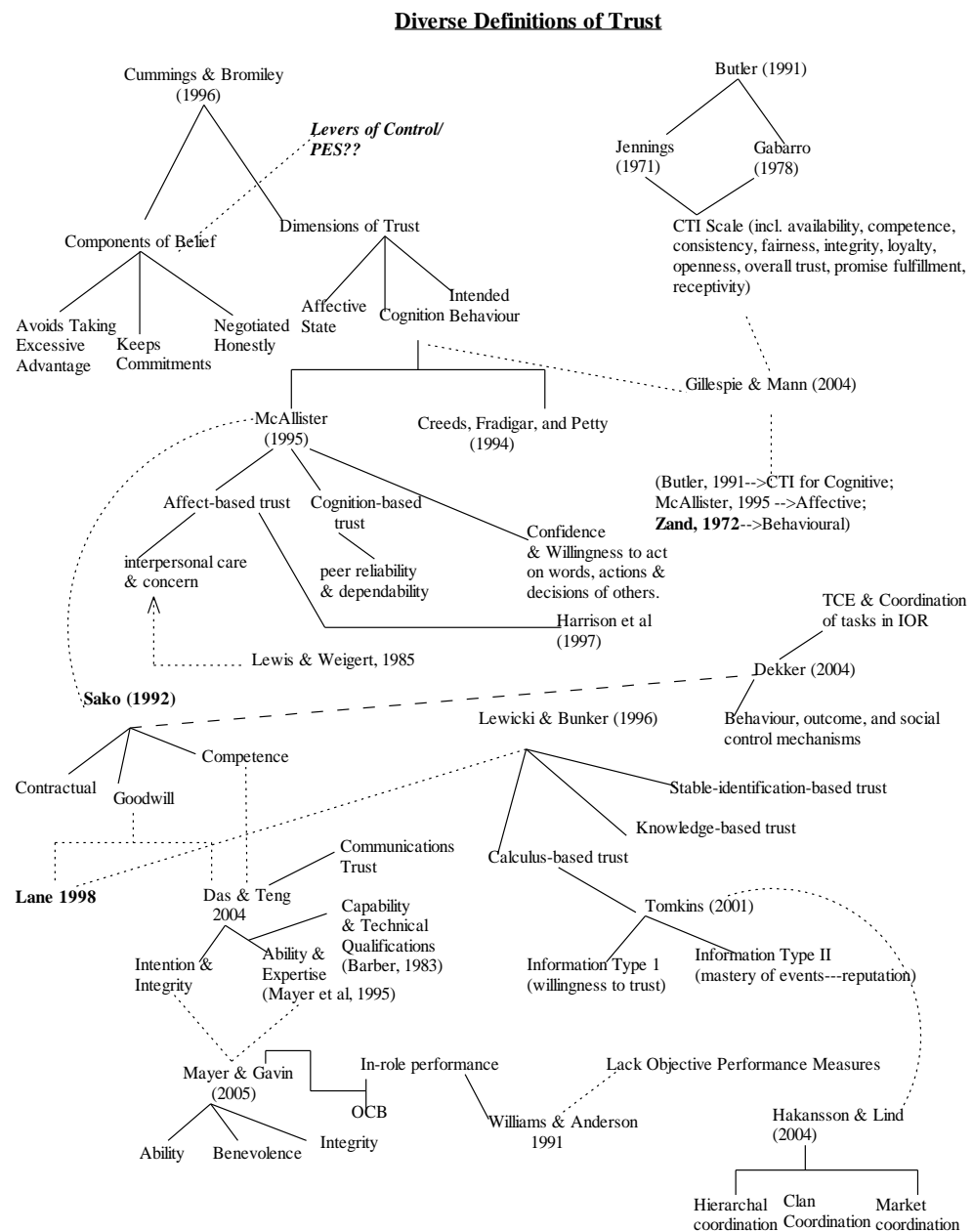


Figure A1.1 'Webs of Trust' diagram

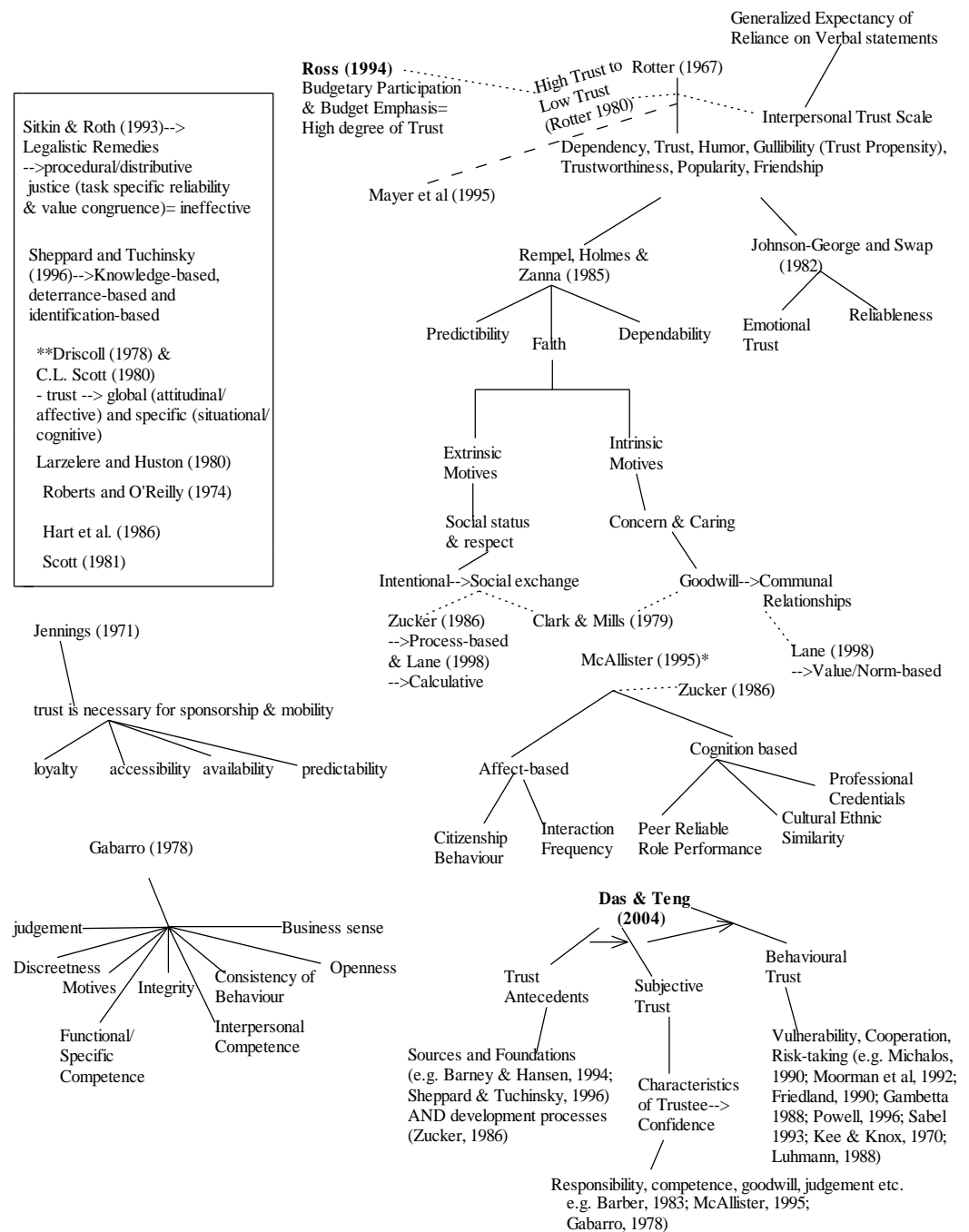


Figure A1.1 'Webs of Trust' diagram (cont'd)

The literature review and 'webs' of trust reveal common themes. Fundamentally, trust is both behaviour and expectation of a belief (Shoda, Mischel, & Wright, 1994; Cummings and Bromiley, 1996, p.302; Tomkins, 2001). Trust is also revealed as involving confidence and positive expectations [about another's integrity/reliability, ability e.g. technical competence, concern/benevolence and interests] (Luhmann, 1979), entails an element of risk or propensity to risk (Gambetta, 1988) and beliefs without full information or without full predictability of reciprocal behaviour (Tomkins, 2001), as well as based on beliefs of affect or cognition in the relationship (e.g. McCauley and Kuhnert, 1992; Costigan et al, 1998; Zucker, 1986; McAllister,

1995; Gillespie and Mann, 2004), and manifestations of those beliefs in behaviour / actions such as cooperation (Luhmann, 1988). Hence, these themes form the basis of the conceptual definition of trust and conceptual framework in this present study.

Blomqvist et al. (2002) investigate the diverse conceptualizations and approaches to the study of trust, which they note depends largely upon the type of relationship explored, the chosen context for the study, and theoretical background(s) adopted by researchers (see also Hardy and McGrath, 1989). The focus of this thesis is on trust in vertical relationships, that is, dyadic trust between the supervisor and subordinate. Therefore, several studies on trust in the context of business / work relationships are discussed in greater detail herein. Trust is an important theme in many areas of research. A variety of alternative conceptualisations and operationalisations of trust exist. A review of the classifications of trust found in the literature attempts to provide a useful criterion for distinguishing levels of trust. Firstly, McCauley and Kuhnert (1992) prescribe trust in the workplace as a multidimensional construct consisting of lateral and vertical elements in which trust reflects managerial experiences. Costigan et al. (1998) examine two popular dimensions of trust as belief, cognitive-based trust and affect-based trust (see also McAllister, 1995; Lewis and Weigert, 1985; Tyler and Stanley, 2007). In so doing, the study evaluates the relationship between the dyadic trust dimensions and three workplace behaviours (i.e. risk-taking, motivation, and assertiveness) from the perspective of the subordinate. McAllister (1995) goes a step further than both McCauley and Kuhnert (1992) and Costigan et al (1998) by evaluating affect- and cognition-based trust through empirical testing of intra-organisational (i.e., within organisation) relationships between individuals. More specifically, McAllister focuses on understanding the nature and functioning of interpersonal relationships among peer managers from various industries, distinguishing factors which influence the development of trust, and identifying connotations for behaviour (e.g. coordination and monitoring) and performance. Propositions were tested with data from a sample of 194 managers and professionals in various industries, as well as across different functions using structural equation modelling and factor analysis. Although, his theoretical model only presents a limited explanation for the structural relationships among the variables studied, the results indicate that affect- and cognition-based trust are related but distinct concepts, and play different roles in affecting interpersonal cooperation and other organisational processes. Manager affect-based trust was

positively correlated with managerial need to monitor performance. Overall, the findings derived from his study shows that trust in (interpersonal) work relations clearly matter. Another important and recent theoretical paper in the organisational trust area is that of Das and Teng (2004). Their study presents three distinct categories of trust. Trust is proposed as a perception (subjective trust), as involving personal and situational traits that lead to subjective trust (trust antecedents), and as actions that are a consequence of trust (behavioural trust). They also identify risk (i.e. risk propensity) as a component of subjective trust and risk-taking as related to behavioural trust. In addition, performance risk is equivalent to competence trust and relational risk is identical to goodwill trust.

Earlier studies provide similar multidimensional (and in some cases, evolving) conceptualisations of trust. Lane (1998, p.3) notes “trust is a concept with many meanings, but most concepts of personal trust share three common elements,” which she groups into calculative trust (common in agency theory and transaction cost economics, e.g. Axelrod, 1984, Williamson, 1993), normative trust, and cognition or expectation-based trust. Sitkin and Roth (1993) base their dichotomization of trust on legalistic solutions, such as procedural justice (the extent to which the decision process is judged to be fair – see Lind and Tyler, 1988; Thibaut and Walker, 1975); distributive justice (also known as economic justice is concerned with giving all organisation members a fair share of resources and benefits available); and lastly, retributive and restorative justice. Lewicki and Bunker (1996) observe that trust can develop from calculus-based to knowledge-based, to identification-based. However, they merely perceive trust as an induced attitude rather than a personality characteristic that could alter in a given situation. Zucker (1986) distinguishes three different sources of trust, namely process-based, characteristics-based trust and institutional-based trust. According to Zucker (1986, p.54; see also Hosmer, 1995, p.389) trust is a shared set of social assumptions, and can derive from three sources: Process based, in which trust is tied to past record. Exchanges are usually limited to those whose exchange histories are known and respected; person based, in which trust is tied to similarities between people. Therefore, exchanges are limited to those with a common cultural system, with shared background expectations; and finally, Institution based, which emphasises trust tied to formal mechanisms such as professionalism, in which case exchanges are limited to those with guarantees of outcomes. The degree to which an individual focuses on particular factors / dimensions of these sources of trust will vary from person to person, but there will be

some commonalities between groups in a given context (e.g. one group of managers might focus more on dimensions of professionalism and formal mechanisms, which alludes to a more institution-based form of trust). Finally, Sako's (1992) seminal paper also presents trust as relevant to dyadic relations. She identifies concepts (features of trust) around three types of trust - contractual trust; competence trust; and goodwill trust in buyer-supplier relations. For example, Sako finds that trust enhances allocative efficiency through improving disclosure content and reducing transactional costs, but these outcomes (information sharing, improved cooperation) only occur as a result of mutual prediction. From this examination of the literature, previous taxonomies of trust have mainly focus on "bases" of trust rather than levels of trust forms. The following table (see Table 2.1) does not intend to provide an exhaustive list of the various taxonomies of trust. It only intends to give idea to the range and overlap among listing-types of trust.

Table A1.3 - Overview of Common Trust Taxonomies

Researcher	Type of Trust	Description
Lane (1998)	Calculative	Opportunistic, self-interested behaviour. Expectations based on cost and benefit analysis and rational actor models.
	Value or Norm-Based	Realizing that trust cannot be developed unless individuals share common values (Parsons, 1951)
	Cognition or expectation-based	Common thread that links predictable behaviour and the formation of trust.
Zucker (1986)	Process-based	Expectations and social/economic exchange (reciprocity), as well as reputation
	Characteristics-based	Based on social similarity; personal characteristics such as age, gender, and ethnicity
	Institutional –Based	As the name suggests sources trust from norms, professions, qualifications
Sako (1992)	Contractual	Concerned with honesty, promise-keeping and contractual agreements
	Competence	Capabilities, expertise and managerial standards
	Goodwill	Concerned with fairness and commitment
McAllister (1995)	Cognition-based	Individual beliefs about peer reliability, dependability, and competence
	Affect-based	Reciprocated interpersonal care and concern
Rousseau et al (1998)	Calculus-based	Relies on credible information such as reputations and information flows about capabilities and goodwill; also relies on opportunistic behaviour
	Relational	Based on interaction frequency (reduced information asymmetry and increased learning e.g. skill assessments and expectations based on routines/level of communication).
	Institution –Based	Based on conventional controls such as the ability to rely on rules, societal norms and values (may also negatively impact trust as literature purports)
Lewicki and Bunker (1996)	Calculus-based	Market oriented and economic calculation of behavioural consistency, e.g. through reputation
	Knowledge-based	Ability to predict or anticipate another's behaviour e.g. via regular communication and relationship development through learning
	Stable-identification	Association with other's desires and intentions; shared values and collective identity (OCB)
Shapiro et al. (1992)	Deterrence-based	Sustained by the threat of sanctions
	Knowledge-based	Sustained by the ability to predict the behaviour of others
	Identification-based	Sustained by a complete empathy with the other parties desires and needs

Theoretical discrepancies exist in the extant literature concerning the correct operational definition(s) of trust and constructs to utilise (Bigley and Pearce, 1998). Nevertheless, it is recognised that the conceptualisation and operationalisation of

these constructs possibly overlap. Based on the above table (Table 2.1), one can contend that these typologies of trust are interrelated. For example, the assumptions / constructs upon which McAllister (1995) model is founded bare some similarity with a few of the other multidimensional taxonomies of trust. On this note, Sako's (1992) components and definition of goodwill are clearly quite similar to other definitions (e.g. Shapiro et al 1992 and identification-based; Lane's 1998 value or norm-based trust could also be viewed as a feature [antecedent] of affect or goodwill.). Moreover, this thesis believes that conceptualisations of trust established by Sako (1992, 1998) possibly comprise the main elements of trust, and hence, Sako's (1992) trust taxonomy shall be used as a basis to establish the levels of trust to be explored in this thesis. As trust perceptions can differ from relationship to relationship, Sako's trust types will be used to distinguish the prevalence of different forms/levels of trust within the particular organisational contexts (section 2.3.1.3 expands upon each level of trust).

Appendix 2

(Section A): Initial Pilot Interviews

The original research question of this study was “what is the horizontal and vertical relationship between superior and subordinate based on style of evaluation and trust”. The initial research design involved interviews with six middle level superior managers and four subordinate managers across different organisational units of a financial institution¹³⁰ in the Bahamas. Semi-structured interviews were held with the middle level managers, i.e. boundary spanners who are involved in the daily administration of governance structures in these organisations. In addition, as a mode of cross validation, discussions were held with subordinates who are impacted by such design mechanisms. Discussions were held with interviewees about their relationship with peers (to capture the horizontal dimension) and superiors/subordinates (to capture the vertical dimension). At this stage, the discussions were facilitated by the introduction of one vignette and probing questions.

A detailed, line-by-line analysis of interview transcripts was essential for identification of categories. Concepts related to properties were clustered into one super-concept (category) based on shared (conceptually closely related) themes (Boyatzis, 1998). Categories represent the phenomena as concepts. The categories are the foundations of theory development – central themes that are abstract representations of events, objects, actions, or interactions. Properties are characteristics of a category, while dimensions are described as the variation of properties of a specific category¹³¹. According to Strauss and Corbin (1998, p.101) subcategories are more specific concepts. In the pilot study, conceptualising and abstracting themes (i.e. categories, properties, and associated dimensions) mainly emerged from the data. One theme which emerged from the writer’s pilot interviews was that of “reliability” (a property of trust). This emerged by connecting certain elements or characteristics associated with reliability including promise-keeping. For instance, in the refinement of categories, it was noted from the pilot interviews

¹³⁰ Although the first field site in the main study is the same institution used in the pilot study, the samples of managers differ.

¹³¹ According to Ryan, Scapens, and Theobald (2002) a variable can also be defined as a property of phenomenon or an event related to a particular object.

and supported by the literature that ‘reliability’ may be viewed as a sub-category (property) of beliefs about the trustor. More specifically, meanings associated with ‘reliability’ could reveal sub-properties (dimension), ranging from mere emphasis on subordinates’ dependability/ promise-keeping in role or within terms of the contract to a managerial expectation of subordinates going beyond role duties (the latter suggesting a high reliability belief). The pilot interviews also revealed that one property which differentiates “predictability” from “unpredictability” of a superior or subordinate’s actions might be frequency of interaction. Despite these emergent concepts in the data, trust proved difficult to operationalise. In terms of performance evaluation style, it appeared from the analysis a budget constrained evaluation style was evident for the majority of interviewees regardless of responsibilities. It was noted that as targets (goals and objectives set) can change mid-year for front-office staff, they are very short term oriented. Interviewees confirmed that subordinates are updated formally on a biannual basis, and informally throughout the year. For most managers, this constant level of communication between the superior and the subordinate is a direct result of the superior being responsible for the under-performance of subordinates. Repetitive narratives included “periodic evaluations,” “based on profit plan results”; hence “feedback is necessary for no surprises”. However, for purposes of the main data collection it became apparent that the interview discussions had to delve deeper into the meanings behind statements. For example, does “periodic evaluations” mean “weekly”, “monthly”, “formal” or “informal”? What do their statements tell me about their style across the three stages of the performance evaluation process? The research design had to capture multiple stages within the process, and not just some views on target-setting and assessment.

Upon completion of the analysis, a literature review was undertaken, and necessary amendments to the research design made. One of the main findings of this exercise was the high difficulty in attempting to investigate vertical and horizontal bonds at the same time. Subsequent to reflection, the research agenda became more focused to explore superior manager perspectives on trust and performance evaluation style in the superior-subordinate relationship. This focus also acknowledges identified gaps in the literature on superior manager perspectives. Hence, the initial research question, “what is the horizontal and vertical relationship between superior and

subordinate based on style of evaluation and trust” was replaced with, “how is superior style of evaluation linked to trust”. The new research question formed the basis for necessary alterations to the research design for the main study. It was particularly difficult to distinguish different levels of trust and different styles of performance evaluation style in the pilot data. Therefore, an important development based on the preliminary research is the ability to identify different dimensions or ways of describing the association between what was deemed as contractual trust and a budget constrained performance evaluation style. The preliminary interviews support descriptions of contractual trust as the need for “accountability”, “responsibility”, and “a decrease in risk”. The interviews also support descriptions of a budget-constrained performance evaluation style as the need to “meet original targets”. Contingent variables including length of service of an organisational member in a unit/department (length of experience with the individual / their dependability), level of expertise (competence), and position within an organisation, also emerged as potential variables influencing trust perceptions. Following on these and similar suggestions inspired by the data and supported by the literature, amendments were made to the theoretical framework and research design of the main study. Ferreira and Merchant (1992) contend that it is not unusual for restatements to research purpose as a result of “surprises” in the early stages of field research, as well as additions of new variables to theoretical frameworks.

Indeed, the pilot study provided a certain level of pre-understanding (emergent theory) on the phenomena. I was also able to determine the feasibility of using vignettes and probing questions. Hence as a result a more structured research design was developed that encompassed additional vignette scenarios in the research protocol, and enabled greater validity of constructs by further deducing properties of concepts from the literature. Furthermore, the pilot study provided me with more knowledge on how to approach interviews of this nature, and began to conceptualise a more definitive theoretical framework including additional properties and dimensions of trust and performance evaluation style, as well as a list of potential probing questions for the main study.

Initial vignette and probes:

Angela Walters, general manager of unit A, has a meeting with Anders Field, her area manager to forecast her unit's performance for the following year. Angela works closely with Anders, and is often willing to put in long hours to accomplish organisational objectives. Angela has been managing unit A for a couple of years. Performance evaluations for the current year are also now due.

- How should Anders evaluate Angela's performance? (Primary Question)
- Is this a situation that you have come across in the past?
- How long would this evaluation criteria last – would it be revised on an annual basis, semi-annually, quarterly, monthly etc.?
- What changes would you make to your evaluation process?
- What else would you evaluate people on? E.g. length of time spent on the job; amount of teamwork?

The initial scenario/vignette given during initial pilot interviews is broad enough to encompass various different proponents of trust dimensions. For example, Angela 'working closely with Anders' could be seen as alluding to high frequency of interaction/teamwork, and may be a factor in choosing a particular style of performance evaluation. Also the fact that she '...is often willing to put in long hours...' alludes to organisational commitment/citizenship behaviour (goodwill trust). Whether these criteria matter in the selection of a particular style and for what reason, should be fundamentally addressed in the probing questions. It was a potentially leading vignette! The probing questions sought to draw out the intensity of relations/interactions (behaviour) as well as the beliefs (e.g. superior expectations of subordinate working overtime).

Appendix 2 (Section B): Mini-Task used in Pilot Interviews

Please indicate the weight your supervisor places on each of the four broadly defined dimensions of (potentially relevant) performance indicators.

Performance indicator	Performance measures
Financial performance of your unit	Sales, profitability, interest margins, costs, value of collected deposits, value of granted loans
Operational performance of your unit	Productivity, completion of projects and phases of projects, number of activities such as issued credit cards, reputational risk protection, streamline processes
Employee relations within your unit	Employee satisfaction, turnover, achieved workforce capabilities, number of trainings, continuous personal improvement, etc.
Customer relations within your unit	Quality awards, improvement of service quality, customer satisfaction, introduction of new services, efficiency improvements, etc.

Adapted from: Hartmann & Slapnicar, 2006, p.36

This question is about the responsibilities of your job as manager of a unit (e.g. branch or a department). Below are four ways in which your supervisor may assess your performance as a unit manager. I am interested in the relative importance of each of these four performance areas. Therefore I ask you to allocate a total number of 100 points to one area or more areas, reflecting their relative importance. For example, if you allocate the full 100 points to one area, you indicate that only that area is important, and not the other 3. If you allocate 25 points to each area, you indicate that all areas are equally important for your work, and that your superior does not have any priorities or emphases. Please be as specific as possible in allocating the 100 points, and answer this question for your function as a unit manager, rather than for the bank in general. There are no wrong or right answers.

Financial performance of your unit	_____
Operational performance of your unit	_____
Employee relations within your unit	_____
Customer relations within your unit	_____
TOTAL	100

Appendix 2 (Section C): Interview Protocol

MAIN RESEARCH INSTRUMENT/INTERVIEW PROTOCOL		
<p>Introduction/Preamble:</p> <p>- <i>PhD student at Glasgow Uni – explain background (accounting and finance major); Research purpose; info used for thesis completion; Referral from HR; confidential discussion; “Thank you for agreeing to talk to me...”</i></p> <p>- <i>Different banks and different units within banks have important factors they need to focus on. Some focus on benchmarks vs. actual results; some focus on other things. The theoretical literature indicates that PMERS comprises various different stages, including the PER, prior to which target setting and measurement emphasis take place. What is the task I am asking you to do? The entire process of what you are doing is to just imagine you are building up a hypothetical situation from the top of your head. I will give you a few brief scenarios and ask you questions regarding these scenarios. So I am simply asking you to fill in the gaps in all the areas. There is no right or wrong answer. Your perception does not have to be what is necessarily currently taking place. That is the whole task of the entire interview - just imagine you are a specific person, Pat, the supervisor, place yourself in Pat’s shoes, and give your honest perception or reaction for each question that will follow the different scenarios. Are you clear about this? Do you have any questions before we begin?</i></p> <p><u>Scenario 1: Introduces Target Setting/Measurement Emphasis stage</u></p> <p>Terry Reese manages a section in the XYZ bank. Terry’s supervisor is Pat Francis. The bank has a certain number of formal, financial and non-financial performance indicators. The normal process as recommended in the company manual is to set targets at the beginning of the year.</p>		
<p>Q.1 - TREND</p> <p>_ It is now the beginning of the year...How will Pat set the targets? On what basis will Pat set the targets for Terry? (If historical, why historical basis? Why not future? What is the role of focusing on historical basis – competition vs achieve best; learning, motivation; planning?)</p>	<p>Historical¹³²</p> <p>Future</p> <p>Mixture</p>	<p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>
<p>Q.2 – FOCUS OF KPIS</p> <p>_ What is going to be measured? Will the emphasis be on financial or non-financial key performance indicators? Why...? (If budget/financial is emphasized, how important is it to meet the budget/financial? How is it used? Would Pat emphasize non-financial indicators also?)</p> <p>_ What is your perception of the role of accounting (non-accounting) info in the evaluation process? Will Pat use KPI’s in a selective manner, switching from non-financial to financial and vice versa, emphasizing accounting info (rigidity) for some subordinates, but not for others?</p>	<p>Financial</p> <p>Non-financial</p> <p>Mixture</p>	<p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>
<p>Q.3 – RANGE OF MEASURE/EVALUATION CRITERIA (KPIS)</p> <p>_ Will Pat emphasize all areas in the BSC or will Pat be selective? _ How many key performance indicators will Pat focus on? _ Is this a narrow or wide range? (If state there are many/selective “will Terry the subordinate know which are the important ones?)</p>	<p>Narrow</p> <p>Wide</p> <p>Medium</p>	<p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>
<p>Q.4 – LEVEL OF PARTICIPATION</p> <p>_ Will Terry have a say in setting the targets? Why? To what extent will Terry have a say (e.g. to the extent that Terry is able to negotiate with Pat)? _ Can you elaborate on your thoughts about participation in target</p>	<p>High</p> <p>Low</p>	<p><input type="checkbox"/></p> <p><input type="checkbox"/></p>

¹³² Note these fields e.g. historical merely serve as a guide for interviewer note-taking.

setting? _ Would change to target setting be instigated by Pat or by Terry? _ Would Terry buy into a target that Terry isn't able to participate in setting (increase likelihood of internalisation)? Does it matter? _ (Is it possible Pat has thought about the subordinate over- or understating targets for a given level of participation?) _ How about Pat's targets? Does Pat have a say in setting own targets? _ How do these changes to TS/ME impact Pat/Terry in terms of their acceptance (from above i.e. top down)?	Medium	<input type="checkbox"/>
Q.5 – TIME HORIZON <i>(Recap what gathered so far)...</i> _ If the targets are set at the beginning of the year, for how long will these targets be set? Is the time horizon over which the targets will be set seen as short, long, etc...? _ Would any revisions to original targets/measurement emphasis be made after a certain period of time (i.e. degree of rigidity in TS)? If so, why and what would be the time period? _ Is it possible to manage with targets that last for a year?	Short-run Long-run Medium-run	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Q.6 – DEGREE OF FLEXIBILITY _ Will Pat worry about Terry meeting every short-term target as long as (over the year) the targets are met?	Rigid Relaxed Moderate	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Q.7 _ Is there anything else that might influence target setting (e.g. stretched goals)? _ If we set the targets and measurement emphasis, what would happen next?		
<p><u>Preamble:</u> <i>Theory states that the next step in the process is to evaluate the subordinate. Therefore, we fast-forward to the evaluation stage in which theory also states that it is not always the case that supervisors make comparisons between results and targets. Indeed, sometimes the approach to evaluation is less formal.</i></p> <p><u>Scenario 2: Introduces Evaluation stage</u> The company manual also has recommendations about the evaluation of employees. It recommends that employees be evaluated on a regular basis. Pat could follow the recommendations either by evaluating subordinates solely based on a formula tied to targets set or by using judgement in evaluating subordinates.</p>		
Q.8 - OBJECTIVITY _ How will Pat evaluate Terry? _ Will the evaluation be based on a formula, e.g. a computer spreadsheet, or will the evaluation be based on judgment? _ Will the evaluation be based on results vs. targets (mainly target driven) or on intuition? _ What metrics are being used to evaluate Terry e.g. daily reports, profit plans, number of transactions, etc.? To what degree are these metrics being used? _ How do the metrics used to evaluate contribute to objectives/targets formulated, if at all? (<u>check</u> : comparison between TS/ME and	Formula Judgment Mixture	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>

evaluation) ...frequency and formality of monitoring? _ What happens if Pat bases the evaluation on <other alternatives e.g. experience of working with Terry (familiarity)>? Is this the best approach? What is the best approach? _ What about basing the evaluation on effort; personal relationship?		
Q.9 – FLEXIBILITY OF EVALUATION (EVALUATIVE SCOPE) _ Would the evaluation be based only on the targets set? (If state targets set, anything else in addition to/other than targets set?) _ Does Terry need to meet some or all of the targets? What level of importance (weight) is placed on meeting/exceeding targets? ... on meeting stretched targets? _ What happens if by the evaluation stage, Terry is meeting some targets, exceeding others, but is not meeting certain targets? Will Terry be positively or negatively evaluated? Will Terry's performance be viewed as unsatisfactory? _ How else will Pat react? _ Would Pat's reaction be different if this happens after 3 months, mid-year, at the end of the year? _ What happens if, mid-year, something occurs beyond the subordinate's control, e.g. the environment changes (competition/competitive market), the company starts to lay-off, or there is a change in customer preferences or regulations...what happens? Will the evaluation change or stay the same? (link to Q.5--degree of tolerance / could also include context/environment)	Inflexible Flexible Moderate	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Q.10 - FREQUENCY _ How frequently will Pat evaluate? Once a year, twice, every 3 months, on a monthly basis, weekly, daily? Is that (in)-frequent? Is it informal or formal? _ Do Pat and Terry meet; do they need to meet, or is it just a report?	Infrequent Frequent Moderate	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
<p><u>Preamble:</u> <i>Like every other company, giving managers rewards is a part of the PMERS process.</i></p> <p><u>Scenario 3: Introduces Rewards stage</u> According to the company manual, rewards are to be given following the evaluation process.</p>		
Q.11 – REWARD TYPE _ What sorts of rewards would Pat offer? _ Are most of Pat's rewards monetary (financial)? What about non-monetary (non-financial)? (Which types of rewards are used most frequently?) _ Will Pat focus on hard rewards such as monetary benefits or will Pat focus on soft rewards such as a pat on the back, recognition e.g. manager/employee of the month, dinner/lunch for a job well done? Which would be preferred/chosen/emphasized by you, Pat? (Is it a combination of the two types?) _ How are rewards administered (i.e. individual or company-wide [that is, profit-sharing], or based on Pat's perception on non-performance related criteria)? Why administered in this way? _ Should penalties be included? Why or why not include penalties?	Monetary (Individual/ Extrinsic) Non-monetary (Collective/ Intrinsic) Mixture	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>

Q.12 – FLEXIBILITY OF REWARDS (TRANSPARENCY) _ Given your answers to the earlier questions involving Terry missing some targets and achieving others, would this influence whether Pat relied on the formal policies about rewards or relied on judgment in rewarding?	Stringent Lenient Moderate	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Scenario 4: Beliefs about Self¹³³ Initiatives arise from time to time in Bank XYZ. Terry could pursue an initiative that might directly benefit the Bank if taken, but the initiative would not be part of Terry's regular duties (job description).		
Q.13 – PERCEPTION OF INFLUENCES ON RISK PROPENSITY _ How will Pat feel about employees taking initiatives outside their contractual responsibilities? _ What are the benefits (of being willing or of being apprehensive about subordinates taking initiatives)? _ How willing is Pat to depend on (rely on) Terry for this initiative? Is Pat willing to take such a risk, regardless of the perceived outcome? _ What influences Pat's perceptions (e.g. number of years of relationship...Terry's job description/manual expects Terry to take initiatives...the fact that the initiative might help the Bank...)? _ Does Pat feel the same way about every subordinate taking an initiative? _ Would views about level of risk change if Terry's initiative might not directly benefit the Bank? _ Are you, Pat, honestly willing to listen to, consider, and let Terry pursue an initiative (new idea)? _ What does Pat think Terry's intent is?	Risk averse Risk taker Risk neutral	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
Q.14 - PREDICTABILITY OF MUTUAL BEHAVIOUR _ Pat has different options. Would Pat prefer to be informed before Terry takes the initiative, would Pat like to be informed if Terry does not take the initiative, or alternatively would Pat prefer that Terry take the initiative and report it later? _ How much direction will Pat give Terry on the initiative (e.g. tightly control/monitor)? _ Will Pat spell out exactly what Terry should do or just leave Terry to own devices? _ What influences Pat's decision – Pat's focus on performance/ relationships/ experience/ Pat's knowledge of the company, etc...Pat's ability to predict the subordinate's behaviour?	High predictability Low predictability Medium predictability	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>

¹³³ Page: 277

From this point forward, the interviewee is required to make value judgments despite lack of info on background.

<p>_ Does Pat believe Terry has a high level of ABILITY to accomplish tasks in general?</p> <p>_ Will Pat have confidence in Terry's ability?</p> <p>_ What attributes (competencies) does Pat look for in Terry?</p> <p>_ What assumption does Pat have about Terry's CONCERN with promoting the unit's best interest?</p> <p>_ Does Pat believe Terry has a high level of CONCERN with promoting Pat's best interest?</p> <p>_ Would Pat have confidence that Terry intends to fulfill [non-contractual] obligations to the extent that safeguards become unnecessary (e.g. training)?</p> <p>_ On what basis does Pat make these assumptions e.g. prior experience/ knowledge about Terry? What prior knowledge (e.g.reputation/high(low) potential employee, relationship)?</p>	<p>Low C</p> <p>High C</p> <p>Medium C</p>	<p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>
<p>Q.18 – PERCEPTION OF OTHER'S INTEREST/MOTIVES</p> <p>_ If Pat decides to give Terry the task, what does Pat believe Terry intends to do if something goes wrong?</p> <p>_ What does Pat, the supervisor, believe Terry, the subordinate's motives are?</p> <p>_ Does Pat believe Terry will act in self-interest or mutual interest?</p> <p>_ Does Pat believe Terry acts in Pat's best interest? (transparent vs. hidden agenda)</p> <p>_ How important is team interest? Is team interest more important than self-interest for Pat/Terry?</p> <p>_ Will Pat have concerns about Terry's intent and motives?</p>	<p>Self-interest</p> <p>Mutual interest</p>	<p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>
<p>Q.19–COMPLEMENT vs. SUBSTITUTIVE NATURE OF TRUST VIS-À-VIS PES</p> <p>_ If the assumption is that there is a common (personal) interest over a personal (common) interest, would it make any difference in terms of how Pat evaluates Terry or sets Terry's targets? In what way would it make a difference? (How would frequency of target-setting...change, if at all?)</p> <p>_ If Pat believes that there is a high (low) level of reliability... high (low) level of ability ... high (low) level of concern ... would these assumptions make any difference in terms of how Pat evaluates Terry or sets Terry's targets? In what way would it make a difference? (How would frequency of target setting, evaluation... change, if at all?)</p> <p>_ (Pat has targets to meet that are impacted by Pat's subordinates meeting their targets)...If Pat was facing failure of reaching targets,</p>	<p>Complements</p> <p>Substitutes</p>	<p><input type="checkbox"/></p> <p><input type="checkbox"/></p>

would Pat emphasize personal attributes of Terry e.g. time, commitment, emotional attachment to Terry or emphasize KPIs?		
Q.20 – IMPORTANCE OF TASK /NATURE OF RELATIONSHIP/TIME IN THE RELATIONSHIP (FAMILIARITY) _ Would the importance of the task (targets) , i.e. critical vs. uncritical influence assumptions? _ Would time influence the perception of the basis of the relationship? How? _ Does it matter if superior and subordinate knew each other for a few years? _ Would time have an impact on the relationship if it is perceived as personal (impersonal)? _ Would time have an impact on how performance is evaluated? How? _ What length of time? How many years would they have to know each other for perceptions to change? (interaction history is plausible vs. initial period of trust building) _ Do you think it would involve getting to know each other outside of work (in order to develop perceptions – get to know Terry)?	Important <input type="checkbox"/> Unimportant <input type="checkbox"/> Personal <input type="checkbox"/> Impersonal <input type="checkbox"/> Familiar <input type="checkbox"/> Unfamiliar <input type="checkbox"/>	
Q.21 – [PRESENT MATRIX] _ Which cell would you choose? _ Is there any particular reason for your choice?		

<p><i>Further potential questions (contextual questions):</i></p>		
<p>Q.22</p> <p>_ Are the scenarios presented realistic?</p> <p>_ Scenario 5 presented a scenario in which there was the potential for blame...Does the blame game happen?</p> <p>Q.23</p> <p>_ We have been talking about how Pat would evaluate Terry, but I would also like to know what you are doing now, whether there would be any changes in terms of how you use the performance evaluation system to evaluate your subordinates? Is it the same or similar to what you described previously?</p> <p>Q.24</p> <p>_ Would you be evaluated in the same way that you evaluate your subordinates?</p> <p>_ When your supervisor is evaluating your performance, what do you think he/she is primarily concerned with? (similar to Q2; e.g. meeting the budget; cost minimization; cooperation with colleagues, etc.)</p> <p>Q.25</p> <p>_ Do you associate with Pat or Terry?</p> <p>Q.26</p> <p>_ For how many years have you worked for company?</p> <p>Q.27</p> <p>_ How long have you been in present position in company?</p> <p>Q.28</p> <p>_ What level of formal education did you reach (e.g. completed high school; completed university; completed graduate school)?</p>		
<p>Q.29 (IF HAVE TIME Qs 29-30)</p> <p>_ What influences your relationship with subordinates – meeting targets, judgment on capability to meet targets?</p> <p>_ Do you think trust is a complement or a substitute to performance evaluation? How does it relate to style of performance evaluation?</p> <p>_ Do you trust yourself? What about other people? Do you believe people can be trusted? Who do you trust - subordinates? What is the level of trust in them (e.g. Ronald Reagan famously said, “trust but verify”) Do you hold this view? What is it that inspires confidence in this particular relationship [with your subordinate(s)]?</p> <p>_ Is it fair to state that if trust is high, formal performance evaluation should be low? What are your thoughts?</p> <p>_ Do you think all these rules, systems, structures, and processes make it harder to have high trust?</p> <p>Q.30</p>		

_ <i>What assumptions did you make about the gender of Pat and Terry?</i>		
<u>Q.31</u> _ This has been great. You have given me a lot to think about. Now that you know what the research is about, is there anything that I should have asked but didn't?		
<u>Q.32</u> _ Would you like me to send you a copy of my notes when I type them up, so you can see if I got it straight or if there is anything you would like to add? May I get back to you if I have questions when I go over the interview?		

Appendix 2 (Section D): Task (Main Study)

As Pat, the supervisor, which cell do you prefer most from nine possible combinations (for example, you might prefer A1 or C2)...so simply choose the cell you most prefer.

	1	2	3
A	<ul style="list-style-type: none"> - Meeting budgets/deadlines on short-term basis - Keeping written promises - Predictability of subordinate behaviour 	<ul style="list-style-type: none"> - Improving profits overtime - Telling the truth - Controlling for risks (e.g. reputation) 	<ul style="list-style-type: none"> - Improving cooperation, worker attitude overtime - Keeping oral promises - Superior-subordinate relations based on facts
B	<ul style="list-style-type: none"> - Narrow range of guidelines - Focus on historical trends - Ability to meet and exceed the targets/prescribed performance standards (as impacted by length of time on job, level of experience, etc) - Compliance with technical/managerial standards 	<ul style="list-style-type: none"> - Focus on present trends - Focus on efficiency (i.e. cost and error minimization) - Skills that enable provision of explanations for (independent) decisions and ability to inform superior of problems in advance 	<ul style="list-style-type: none"> - Wide range of guidelines - Focus on future trends - Open communication of accurate information - Skill to adjust (in event of increased task delegation/responsibilities)
C	<ul style="list-style-type: none"> - Sharing control / task negotiation - Individual, monetary incentives - Willingness to take initiatives/actions outside contract (e.g. work overtime to meet shared objectives) 	<ul style="list-style-type: none"> - Profit-sharing, collective incentives - Willingness to take on risk - Accommodating needs-based assistance of others (using ability to demonstrate concern) 	<ul style="list-style-type: none"> - Sharing control / task delegation - Commitment to act in company's best interest even at cost of (not meeting) personal target - Sensitivity to needs & interests of others - Relations based on judgment

Appendix 2 (Section E): Statement of Informed Consent

Your participation in this study is entirely voluntary. You may choose not to answer any of the questions put forth during the interview, and you are free to withdraw from the study at any time. You will be able to address any questions, comments, or concerns you may have about this study by contacting the investigator by email, post, or telephone at the addresses given below.

Your name is not asked during the interview, and your name will not appear on any portion of the survey response. The survey interview is confidential, identified only by a random letter. However, the interviews will have to be voice-recorded in order to provide effective transcription. Your gender, level of experience, function and rank may also be used to provide a contextual demography of the organization. The information gained will only be used for the specific purposes of this study.

Although I will need to share some information with my supervisor, his confidentiality and mine is assured. In reporting results in meetings and my thesis, only group results and anonymous quotes will be provided. A group comparison of individual responses on an anonymous basis will be sent to you after these initial interviews and at the completion of the research project. In addition, if clarification about certain items transcribed is warranted in the future you will be contacted by telephone.

The interview will be approximately one-hour in length and entail reading a short, realistic scenario that will facilitate discussion. There are no foreseeable risks associated with participation in this study.

Thank you for your time and interest.

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The University of Glasgow Ethics Committee Review Board has approved this study.

Signature: _____

Date: _____

Name: _____

Email: _____

Appendix 2 (Section F): Sample Coding Agenda (extract: Target Setting, Beliefs about Other, and Trust by Contingency)

Property	Definition of Property	Dimension	Description of dimension	Examples	Coding Rules
P1: Trend	1) Chenhall (2003): The extent of reliance on forward-looking (predictive) or non-forward looking information in setting targets				
		D1: Historical	Reliance on information about past to determine targets, which means: focusing on information from previous years such as results	The targets would be set based on the results of last year...	Assignment of dimension (as described) to passage of text; otherwise D2, D3 or D4
		D2: Present	Reliance on information about present circumstances to determine targets; which means: focusing on information related to the present year such as current policies and procedures, hiring, capabilities, etc.	...generally be based on liaisoning with head office, who will do expert analysis and look at the climate...all other things considered, would have approximately a 20% growth target for the year...It is the actual versus business plan or budget (for the year)	Assignment of dimension (as described) to passage of text; otherwise D1, D3 or D4
		D3: Future	Reliance on information related to the future to determine targets, which means: focusing on forecasts, predictive information	...the perceived business plan going forward...So after the first quarter, we forecast what is totally achievable over (after) the first quarter, which flows down from a group-based forecast (of how the group performs) to the individual, middle year review...	Assignment of dimension (as described) to passage of text; otherwise D1, D2 or D4
		D4: Mixed		xxxxxxxxxx	Assignment of dimension (as described) to passage of text; otherwise D1, D2 or D3
P2: Focus of KPIs (1)	1) Chenhall (2003): The extent to which financial (non-financial) values are emphasized (Key performance indicators = values) 2) Hopwood (1972, 1973): The degree to which accounting data is emphasized 3) Spreitzer & Mishra (1999): the extent to which performance information i.e. data on organizational outcomes, is collected, e.g. Simon's (1995) "diagnostic control systems" and Rousseau's (1995) results-oriented measures 4) Govindarajan (1984): performance evaluation presupposes a-priori targets that are either explicit such as budgets or implicit, and can serve as valid standards for subsequent performance appraisal...emphasis of financial performance indicators is on outcome rather than on process (p.128)				
		D1: Financial Focus	Focus on outcome; Numerical values that indicate how much (quantity) e.g. percentages, ratios, averages etc.; budget conscious; concern for sales	Financial targets would be primarily based on sales...mortgages...if Terry supervises several other persons then in this case the sales team, there would be a profit plan...	Assignment of dimension (as described) to passage of text; otherwise D2 or D3
		D2: Mixed (Fin/Nonfin)	Can be both financial and non-financial values; Numerical values that indicate how many of something; cost-efficiency F conscious; concern for profit(costs)	...as the immediate supervisor I may decide where best, where are the areas of emphasis for this fiscal year, and if it is financial then we expect greater emphasis to be placed on that area. If it is the non-financial, we expect greater emphasis to be placed there...It is a balance between the two	Assignment of dimension (as described) to passage of text; otherwise D1 or D3
		D3: Non-financial Focus	Focus on process; Non-numerical values e.g. quality, operations, worker attitude, worker development (e.g. PDP), new product development, IT infrastructure	...ongoing coaching sessions will help to keep the employees focused on the activity. If you just focus on the results alone, like I need to get 12 for this year, so I am going to mess around for this first six months and double up on my efforts for the last six months. It just doesn't work like that,...	Assignment of dimension (as described) to passage of text; otherwise D1 or D2
P3: Focus of KPIs (2) (This property was added afterwards - realization that focus should be expanded to include spectrum of internal to external focus factors incl. Climate change, which is taken from P1_D2: Present trend...)	1) Chenhall (2003) & Noeveman et al. (2005): The extent to which internal (external) information is used for target-setting and evaluation 2) Brownell (1982) B&H, L&T: Managers sometimes focus on environmental conditions to inform target setting such as tight economic conditions, which alludes to an external focus				
		D1: Internal Focus	Focus on internal e.g. benchmarks (actual vs plan), results of internal audit, customer surveys to determine KPIs		Assignment of dimension (as described) to passage of text; otherwise D2 or D3
		D2: Mixed (Int/Ext) Focus	Can be a mixture of internal and external factors that determine KPIs		Assignment of dimension (as described) to passage of text; otherwise D1 or D3
		D3: External Focus	Focus on external factors affecting both the Bank's and Unit's prospects as well as individual targets/ measurement emphasis, e.g. the government, change in climate, etc. to determine KPIs		Assignment of dimension (as described) to passage of text; otherwise D1 or D2

P4: Range of KPIs	1) Hopwood (1972, 1973): Range of criteria used for evaluation purposes, i.e. the extent to which a narrow range versus a wider range of performance criteria are used; bias towards certain areas/segments				
		D1: Narrow Range	narrow range; in terms of number of indicators/areas of focus=1	...As stated before there are four key performance indicators, and four in each quadrant, so sixteen in total, but it depends on the function. So if it is a sales function then it would be focusing on the four key performance indicators in the sales quadrant.	*If individual judgment on narrow vs. wide is not specified, then code relevant passage of text based on given descriptions
		D2: Medium Range	medium range e.g. on point/neither narrow or wide; in terms of number of indicators/areas of focus=1 to <4		*If individual judgment on narrow vs. wide is not specified, then code relevant passage of text based on given descriptions
		D3: Wide Range	wider range; in terms of number of indicators/areas of focus=>4	...much wider...in our system, we break down performance into four key areas, one is customer, operations, financial, and human resources which encompasses development...	*If individual judgment on narrow vs. wide is not specified, then code relevant passage of text based on given descriptions
P5: Level of Participation (PES)	1) Argyris (1952): Extent of expression of opinions (about budgets/targets) at meetings (pseudo-participation); enhanced expression via training in human relations (full participation)				
	2) Holstede (1968): use of (departmental) meetings and creation of "game spirit"	D1: High Participation	High negotiation, which means discussion and negotiation esp. as concerns 'budgetary' (accounting, results) emphasis; Opinions highly expressed in supervisory/departmental meetings about targets	...Terry will have a say in setting the targets. Like I said, once we determine, well, within certain parameters...for example, if my department is expected to do a million dollars and I have four staff members, maybe based on their skills and experience we may have an average of \$250,000 for each one, \$300,000, well, we can discuss targets....	Assignment of dimension (as described) to passage of text; otherwise D2 or D3
	3) Brownell(1982): The opportunity for managers to negotiate the criteria against which their performance is assessed; high budget emphasis is appropriate where managers can negotiate, thus +ive association between budget emphasis and level of participation (i.e. high/high or low/low) (see also Lau & Tan, 2003, p.21)	D2: Medium Participation	Neither high nor low negotiation; Opinions expressed on measurement emphasis which is neither highly budgetary nor highly non-accounting	...so we have to sit down and negotiate and this is where discussions with Terry would come in. It would be unreasonable for me to tell Terry, 'okay Terry, I am happy for you to do \$100,000' when I know that what that means is that the other three would have to produce \$900,000 in total. So while there is room for negotiation and discussions with Terry, Terry will have to understand what we are limited by, that is the way here (in the Bank)...	Assignment of dimension (as described) to passage of text; otherwise D1 or D3
		D3: Low Participation	Low negotiation, which means discussion and negotiation esp.as concerns non-budgetary (non-accounting, non-results) emphasis e.g. training needs; Low level of opinions expressed, which means opinions expressed about development, etc.	Terry will have a say in setting the targets, but Terry will not have much of a say. The targets come from Head Office, who set the targets based on an overall analysis of the global environment and global jurisdictions such as the Bahamas.// So, Pat, not Terry could negotiate with head office if objectives are not achievable. Ultimately, Pat should speak with Terry and other managers first prior to agreement with Head office on targets to gain their opinion on the achievability.	Assignment of dimension (as described) to passage of text; otherwise D1 or D2
P6: Time Horizon	1) Hopwood (1972, 1973): The manner in which objectives are handled: short-run/long-run				
	2) Govindarajan & Gupta (1985): A reliance on short/long run criteria in determining managerial incentive" bonuses ("a part of evaluation process)	D1: Short-run	Meet objectives over short-term, which means less than 6 months	The targets will last for a year, but be reviewed over the year...So after the first quarter...	*If individual judgment on short vs. long is not specified, then code relevant passage of text based on given descriptions
	3) The relative emphasis on meeting short-term performance targets that are likely fixed in comparison to emphasis on meeting long-term performance targets (e.g. operations effectiveness) (Hansen et al, 2003, p.109).	D2: Medium-run	Meet objectives over medium-term, which means between 6-12 months	...No, I don't consider it short or long, and it depends. If the bank expects you to achieve, if the bank gives you a xxxxx of one year, I mean the targets, the results they expect you to produce in that one year period have to be realistic based on the time involved, they have to be realistic.	*If individual judgment on short vs. long is not specified, then code relevant passage of text based on given descriptions
		D3: Long-run	Meet objectives over long-term, which means more than 12 months		*If individual judgment on short vs. long is not specified, then code relevant passage of text based on given descriptions
P7: Degree of flexibility	1) Hopwood (1972, 1973): The flexibility with which variances from standard (target) are interpreted; the manner in which short/long-run concerns are handled				
	2) Argyris (1952): The extent to which there is an inflexible and uncompromising (budget) attitude	D1: Rigid (degree)	Rigid use of information, which means need for subordinate to achieve results over the entire process (performance evaluation period); low tolerance for ambiguity; need for clarity in achievement of targets (need for clarity of means-ends relations), e.g. looking over and interpreting info on a frequent basis (see short vs. long property)	The budget versus actual results would be looked at from month over month, in terms of comparisons in meetings	Assignment of dimension (as described) to passage of text; otherwise D2 or D3
	3) Gelderman (1998): The way performance information in general is used	D2: Moderate (degree)	Neither rigid, nor relaxed use of information, which means moderate tolerance for ambiguity in target achievement (means-ends relations); coaching could be viewed as a moderate approach to using performance info	No, you never leave it to that. If you do that, you are leaving it to chance I think. So you would take the annual target, let's say it is 12, you might want to see Terry produce 1 per month and this is where the coaching we spoke about comes into play because if at the end of the first month, boss, I have been trying really hard but I don't have any then you have to sit down and look at what are you doing	Assignment of dimension (as described) to passage of text; otherwise D1 or D3
	4) Lewin & Stephens (1961): Low tolerance for ambiguity (high rigidity)	D3: Relaxed (degree)	More relaxed (less rigid) use of information, which means no need for subordinate to achieve results over the entire process (performance evaluation period); high tolerance for ambiguity; no need for clarity in achievement of targets, e.g. looking over and interpreting info on an infrequent basis		Assignment of dimension (as described) to passage of text; otherwise D1 or D2

Property	Definition of Property	Dimension	Description of dimension	Examples	Coding Rules
P1: Other's Reliability	1) Spreitzer & Mishra (1999): A belief on the part of managers that lower employees are reliable in their actions and are honest about their intentions (see also Leana, 1986)				
	2) Mayer et al (1995): Trustor's perception that the trustee adheres to a set of principles that the trustor finds acceptable	D1: Low Reliability	Low belief that subordinate will do what he/she promises, which can mean: supervisor believes subordinate will keep written promises (adhere to stated job responsibilities/commitments as per the position description); integrity, but not pursue further responsibilities; reliability based on explicit promise (rules)		Assignment of dimension (as described) to passage of text; otherwise D2 or D3
		D2: Medium Reliability	Neither high nor low belief that subordinate will do what he/she promises, which can mean: supervisor believes subordinate adheres to principles of reliability	Reliability is important. I would assume that Terry is reliable	Assignment of dimension to passage of text that refers to reliability if D1 or D3 does not fit
		D3: High Reliability	High belief that subordinate will do what he/she promises, which can mean: supervisor believes subordinate will keep written and oral promises; integrity and truthfulness exists; reliability based on implicit promise, belief that subordinate will go beyond written (rules)	...position descriptions that tell you exactly what your job is and you can never write everything in a position description and so you understand what your job is generally but you go beyond.	Assignment of dimension (as described) to passage of text; otherwise D1 or D2
P2: Other's Ability	1) Spreitzer & Mishra (1999): A belief on the part of managers that lower employees are competent to make good decisions (see also Leana, 1986)				
	2) Mayer et al (1995): Managers must concern themselves with the trustworthiness of the other party (or the intent which consists of attributes including ability, benevolence, integrity) (see also Ring and Van de Ven, 1992); trust is domain specific (Zand, 1972); ability highlights the task and situation specific nature of the construct (p.718)	D1: Low Ability	Low belief that subordinate has the skills and abilities necessary to perform job (task) well; which can mean: low technical knowledge; little aptitude, expertise, training or experience; questions subordinate skill level	Can Terry allocate information in a format that can withstand scrutiny? This is a test for Terry to deliver or once the task is assigned, can Terry handle the task? If Terry thinks he can't handle the task, then I would consider Jane for the opportunity or let Jane assist Terry.	Assignment of dimension (as described) to passage of text; otherwise D2 or D3
		D2: Medium Ability	Neither high nor low belief; believes subordinate has abilities to perform task but still thinks it necessary to go over task prior to completion date or monitoring task performance	Staying late is not always an indication of doing things well because it would have a lot to do with how productive where you during your normal working hours? Maybe we can assess why was it necessary to stay back to do something for Pat.	Assignment of dimension to passage of text that refers to ability if D1 or D3 does not fit
		D3: High Ability	High belief that subordinate has the skills and abilities necessary to perform the job (task) well, on time, which can mean: high technical knowledge; high aptitude, experience, etc., consistent performance, no need to go over task	...especially if they have been consistently performing at a high level, you always want to shoot for something a little higher	Assignment of dimension (as described) to passage of text; otherwise D1 or D2
P3: Other's Concern	1) Spreitzer & Mishra (1999): A belief on the part of managers that lower employees care about the goals of the organization (see also Leana, 1986)				
	2) Butler & Cantrell (1984): Benevolence or the willingness to protect, support and encourage others; the willingness to share ideas and information freely with others (openness) (see also Butler, 1991)	D1: Low Concern	Low belief that subordinate will not take advantage of shared-decision making authority (e.g. in other duties), which can mean supervisor believes subordinate is not highly concerned with interests of the unit/company, subordinate gives low support and low information sharing; low belief of loyalty and non-harm, cooperation, etc.		Assignment of dimension (as described) to passage of text; otherwise D2 or D3
	3) Mayer, et al. (1995): Benevolence is the perception of a positive orientation of the trustee toward the trustor; personal orientation	D2: Medium Concern	Neither high nor low belief, which can mean: supervisor believes subordinate concerned with interests of unit (i.e. actions support teamwork mentality, cooperation, etc.)	Pat is ultimately responsible, but Terry is Pat's right hand man. Pat knows that if Pat gives Terry a task, Terry will take it head on.	Assignment of dimension to passage of text that refers to concern if D1 or D3 does not fit
		D3: High Concern	High belief that subordinate will not take advantage of shared-decision making authority (e.g. in other duties), which can mean supervisor believes subordinate is highly concerned with interests of the unit/company; subordinate gives high support and high information sharing; high belief of loyalty and non-harm, high cooperation; innovation; (high prevalence in mentor-protégé relations)	Terry will say, "...leave the others at \$250,000 but I know in case they fall short I may pick up the slack so that at the end of the day, as a unit, we still would have achieved the one million dollars we were asked to achieve"	Assignment of dimension (as described) to passage of text; otherwise D1 or D2

P4: Other's Motives	1) Spreitzer & Mishra (1999, p.156): Managers are often concerned with whether subordinates are working in the best interests of the organization and not only their own self-interest, hence a willingness and a belief about other's motives (see also Eisenhardt, 1989)				
	2) Hosmer (1995, p.396): In the short-term individuals are most likely to look after their own self-interests; however, it is best to act in the longer-term interests of self and organization	D1: Self interest	Manager believes employee is highly motivated to act in the best interest of self rather than unit/company, which can mean: supervisor believes subordinate focuses on individual promotion; blaming supervisor for wrong-doing; motivation to lie/fix blame	Terry is self-motivated for whatever reasons. It could be a position (promotion) or a pay check at the end of the month...	Assignment of dimension (as described) to passage of text; otherwise D2
		D2: Mutual interest	Manager believes employee is highly motivated to act in the best interest of the unit/company rather than self, which can mean: supervisor believes subordinate focuses on collective (unit/supervisor-subordinate) promotion; accepting responsibility for any wrong-doing; non-motivation to lie/fix blame		Assignment of dimension (as described) to passage of text; otherwise D1
P5: Level of Participation (Trust)	1) Mayer et al (1995, p.710): Working together often involves interdependence, and people must therefore depend on others in various ways to accomplish their personal and organizational goals; participative management style				
		D1: Low Participation	Supervisor gives task to subordinate <i>if</i> he/she can meet objectives or the supervisor does work by self		Assignment of dimension (as described) to passage of text; otherwise D2 or D3
		D2: Medium Participation	Supervisor gives task to the most competent individual; or separate to sub-tasks based on capabilities and teamwork-orientation	...and certainly you don't want to give someone something that they have not been trained for or they have no expertise in, unless it is part of a training exercise then make it known that is what it is	Assignment of dimension (as described) to passage of text; otherwise D1 or D3
		D3: High Participation	Supervisor gives task to subordinate even if he/she cannot meet objectives; does not matter to whom supervisor gives the task; which can mean a focus on empowering subordinate	...and yes, you need to give it to people sometimes to test their development in that particular area, make sure they are coming along	Assignment of dimension (as described) to passage of text; otherwise D1 or D2
Trust by contingency Factors:					
CF1: Nature of relationship					
		D1: Impersonal	Superior-subordinate relations mainly develop based on performance of work duties, i.e. time spent formally at work e.g. focus on work environment, hierarchy		Assignment of dimension (as described) to passage of text; otherwise D2
		D2: Personal	Superior-subordinate relations mainly develop on factors other than performance of work duties, i.e. time spent informally e.g. socializing, friendship	...a supervisor is expected to develop the kind of working relationships with subordinates that would lead to good morale and that is usually a major indicator as to how things are running...	Assignment of dimension (as described) to passage of text; otherwise D1
CF2/3: Familiarity (Time in the relationship and Subordinate experience)					
		D1: Unfamiliar	Supervisor uses prior reputation of subordinate for decisions on task assignments e.g. degree records, previous experience	I would be more inclined to initially give Terry who went to Harvard the chance to prove him or herself (in an initiative) than I would Terry who went to COB, until Terry who went to COB proves that he is up to standard.	Assignment of dimension (as described) to passage of text; otherwise D2
		D2: Familiar	Supervisor uses supervisory experience (time spent in relationship) with subordinate to determine subordinate task assignments	...until I have known Terry for 3 to 5 years. Then I have the experience with an individual to use judgment vis-à-vis relying on formal certificates.	Assignment of dimension (as described) to passage of text; otherwise D1

Appendix 2 (Section G): Summary Tables of Salient Characteristics of Performance Evaluation Style and Trust for CoX and CoY

Examination of the summary tables reveal a clustering of quality managers in both field study sites under a style that was characteristic of long-term time horizons, mixed financial and non-financial focuses, mixed monetary and non-monetary rewards, et cetera. Whereas, sales managers tend to cluster more under a style with characteristics of shorter-term time horizon, financial emphasis, monetary rewards, and so on (see also Chapters 5 to 7). It is also worth noting that trust levels and styles were later renamed from the original taxonomies heralded by earlier studies - Sako (1992), Hopwood (1972) and others, to reflect trust and style characteristics of managers in the particular field study contexts. Ferreira and Merchant (1992, p.11) state that “in the process of building theory, some researchers find it useful or even necessary to identify new concepts and classification structures.” Indeed, as illustrated by the summary tables, I initially found it difficult to place the majority of salient characteristics for managers in each site into the original classifications of trust and performance evaluation styles. Therefore, the tables reflect the differences in characteristics which were found for style and trust perceptions between functional groups rather than between sites. In the end, it became apparent that trust was given limited recognition by sales managers due to their particular performance evaluation styles (that is, characteristics that appear highly formal). Indeed, their particular trust level, contractual trust, appears to complement their formal evaluative style, an outcome-oriented style. On the other hand, as explained in the analyses chapters (Chapters 5 to 7), trust is given greater recognition in superior-subordinate relations by quality managers, which is in contradiction to their use of a formal performance evaluation style. Hence, their particular trust level, trust beyond contractual, appears to potentially substitute for their style, a formal process-oriented style.

Table 1-A2 Summary Table of Salient Characteristics – Target Setting (Managers in Company X)

TS/ME Properties	Trend	Focus(1)	Focus(2)	Range	Participation Level	Time Horizon	Flexibility (TS/ME)
ROLES	SALIENT CHARACTERISTICS						
Quality (N=5)	Historical to Future Past trend; last year; historical; hindsight <u>Example:</u> “...targets would be set based on the results of last year and what is anticipated.” (Manager C)	Mixed (Financial-NonFinancial) Profit; efficiency; minimize error; capacity; how many; mix <u>Example:</u> “Whatever the metric is for breaking it down to how many you are supposed to do... reducing errors, ensuring payments are formatted correctly, straight-through processing.” (Manager D)	Internal Benchmark; rating; audit; customer service <u>Example:</u> “In terms of service we would find areas to attach numbers to measure.” (Manager B)	Medium to Wide Medium range; two to five indicators; categories <u>Example:</u> “Your appraisal is based on four categories, main categories.” (Manager E)	Medium (to Low) Discuss; parameter; negotiate; identify; develop <u>Example:</u> “Some targets would be negotiated with our country head.” (Manager A)	Medium to Long Fiscal year; annual; strategy; 5-10 yr vision <u>Example:</u> “We go through a fiscal year so the targets are usually annually and we set at the end of each fiscal year.” (Manager A)	Rigid Clarity; consistent activities; stringent documentation <u>Example:</u> “As a personal follow-up, you may have interim reports or reviews of some sort to determine whether the process is moving according to the plan.” (Manager A)
Sales (N=5)	Historical to Future Past trend; last year; Historical; hindsight, stretching <u>Example:</u> “...and that is where the historical comes into play because we say, well we are only giving you 100,000 because you had 95,000 last year.” (Manager 1)	Financial Number; sale; budget; dollar; money; percent; result; revenue <u>Example:</u> “That is the main focus, results, that is where we make our money and that is where we make our bonus.” (Manager 3)	External customer Benchmark; rating; audit; customer service <u>Example:</u> “The targets could depend on the customer base.” (Manager 5)	Narrow Narrow range; one indicator; financial category <u>Example:</u> “We focus on mortgages, so it is more narrow.” (Manager 4)	Medium to Low Guidance; involve; opinion; input; buy-in; encourage <u>Example:</u> “It is good to have participation so there is more buy-in.” (Manager 4)	Short Short; 6 months; review; quarter; last week; day <u>Example:</u> “They will be set on a weekly, quarterly, and annual basis.” (Manager 5)	Rigid to Moderate Update; coach; counsel; latitude; monitor progress <u>Example:</u> “If Terry is a loan officer, you will know during the course of the year whether or not Terry is meeting targets. I have a loan officer who is ahead by a lot, she is set to meet her annual goal by the second quarter, for her I won’t worry because I know she will meet her targets, but you have to pay attention to laggards.” (Manager 2)
All (N=10)	Historical and Future: PC-PES?	Financial to Mixed: BC-PES	Internal to External: PC-PES?	Narrow to Wide: ??	Medium to Low: PC-PES?	Medium: ?	Rigid: BC-PES

Table 2-A2 Summary Table of Salient Characteristics – Beliefs about Other (Managers in Company X)

Evaluation Properties	Objectivity	Flexibility (Evaluation)	Frequency	Reward Properties	Reward Type	Flexibility (Rewards)
ROLES	SALIENT CHARACTERISTICS			ROLES	SALIENT CHARACTERISTICS	
Quality (N=5)	Mixed (Objective-Subjective) Equal; mix; both; team; balance; beyond; combination; ESS <u>Example:</u> “An employee satisfaction survey, it could be how I measure her ability to manage the criticisms that we have or the stuff I coach her on.” (Manager D)	Moderately Flexible Meet; met; correct; sit and talk; flexible; informal; expect; lenient <u>Example:</u> “Because it is going to affect Pat as well, it is not going to be a situation where Terry did not meet her goal so on her rating we are going to put needs improvement.” (Manager B)	Frequent to Moderate Ongoing; weekly; interaction; meet; discuss <u>Example:</u> “...ongoing discussions about each of the key factors, There will be interim reports or reviews.” (Manager C)	Quality (N=5)	Non-Monetary to Mixed Lunch; pat on back; accolades; dinner; email; movies; certificate <u>Example:</u> “You have the opportunity based on how well you did to be selected employee of the year for the branch, this unit, or even the country.” (Manager C)	Stringent Punitive; guideline; below standard; no bonus; needs improvement <u>Example:</u> “Using the five-point scale, if unacceptable, no rewards obviously, in fact, there will be more consequences, you know, you either do better or we can't have you around. If you are a needs improvement, again, no reward, but you have to improve.” (Manager C)
Sales (N=5)	Formula Objective criteria; financial; formula; evaluation; measure <u>Example:</u> “The best approach is looking at the formula tied to results.” (Manager 2)	Inflexible Expectations of meet <u>Example:</u> Either you met it or you didn't.” (Manager 4)	Frequent to Moderate Report; ongoing; regular; half year; review; interim <u>Example:</u> “...maintain regular telephone contacts... formal documented performance appraisals every quarter.” (Manager 5)	Sales (N=5)	Monetary Bonus; monetary incentive; financial reward; salary; cash; check <u>Example:</u> “Terry would receive a bonus based on Terry's rating, so if for example Terry receives a rating of exceeds expectations Terry would get a 20% salary bonus plus an additional discretionary amount.” (Manager 1)	Stringent to Moderate Weighting; guidelines; regular policy <u>Example:</u> “We have guidelines for incentive pay and we have guidelines for salary increases.” (Manager 3)
All (N=10)	Objective and Subjective: PC-PES	Moderate to InFlexible: PC-PES	Moderate: PC-PES	All (N=10)	Monetary to Mixed: BC-PES?	Stringent (to Moderate): ??

Table 3-A2 Summary Table of Salient Characteristics – Beliefs about Other (Managers in Company X)

Beliefs about Other Properties	Other's Reliability	Other's Ability	Other's Concern	Other's Interest/Motives	Participation Level
ROLES	SALIENT CHARACTERISTICS				
Quality (N=5)	<p>High?? Confidence in reliability; act beyond written promise/rule <u>Example:</u> "doing things that were not set out in writing or that were not originally set" (Manager B)</p> <p>"...position descriptions that tell you exactly what your job is and you can never write everything in a position description and so you understand what your job is generally but you go beyond." (Manager A)</p>	<p>Medium-High Adequate technical knowledge, but still necessary to monitor task performance; expert guide <u>Example:</u> "Pat will give the report to Terry if he thinks Terry can do it. Terry has the ability to do it....yeah, I would...now, while this is not here, if I give the report to Terry. It is my report that I should produce. I would give it to Terry. Me being Pat, would make the time to go over whatever Terry puts together with sufficient time to make adjustments or corrections." (Manager C)</p>	<p>High High support; not take advantage; communicate <u>Example:</u> "I feel that instead of Terry not feeling any concern for anyone except herself, she is concerned for the unit." (Manager E)</p> <p>"...I know in case they fall short Terry may pick up the slack so that at the end of the day, as a unit, we still would have achieved what were asked to achieve." (Manager A)</p>	<p>Self-interested (moderate) Highly motivated to act in own interest and team <u>Example:</u> "So in terms of with those particular issues. Her focusing on getting her stuff straight. That is what I meant when I said that. You know, she would want to hit her financial targets and that is where a bit of selfishness really does pay off because you really have to focus on 'I have to get this for me'." (Manager D)</p> <p>"For example, climbing the corporate ladder, that is something she wants to do, she not only wants to improve herself but at the same time make sure that someone is able to do her job while she is training." (Manager E)</p>	<p>Medium-High Give task with focus on competency or development <u>Example:</u> "If I am thinking about anyone who I believe has the ability I will depend on them and even push them to do better, as Pat." (Manager C)</p> <p>I: (Scenario 5)...would Pat give the task to Terry?</p> <p>R: If this is part of Terry's growth and development, yes, I may have to do that, but we can have a conversation about it up front to assist Terry in understanding how to approach it." (Manager A)</p>
Sales (N=5)	<p>Medium Principles of reliability i.e. honesty, dependability, etc. <u>Example:</u> "If my prior experience was that he is dependable. It would be no problem to rely on him." (Manager 5)</p>	<p>High High confidence in technical knowledge; not necessary to monitor task performance <u>Example:</u> "Pat would assume that Terry has the ability to perform the task, otherwise Pat would not consider giving the task to Terry." (Manager 5)</p>	<p>Medium Actions support team; cooperate and share info <u>Example:</u> "Doing it because it is for the team and you will get the recognition later on because a position may become available and you will be the one that is recommended for that position...they have my back." (Manager 4)</p>	<p>Self-interested (moderate) Focus on individual promotion and aspirations <u>Example:</u> "...and normally when something goes wrong the blame is shifted to the supervisor." (Manager 4)</p> <p>"You have to perform for yourself." (Manager 3)</p>	<p>Low to Medium Give task to most competent or separate into sub-tasks based on strengths (ability) <u>Example:</u> "We need the brightest and the best to attack the task with a fury." (Manager 1)</p> <p>I: 'Is Pat going to give Terry a task or find time to do it?'</p> <p>R: 'If that person has the capabilities, yes, or Pat will make the time to do it himself.' (Manager 4)</p>
All (N=10)	Medium-High: ??	High: Goodwill??	Medium: Competence?	Self-interested (moderate): Contractual/Competence?	Medium: Competence?

Table 4-A2 Summary Table of Salient Characteristics – Beliefs about Self (Managers in Company X)

Beliefs about Self Properties	Perception of Influences on Risk Propensity	Perception about Predictability of Mutual Behaviour	Perception about Basis of Trust Relationship
ROLES	SALIENT CHARACTERISTICS		
Quality (N=5)	Risk Neutral – Risk Taker Moderate to low supervision/control intensity; feedback is mixed; non-apprehensive <u>Example:</u> “Terry may want to do it to surprise Pat and once it works out well then it is fine and if it doesn’t work out well, it is also fine as long as it doesn’t create a problem.” (Manager C)	Medium Preference to be informed before initiative is taken; supportive of new opportunities as long as within rules <u>Example:</u> “...best thing would be to be informed during as much as possible.” (Manager C)	Mixed-Affective?? Relations based on mixture of facts and feelings <u>Example:</u> “Gut feelings definitely plays a factor but it has to be used with facts, and this comes with experience.” (Manager B)
Sales (N=5)	Risk Averse Low risk; avoid surprises by obtaining & disseminating more info; high control intensity <u>Example:</u> “It is important that Pat is evaluating what Terry is doing over and above the criteria set by the bank to avoid another catastrophe like the subprime mortgage meltdown, and this evaluation should occur over a period of time.” (Manager 1)	Medium to High Welcome change in job duties as long as knowledgeable and helps Bank; act within clear areas <u>Example:</u> “Ideally, in banking Pat would prefer to be informed before Terry takes the initiative, because Pat might see things that Terry did not consider such as certain risks.” (Manager 1)	Mixed-Cognitive?? Combination, but greater reliance on evidence/facts <u>Example:</u> “If she (Pat) has a gut feeling, there should be some facts to support that. If not, that cannot be the basis of any major decision or any evaluation or anything like that.” (Manager 1)
All (N=10)	Risk Averse to Risk Willing:	Medium:	Mixed: ??

Table 5-A2 Summary Table of Salient Characteristics – Target Setting (Managers in Company Y)

TS/ME Properties	Trend	Focus(1)	Focus(2)	Range	Participation Level	Time Horizon	Flexibility (TS/ME)
ROLES	SALIENT CHARACTERISTICS						
Quality (N=7)	Historical and Future Past trend; last year; historical; hindsight, future <u>Example:</u> “...I don’t think you can just look at the future and ignore the past. You learn a lot from the past. We learn a lot from the past. Hindsight is very, very useful.” (Manager C)	Mixed (Financial-NonFinancial) Profit; efficiency; minimize error; capacity; how many; mix <u>Example:</u> “One I can tell you from the past, we always look for cost savings. I think we have done a pretty good job in the past of doing that so from my past experience, the amount of cost savings that we have had as a target, from past experience we have brought that number down.” (Manager C)	Internal Benchmark; rating; audit; customer service <u>Example:</u> “...but for me personally I am a customer services guy so for me the customer services aspect is really one of the bigger drivers for me, that normally comes across.” (Manager C)	Narrow to Wide Narrow or wide range; one or more indicators; quadrant <u>Example:</u> “...we will have them broad but then you need to have those specific measurements made a little narrower, a little more focused to make sure we keep them on track.” (Manager C)	Medium (to Low) Discuss; parameter; negotiate; identify; develop <u>Example:</u> “I: What about in terms of the amount of participation that is involved with setting the targets? R: To some extent he can be involved. There are some we cannot compromise on and some we may be able to compromise on. We would have to negotiate more so.” (Manager C)	Long Long; twelve; strategy; 5-10 yr vision; years <u>Example:</u> “Like I said though some of these goal-settings is like a continuum, they just go on from one year to the next and it might be that you just have to change the stats around it.” (Manager G)	Moderate to Rigid Coach; counsel; latitude; monitor progress; train <u>Example:</u> “Where I think he might have some deficiencies or we are falling behind on one area I need to be communicating those things with him... coaching will come into play... there is also some flexibility if there are legitimate reasons why we may be missing those short-term targets” (Manager C)
	NO DIFFERENCE	DIFFERENCE	DIFFERENCE	SLIGHT DIFFERENCE	SLIGHT DIFFERENCE	DIFFERENCE	DIFFERENCE
Sales (N=7)	Historical and Future Past, forecast, predict, expect, project, anticipate <u>Example:</u> “Past performance and forecasted plan of what you would like to see happen”. (Manager 7)	Financial Profits, numbers, how many <u>Example:</u> “...one of the ways to achieve certain targets would be to contact customers so many times per year...the financial targets would require them to use their day in a certain way. They know that they are to make a certain number of calls.... it is the bottom line nowadays, profits, profits, profits.” (Manager 7)	External and Internal Benchmark; customers <u>Example:</u> “Every bank has to make that financial plan and that profit but just getting the sale in the door isn’t the way that you are going to meet the overall experience.” (Manager 3)	Narrow to Medium areas; four quadrants <u>Example:</u> “So you learn to put a lot of emphasis on other areas that are equally important or may be more important than one...We have four panels.” (Manager 5)	Medium to Low Guidance; involve; opinion; input; buy-in; encourage <u>Example:</u> “I: Okay. Will Terry have a say in setting the targets then? R:(laughs) unfortunately no, the targets are pretty much what they are, and I guess within this culture, ever since I was here and I guess even when I leave, pretty much the targets are given down and they are accepted, I mean, people will comment and give their opinion as to whether they think they are reasonable, whether they think they are achievable but at the end of the day they are almost always accepted as what they are.” (Manager 3)	Short to Medium Short; 6 months; review; quarter; week; day; year <u>Example:</u> “Every month iyou put measures in place.” (Manager 5) “The targets basically last for a year.” (Manager 7) “It is for the year, so each year the targets are renewed.” (Manager 7)	Rigid Clarity; consistent activities; stringent documentation <u>Example:</u> “...I don’t know if it will change in the future...” (Manager 3) “No. it is all supposed to last for the year. We meet at different points in the year to discuss progress but the targets are for the year. No short term unless there is a short term duty or a short term project that might last a month or two and then that is done and that might count toward a certain target but no, the targets and the plan are for the year.” (Manager 7)
All (N=14)	Historical and Future:	Mixed: PC-PES?	Internal and External:?	Narrow to Wide:??	Medium: PC-PES?	Short to Long:?	Moderate: PC-PES?

Table 6-A2 Summary Table of Salient Characteristics – Evaluation and Reward (Managers in Company Y)

Evaluation Properties	Objectivity	Flexibility (Evaluation)	Frequency	Reward Properties	Reward Type	Flexibility (Rewards)
ROLES	SALIENT CHARACTERISTICS			ROLES	SALIENT CHARACTERISTICS	
Quality (N=7)	Mixed (Objective-Subjective) Equal; mix; both; team; balance; beyond; combination; ESS <u>Example:</u> “I don’t weigh it anymore than the other pieces that he is, the other four areas that he is going to be rated on, however, it is a factor that when we look at our cost side of it to make sure that we are coming in budget, if what we are doing from a cost efficiency or cost effective or cost management...Using both methods.” (Manager C)	Moderate Exceed benchmark; standard; surpass; overachieve; beyond; extra <u>Example:</u> “What should happen is that the company manual should have some guidelines with regard to how you should come up with an overall rating for that person, for any employee. That should be within the company guidelines so it could perhaps be a combination of if she has failed in any of those main broad areas, let’s say we are talking about four areas, four main goals. It may be that if overall there is a failure in any one of them then an employee shouldn’t expect to get an overall rating of exceeds expectations.” (Manager G)	Moderate to Infrequent Month; months; half year; interim; middle; third; year-end <u>Example:</u> “I would be someone who would still be meeting with Terry to find out how things are going, see whether she needs any help but officially once per year, sorry at the mid-point, then at the end of the year.” (Manager G)	Quality (N=7)	Mixed Reward and recognition; promotion; various; combination; both; range <u>Example:</u> “...so monetary and non-monetary, both ways, even though I must add that most people like the monetary, they prefer the monetary.” (Manager C) “R: We have some small budget type rewards that you can do on a monthly basis or you look to see how staff are performing... We try to do rewards in terms of highlighting, and do it in a fashion where everyone else around knows, recognition, that is the recognition part. I: So then it won’t really be about financial rewards? R: it comes with a little financial (Manager G)	Stringent to Lenient Stringent; lenient; reward; policy; power; flexible; consider; influence <u>Example:</u> “It is not done by the bank but it is one of the personal things I do to do that or it may be in addition to, ‘listen I think you did a really great job here and to reward you, you get the individual monetary reward but I also may add that in’ or whatever the case is. So there is some flexibility there as a manager, I am managing Terry and I want to sweeten the pot a bit.” (Manager C)
	NO DIFFERENCE	NO DIFFERENCE	DIFFERENCE		DIFFERENCE	DIFFERENCE
Sales (N=7)	Mixed Equal; mix; both; team; balance; beyond; combination; ESS <u>Example:</u> “I realize you have to treat each case on it’s own merit so to speak...I am governed by a certain set of parameters and I have to position them where I think they are...So we weigh things against each other like that to kind of give a little more liberal approach to the evaluation process.” (Manager 3)	Moderate Exceed benchmark; standard; surpass; overachieve; beyond; extra <u>Example:</u> “We definitely want people to achieve their targets and in fact exceed.” (Manager 5)	Frequent Frequent; daily weekly; interact; meet; report; ongoing; regular <u>Example:</u> “There are daily, weekly, monthly reports that have to be done and based on what is happening within those reports there are always opportunities to communicate on different areas of performance that all feed into this overall plan at the end of the day.” (Manager 3)	Sales (N=7)	Monetary Bonus; monetary incentive; financial reward; salary; cash; check <u>Example:</u> “I: And that is the main reward? R: Right, because we may have a spread in the level 1 lender that if they get 100% they are going to get a range of 1% to 3% and the level 2, if they get 100%, they may go from a 2 to a 4% spread, and the mortgage may have a 3-9% spread, so it still varies... tied to those ratings is, we have a bonus plan which is distributed at the end of the year, financial and you get paid more depending on where you rank in the overall rating of your performance.” (Manager 3)	Stringent Punitive; penalties; below standard; no bonus; needs improvement <u>Example:</u> “... but we unfortunately don’t have that type of system here, because like I said everybody within the same job has the same target, and by the same token even though we have a consumer finance officer who is a level 1, and a level 2, and then a mortgage officer, they are in different salary brackets and the reward is in different percentage brackets so the three of them each making 100%, the capability and the rewards is going to be lower for that 100% versus this 100% versus this 100%, because they are on different tiers.” (Manager 3)
All (N=14)	Mixed: PC-PES?	Moderate: PC-PES	Frequent to Moderate: PC-PES	All (N=14)	Monetary to Mixed: PC-PES and BC-PES?	Stringent: BC-PES??

Table 7-A2 Summary Table of Salient Characteristics – Beliefs about Other (Managers in Company Y)

Beliefs about Other Properties	Other's Reliability	Other's Ability	Other's Concern	Other's Interest/Motives	Participation Level
ROLES	SALIENT CHARACTERISTICS				
Quality (N=7)	Medium Principles of reliability i.e. honesty, dependability, etc. <u>Example:</u> "If I know that Terry has a high level of reliability in terms of delivering on time, clean data, that kind of stuff." (Manager C)	Medium Adequate technical knowledge, but still necessary to monitor task performance; expert guide <u>Example:</u> "So if I think that something is going to have a negative impact on Terry I need to really give Terry that coaching, not from blocking him but from where I see the challenges, that Terry is convinced that he can actually manage the two or if I think from a skills set perspective that Terry could but he is going to need someone to keep him on track and focused." (Manager C)	Medium (to High) Actions support team; not take advantage; communicate <u>Example:</u> "...I think is good because that brings in the element of working together...you have to have that kind of commitment. Not that you are going to go out there and do it all the time because of course you want to meet your own targets but within you there has to be that sense that if I am called to do something else to help with the entire organization I am willing to do it and then of course sensitivity to the needs and interests of others. That is especially important when working as a team because it can't be just all for me, all for me, all for me, think about the rest of the team and when you do that, (you) help the entire process to become efficient." (Manager G)	Mutually Interested Highly motivated to act in interest of unit; collective promotion; non-blame fixing <u>Example:</u> "Mutual. Definitely not into self...For me, for the most part I am expecting mutual. I don't like people who are after their self interest, I mean, you get that sometimes, I really hope you don't know these people, but what tends to happen is teams that you inherit people tend to not necessarily look at the big picture. My focus for Terry, let's look at the mutual interest and how we can achieve that." (Manager C)	Medium-High Give task with focus on competency or development <u>Example:</u> "Not that you are going to afford opportunities to one that you don't afford to the other but how you manage it is going to make it different." (Manager C) "I might give bits and pieces of it, share it out because it says data collection and analysis is needed for the report to be put together. Still maybe Terry does this portion and another person does another portion." (Manager G)
	NO DIFFERENCE	DIFFERENCE	SLIGHT DIFFERENCE	SLIGHT DIFFERENCE	DIFFERENCE
Sales (N=7)	Medium Principles of reliability i.e. honesty, dependability, etc. <u>Example:</u> "If I gave it to him I know I have a certain level of comfort that it would get done properly." (Manager 7)	Medium-High Adequate technical knowledge, not necessary to monitor all tasks; expert guide; deeper training <u>Example:</u> "I think if time is a real factor and it is a real critical report you are probably going to give it to someone who you have the highest level of confidence in." (Manager 3)	Medium Actions support team mentality; cooperation <u>Example:</u> "...if there is an issue, he (Terry) should come back and say, 'well, I am having this problem'. So there could be some collaborative effort." (Manager 5)	Self-interested (moderate) Motivated to act in own interest; individual promotion and aspiration; blame fixing is likely <u>Example:</u> "I think you have to try to help people get to the point where yes, they are interested in bettering themselves...coupled with that, they have to have a genuine interest in seeing the organization grow, survive, improve...self motivation is very important, but it can't be the only feature of an employee-employer relationship." (Manager 3)	Low Give task only if other can meet objectives or do work by self; succession planning; fairness <u>Example:</u> "If you know that it is critical and your back is against the wall you probably would rather you do it yourself because at the end of the day you know that you are only responsible for it yourself anyway but you would certainly want to give it to somebody who you have the highest level of confidence in, in their capability. (Manager 3)
All (N=14)	Medium: Competence?	Medium: Competence?	Medium: Competence?	Self and Mutually Interested: Competence/Goodwill ??	Low-High: Contractual/Goodwill?

Table 8-A2 Summary Table of Salient Characteristics – Beliefs about Self (Managers in Company Y)

Beliefs about Self Properties	Perception of Influences on Risk Propensity	Perception about Predictability of Mutual Behaviour	Perception about Basis of Trust Relationship
ROLES	SALIENT CHARACTERISTICS		
Quality (N=7)	Risk Neutral Moderate supervision/control intensity; feedback is mixed; expect info dissemination <u>Example:</u> “Well my style is I normally give feedback right away. I normally give tasks to people to do, the newer people get newer stuff and depending on how they are handling those things they take on more and more and more but I think, for me, I establish it pretty quickly.” (Manager C)	Medium to Low Preference to be informed before initiative is taken; supportive of new opportunities as long as within rules <u>Example:</u> “...Yeah, that is great. Yeah sure, sure, I encourage it, however, Terry should be clear in his mind as to which items he has the power to make decisions on in terms of what he can take initiatives on and which ones he probably should refer and get agreement from Pat before moving on with these...” (Manager C)	Mixed Relations based on mixture of facts and feelings <u>Example:</u> “There is a human element we have to factor in which is the gut feeling you are talking about. That is how I operate. I have to factor in the human element. I just can’t look at raw numbers and just make decisions based on that, I mean it is like operating in a vacuum. You have to use a combination of the two. What do the facts say and then what is my gut feeling telling me about this here? Try to pull the full story and the whole thing.” (Manager C)
	DIFFERENCE	SLIGHT DIFFERENCE	SLIGHT DIFFERENCE
Sales (N=7)	Risk Averse (moderately) Avoid surprises by obtaining & disseminating more info; high control intensity; offer advice <u>Example:</u> “Right. I think I would have to speak to her about it, and really drill down what is her intentions, what is involved in this initiative, what is it all about, in order to be able to make a determination a) will it be beneficial to the bank, b) is she capable of achieving it?” (Manager 3)	Medium to High Welcome change in job duties as long as knowledgeable and helps Bank; act within clear areas <u>Example:</u> “I mean people may have good intentions and they may say, ‘oh this is something that is going to benefit the bank, and I can do this’. But Pat may say, ‘she thinks she can do that, but I really don’t think she can. I think I need to coach her or I need to manage her tightly around it’.” (Manager 3)	Mixed-Cognitive Combination of facts and gut instincts support relations <u>Example:</u> “It might be a bit of both. Facts are better when it comes to the performance review because then you have hard evidence as to what took place... but then a little bit of gut feelings can help in the way you write it up or the way you approach it but you are going to need hard evidence.” (Manager 7)
All (N=14)	Risk Averse – Risk Neutral: Contractual/Competence?	Medium: Competence?	Mixed: Competence?

Appendix 2 (Section H): Disconfirming Evidence

Profile for Interview P13 (Sales Manager, Branch):-

Male

PERFORMANCE EVALUATION PROCESS:-

At the target-setting stage, mixed trends, a mixed focus on financial and non-financial indicators, flexibility, a wide range perception, and short to medium time horizon, were all dominant characteristics.

A focus on historical performance and projected targets, as well as recognition that although financial goals play a fundamental role to the core of the business (i.e. making profits – “the targets are set towards the bank’s financial performance”), “financial is not sustainable without the non-financial targets which are the service impacters.” Hence, this sales manager perceives that financial targets (also viewed as performance driven targets) should be balanced with non-financial targets:

“For me, as I said, when you are looking at a performance driven or financial target there has to be a correlated non-financial target, there has to be, because someone can book all these loans but if there is no tracking to indicate the quality of the loans it defeats that purpose... So when you are looking at target setting, the performance base, you have to show the relationship between the financial and the non-financial...(pause due to knock on door)...there has to be a correlation between financial and non-financial.”

In addition to a focus on the service impact, risk impact (i.e. confidentiality of customer information) is another measurement tool which SMY13 focuses on. SMY13 links both impacters.

“Well you are looking at the customer experience which means you are looking at the risk.”

Interestingly, this sales manager (SMY13) perceived that the subordinate “would get to decide exactly how he wants to go about achieving the targets” despite the targets being established by the bank overall (i.e. top management/ ‘the bank decides this is what we want to do’). In this sense, it becomes apparent that SMY13 is reliant on the subordinate’s knowledge and would utilise subordinate capabilities to achieve targets: “So Terry has the leeway to say, ‘okay, I know that these are more strong persons here, these are my weaker persons, or this person is strong in this area, this person is strong in that area so I would like this person to concentrate on these targets and leave that and I will let somebody else who is strong in the other area, leave that concentration and by doing that we are able to work on both sets of goals at the same time.” Hence, although the superior would initially manage targets, targets would be negotiated with the subordinate “to reach that happy

medium". This manager is lenient (flexible) to the extent that he was not averse to subordinate input and the possibility of agreement on new indicators.

"In my meetings I try to encourage people to state things that they see can be changed, where they see there are errors or even if they do not want to say in a meeting, to come up to you personally to say, 'why don't you do this' or 'why don't you stop doing that' because sometimes you don't realise the effect that you are having by doing certain things."

Moreover, the respondent did not mind giving the subordinate room to make errors and learn.

"I would sort of push them out there, allow them to make errors and do coaching and necessary counselling as time goes on as opposed to trying to control them and steering them in the direction I want them to go."

Despite this leeway, the respondent notes that financial indicators especially necessitate a sequence of activities (rigidity in means-ends relations).

"There are some things that you have to have a progression, and with those items, there would have to be some coaching to address what is wrong, why these are not met, what is happening, but in terms of the financial targets, you really need to see a progression but there are some items that, it is difficult to measure the process, but the end result will be evident."

Following on this, he also pointed out that "it is not a matter of micro-managing but Pat will have to see some sort of progress even if the targets are not being met, he needs to see certain stages, certain things happening, certain things being done even if you are just setting up what these targets are to be met, there has to be some movement, and as long as those indicators are in place I think Pat will be happy because sometimes there are persons who do not meet their targets until that last quarter, there are some persons who are deadline driven."

Hence, individual traits are considered in performance management, and is particularly handled by this manager through elements such as rewarding for different types of behaviour (e.g. subordinate consistency of performance versus inconsistent but exceptional performance).

The problem that will happen then is managing the expectations of the other employees who have been busily riddling away and bringing in the \$5000, \$10,000, \$20,000, and so all year you have seen their progress and this person comes with one thing at the last minute and they jump ahead of everybody and win the prize, 'but all this hard work I have put in' and so there has to be some way of rewarding that type of behaviour as well as rewarding the person who has done the ultimate goal in terms of meeting or exceeding the goal and that is why we have to have all of these elements in place because that one person might get top marks for hitting that target but in the other areas, they might get lower marks because all through the process they were not doing the things these other persons were doing, that they would get good marks for and so at the end of the day it kind of balances out in terms of what kind of recognition you give."

In addition, SMY13 perceived that the subordinate “is a person who adapts well and is cognizant of what the bank’s objectives are in terms of um, the financial, the non-financial, the service impact we are trying to get across, and I think Terry will be very receptive.” These characteristics entail managerial skill to adjust (to be able to adapt to differing circumstances).

Unlike the majority of sales managers, the interviewee perceived a wide range of indicators, which is unsurprising due to his perceived use of both financial and non-financial indicators: “The team is never evaluated on a narrow range. Within each of those four categories there are certain key targets that you want to measure to see how they are stacking up against each area and so you are talking about at least four in each category and so it is quite a wide range.”

Due to a focus setting targets as aligned with the bank’s financial performance, SMY13 felt that financial targets are short-term and lagging, which is perhaps one reason for his lenient approach to measurement emphasis (e.g. subordinate input into target setting).

“Financial targets are something, they need to be set a little earlier and so my thinking is that instead of waiting for the beginning of the year to set targets for the following year, they should be set three to six months in advance so that when that year starts, you know where you have to go, what you have to do, that kind of thing and I think we wait too late, when I say we wait too late it is something that with a lot of planning, a lot of insight, you are going to know from six months what you are going to project for the following year and then if there are any mitigating circumstances that change that, you can alter those at the time, but you have sufficient time to set things in place so that there is a smooth transition from year to year.”

This manager also perceives stretching targets as enabling the subordinate to “to improve on their overall performance as well as stretch their imagination in terms of thinking outside the scope of what they would normally perceive their abilities are and reaching out and seeing that they could do far more if given themselves the opportunity.” Therefore, stretched goals are built into target-setting in order to “encourage persons to do better” rather than act as a cushion for ensuring targets are met. However, again, this involves “some collaboration of efforts” and consideration of individual subordinate capabilities, which might involve “a going backward and forward to say ‘this may be stretched a little too far, what if we settle back here a little bit’ or ‘I don’t think you are stretching far enough, let’s set it forward a bit’...but each individual is going to have to be looked at to see what they can and cannot do.” Hence, this manager perceives that if necessary target setting could involve switching downwards to focus on a narrower range of indicators in order to boost morale (as “they are not having to put as much effort as they had to put”). This links in with trust building through likely change in performance evaluation style.

Similar to the target-setting stage, his perceptions are quite unlike those of other sales managers at the evaluation and rewarding stages. At the evaluation stage, SMY13 interprets an objective and subjective approach to evaluating, frequent to moderate frequency of assessments, and moderate to flexible scope in evaluating. This manager displays exceptions to the rule in recognising subordinate effort in multiple areas.

“We had a particular manager who had a portfolio that had all the troubled accounts and accounts that were giving a lot of daily stress and they were able to work it down in a way where there was tremendous improvement in terms of the risk profile of the portfolio. We made it more profitable, it was more efficient, risk was in order and even though they may not have had the sales and business performance they were rewarded because of their efforts in other areas, so effort, regardless of which area, which quadrant you are talking about, effort is, can, and has been recognised.”

At the rewarding stage, SMY13 places emphasis on mixed rewarding as opposed to solely financial rewarding.

Appendix 3

Appendix 3 (Section A): Gender Associations in Organisational Relationships:-

As an example, an earlier version of the vignette scenarios incorporated hypothetical names of the superior manager and subordinate which could be viewed as gender biased (Acker 2006, 1990). As Acker (1990) explains, the concept of “a job” is implicitly a gendered concept, even though organizational logic presents it as gender neutral. The symbolic function of gendered jobs based on hierarchy in organizations as described by Acker (1990) and others is not heralded by the researcher as a plausible theory; but rather another viewpoint for future attention. These views are in contention with mainstream organizational theorists (e.g. Kanter, 1977; Liden, 1985), who maintain that organizations are gender-neutral social phenomena. However, initially judging from the preliminary research instrument design, constructed with ‘Anders Field’ as area manager and ‘Angela Walters’ as subordinate, the author could be easily categorized as believing in power domination held by “all-male enclaves” in the pinnacles of large economic organizations (according to Acker, 1990, p.139). As Acker (1990) and other organisational theorists conclude, this belief is shared by most of the world. So are the class, ethnic, and racial differences that often impound unbiased treatment of individuals. For example, McColl-Kennedy and Anderson (2005) showed that the gender issue is not simply female versus male managers, but rather a nonlinear interaction of factors including situational such as subordinate-manager combinations and leadership style. Jeanquart-Barone (1993) found trust differences between supervisors and subordinates due to race and gender. More strikingly, Varma and Stroh (2001) suggested that both male and female supervisors exhibit positive evaluation bias toward subordinates of the same gender. I took a reflective stance on these issues, in particular gender. For the purposes of this research, however, the debate about gendered roles and status in organizations does not warrant any further reflection or feminist critiques, except to simply clarify researcher position as that of an onlooker, observing and interpreting the perceptions of organizational members. With this in mind, and as a result of various comments and recommendations after pilot interviews, in order to avoid any social desirability responses such as gender bias, I adapted the vignettes to support realistic gender-neutral names. The gender-neutral names, “Pat Francis” (superior) and “Terry Reese” (subordinate) were chosen in accordance to Van Fleet and Atwater (1997).

Managerial responses and interpretations did not reveal any evidence of gender bias.

Indeed, during the main interviews the majority of participants noted the gender neutrality of names and assumed gender based on their current experiences. This was clarified at the conclusion of the interviews as the following excerpts from several interviews reveal:

Respondent: I keep saying him, I don't know why, because I have a friend named Terry who is a guy so saying Terry his picture pops up most of the time but I am really not trying to be a male chauvinist here. You are not going there with me?

Interviewer: No, no, of course not

R: (laughs)

I: you are right to pick up that they are gender neutral names,

R: I can understand that. (QMX1)

I: What are your assumptions about the gender of Pat and Terry?

R: My assistant is a female so that is how I automatically answered. (QMX10)

R: As Pat, I think Terry is a pretty resilient person, the reason I say this is that they don't have a gender here and Terry could be either male or female (SMY13)

I: What would you say in terms of the assumptions you made about Pat and Terry in terms of their gender, because I noticed you referred to Terry as a he?

R: Yes, I noticed that too. I did think about that. In the back of my mind I was thinking maybe Terry is a she. (SMY24)

Appendix 3 (Section B): Illustrations of Contextual Information

Sample characteristics (extended)

	TOTAL (CoX + CoY)		Company X				Company Y			
			Quality		Sales		Quality		Sales	
	Count	%	Count	%	Count	%	Count	%	Count	%
Gender:										
Male	11	46%	3	60%	2	40%	4	57%	2	29%
Female	13	54%	2	40%	3	60%	3	43%	5	71%
Education:										
High School	11	46%	2	40%	3	60%	3	43%	3	43%
Bachelors	7	29%	1	20%	1	20%	2	29%	3	43%
MBA / Other post bachelors degrees/certifications e.g. CPA	6	25%	2	40%	1	20%	2	29%	1	14%
Tenure with firm:										
1-2 years	2	8%	1	20%	1	20%	0	0%	0	0%
2-5 years	2	8%	1	20%	0	0%	0	0%	1	14%
5-1- years	2	8%	0	0%	1	20%	0	0%	1	14%
> 10 years	18	75%	3	60%	3	60%	7	100%	5	71%
In current position:										
1-2 years	5	21%	2	40%	1	20%	1	14%	1	14%
2-5 years	12	50%	3	60%	0	0%	6	86%	3	43%
5-10 years	5	21%	0	0%	2	40%	0	0%	3	43%
> 10 years	2	8%	0	0%	2	40%	0	0%	0	0%

Table 1-A3 Sample characteristics (extended)

Corporate Strategies	
<ol style="list-style-type: none"> 1. <i>Building deeper, more profitable relationships – through a true sales and service organization and culture.</i> 2. <i>Optimizing the use of shareholder capital and human capital.</i> 3. <i>Building on our core strengths – customer satisfaction, our people, diversification, expense management, risk management, and execution.</i> 	
International Banking Strategy	
Financial	Customer
<ul style="list-style-type: none"> • Shift from just volume growth to profitability and productivity drivers • Increase profitability in all customer segments • Increase “share-of-wallet”/balance sheet management of target-customer relationships 	<ul style="list-style-type: none"> • Create a consistent, outstanding customer experience • Branches will be the primary channel for personal financial advice • Manage relationships on the basis of customer preference and customer value to the Bank
Operational Quadrant	People Quadrant
<ul style="list-style-type: none"> • Evolve into an integrated, multi-channel environment, with branch and alternate channels handling transactions cost-effectively • Streamline key customer and support processes to increase sales capacity and effectiveness • Protect our reputational risk by ensuring KYC (Know Your Client) and other compliance procedures are embedded into our sales and service culture 	<ul style="list-style-type: none"> • Develop a dedicated and involved workforce who are highly effective, knowledgeable and adaptable • Foster an environment of continuous personal improvement

Figure 1-A3 International Banking Strategy for Company X

Novice	<ul style="list-style-type: none"> • Limited understanding; significant amount of learning to be done • Requires clear and specific instructions to get the job done
Working	<ul style="list-style-type: none"> • Understands area, needs more application experience or practice • Understands enough to independently handle most tasks in this area most of the time, but is supplied with direction for work
Thorough	<ul style="list-style-type: none"> • Experienced • Has thorough knowledge of the area • Makes own judgement about work objectives
Expert	<ul style="list-style-type: none"> • Specialist knowledge of the area • Is relied on for guidance, especially during critical times
Teaching	<ul style="list-style-type: none"> • Understands how area of knowledge/skill relates to broader issues • Is able to determine which aspects of the broader issues need to be considered to achieve objectives • Plays a role in transferring skills and knowledge to others

Table 2-A3 Job Levels and Skill/Knowledge Requirements

Appendix 4 Evaluative Criteria for Qualitative Research Projects

Although I make mention of criteria (in particular, validity and generalisation in discussing strengths and limitations of the study in Chapter 8), it is indeed vital to evaluate the merits of any qualitative study and its supporting methodology through an examination of criteria for qualitative research. Lincoln and Guba (1985) maintain that four questions should be asked of research reports¹³⁴:

- **Truth value:** How can one establish confidence in the truth of findings from a particular inquiry for the subjects and context in which the inquiry was made?
- **Applicability:** How can one determine the extent to which the findings of a particular inquiry are applicable to other contexts or other respondents?
- **Consistency:** How can one determine whether the findings of an inquiry would be repeated if the inquiry were replicated with the same subjects in the same context?
- **Neutrality:** How can one establish the degree to which the findings of an inquiry are determined by the subjects and conditions of inquiry and not by biases, motivations, interests, or perspectives of the inquirer?

I sought to satisfy these questions through using a series of techniques during the course of the research project, and hence, achieve the criteria outlined by Lincoln and Guba (1985) (see Table A4.1).

Table A4.1 Lincoln and Guba's Translation of Terms	
Conventional inquiry	Naturalistic inquiry
Truth value (Internal validity)	Credibility
Applicability (External validity)	Transferability
Consistency (Reliability)	Dependability
Neutrality (Objectivity <i>also Construct validity</i>)	Confirmability

Source: Seale (1999, p. 45)

¹³⁴ Source: Lincoln and Guba, 1985, p.290, cited in Seale, 1999, pp.23-44.

Firstly, techniques for establishing credibility or truth value of this research included prolonged engagement in the research context. Interviews and vignette scenarios were thought to be credible in so far as confidence in the truth value of the research was gained by interviewee's interpretations of reality. This was also established by means of checking researcher interpretations with the study participants during the course of the interview discussions (e.g. via clarification questions), at the conclusion of interviews, as well as subsequent to preliminary analysis (via sharing summary findings and conducting debriefing meetings with primary contacts). Peer debriefing was another technique used. Inter-coder reliability was sought at the early stages of the research (as discussed in Chapter 3, Methodology and Methods). In addition, I sought perspectives from supervisors and peers throughout the research process. External perspectives provided great opportunities to objectively assess the adequacy of research design, data, preliminary/emergent findings, and opportunities for researcher reflection on the particular choices of research design (see Chapter 3)¹³⁵. In addition, McKinnon (1988) acknowledges a series of threats to validity of qualitative research, including observer bias, data access limitations, and complexities in the field. McKinnon (1988) also makes recommendations to counter threats to validity including spending more time in the field (e.g. multiple site visits) and using multiple methods of data collection (see also Ahrens and Chapman, 2007, p.312). Certainly, observer bias was decreased by means of inter-coder reliability, peer debriefing and the other techniques used. It is also noteworthy that my knowledge and use of the extant literature imposes a disciplinary context, a pre-set lens which likely limits my ability to make observations outside my knowledge base but also counters for complexities in the field by providing a more focused agenda.

The second criterion, transferability involves giving accurate contextual information so that it is possible for comparisons to be made by readers. Simultaneously investigating trust and performance evaluation style requires more complexity in research approach, and could result in low transferability of findings (i.e. less ability to test findings and implications). Nonetheless, transferability of findings to other settings was supported by means of providing a rich description of the phenomena in their particular contexts (that is,

¹³⁵ Ferreira and Merchant (1992) also mention criteria to evaluate the 'goodness' or quality of research. One such criteria face credibility of the data was accomplished by means of using managers' quotes verbatim. They also state that goodness of research can be established by using pre-established concepts to make sense of data. In this thesis, use of pre-established concepts / establishment of a theoretical framework proved immensely helpful to both data collection and data analysis (organisation of the raw data through relating data to the theory in the iterative process).

detailing the perceptions of managers in particular contexts). This thick description was supported by means of interviews (as well as observations and source documents to a lesser extent). Noeverman and Koene (2005) and Ferreira and Merchant (1992) contend that contextual field studies help to explore, conceptualise, and measure differences in evaluative style and trust in ways that are relevant, meaningful and valid. Field studies enable the development of measures of evaluative style and trust that are tailored to a particular context, and make it possible to show how meaning and effectiveness of evaluative style and trust will depend on this particular context. Descriptions of style and trust in context aids with establishing applicability and consistency of findings to similar contexts (i.e. findings should be applicable to middle level supervisory managers in similar multinational financial subsidiaries).

The question of reliability takes on a different significance in qualitative field studies. The third criterion, dependability (that is, reliability or consistency) of the research was established by means of visits to multiple field sites, seeking patterns in the data from multiple visits, as well as by means of external audits. Eisenhardt (1989) explains that searching for cross case patterns uses structured methods of analysis and reduces biases and tendencies to derive false conclusions. Similarly, Bryman and Bell (2003, p.59) state the main argument in favour of the multiple field study is that “it improves theory building; by comparing two or more cases, I am in a better position to establish the circumstances in which a theory will or will not hold”. This standpoint is also supported by Gummesson (1991) who posits that it is possible to ‘analytically generalize’ (transfer findings to other cases) from a few cases or even a single case if one’s analysis is strong and has captured the connections and characteristics of phenomena in context. Also, an external audit trail was established. Researchers who were not involved in the research process (i.e. members of the Department as well as peers at conferences) examined the processes of research instrument development, coding and analysis, as well as the research findings.

Lastly, the fourth criterion confirmability (neutrality) was also established through specifying the ‘sphere of observables’ related to a construct (see Leedy and Ormrod, 2001, p.98). Despite the fact that data was collected by qualitative means, prior (positivist) studies aided with identification and operationalisation of constructs (categories, properties, and dimensions) that were embedded into the research instrument. Confirmability was also established by means of the external audits. A clear and detailed

description of the research process from commencement to development of the interview protocol, analysis, and reporting of findings is detailed in Chapter 3 and Appendix 2. In particular, discussions include reporting information at the various stages of the research process (i.e. provision of raw data/transcripts, summary tables, transparency in evidence collection and analysis procedures, different forms of the research instrument, and the conceptual framework/matrix of expected linkages between trust and performance evaluation style). Abernethy et al (1999, p.14) contends that identifying *a priori* potential associations between the constructs of trust and performance evaluation style (via a matrix) indicates “a desire to measure them with validity and to draw inferences about their relatedness”. In addition, use of a protocol increases validity and consistency (reliability) by increasing the likelihood that all data are coded, included in the analysis, and audit trailed.

Appendix 5 Several Transcripts

Interview P6, Sales Function Manager, Company X (January 24, 2008)

I: You said you have 40 years of experience in the Bank?

R: Yes

I: How many in your position as branch manager?

R: 20 years

I: ...(Scenario 1)... How will Pat set Terry's targets?

R: Well Pat will set her targets based on the number of employees in her department and another thing based on her experience, and her targets wouldn't be as high as someone who is more seasoned. It would be based on the overall targets of the branch, what we expect it to make. If the bank said we had to do a 20% increase in growth, they provide us with some numbers for the retail section or the commercial section, we would divide it by the offices but maybe we will give a more senior, seasoned officer a higher goal because Terry may not be as experienced as maybe Susan.

I: So would it be based mainly on past historical data or based on the future

R: Usually a ballpark figure will be used, for example, we as a Bank are expected to grow by 25% over the next five years every year.

I: Is that figure based on projections or?

R: It is based on where we were as of our last financial year, 20% in addition to that for this financial year so that is how Terry is expected to grow, so whatever was made last year, we expect more of Terry this year.

I: What is going to be measured? Will the emphasis be on financial or non-financial key performance indicators?

R: It depends on the job she is holding...what is Terry's job?

I: It doesn't really say, but generally speaking what would it be for example for your subordinate if you had a subordinate manager, would it be based more on financial figures or?

R: One of the things is we place more emphasis on the retail. That is where we make our money. So on the retail, what we would do is, she would have her goals, we would have quarterly PAs (performance assessments), what I do is I highlight the reports every morning and discuss it at kick-off and I say to some officers what do you have to book today or maybe once a week we will get everybody's reports and look at them, see where they are, and tell them where they need to go, but on a quarterly basis I, as Pat, would write a performance assessment of all those persons, we highlight their performance, their strong areas, their weak areas and we coach them as well on a weekly basis, one on one coaching.

I: So you do the one on one coaching?

R: With my five direct reports and she (Terry) would do coaching with her direct reports. I have an Assistant Manager, Operations; Assistant Manager, Retail loans; Assistant Manager, Commercial loans; Credit Support...of course credit support and operations are more non-financial because they deal with service, and don't deal with high targets. My back-office person, she has to be accurate

I: What about your mentioning the years of experience as a factor in determining targets?

R: Only on the outset. If you have a person in the loan department for a year you have to expect them to do the same target with a person that has been there 3 or 4 years. It doesn't happen often, but when it does you have to identify it. Even if goals are split evenly, and everyone was given so many loans, the same amount and that person isn't meeting targets there has to be some explanation for it in the performance assessment to say that, while she is not meeting her goals she did her marketing, the loans she booked are thorough, good judgment exercise when it came to the credit decision so while she may not be above average her PA may be rated meet expectations for the length of time she has been on the post.

I: What about the range of key performance indicators...will it be based on a narrow range or a wide range?

R: It is everything but the point is that the narrow range would be the results basically. It would be the numbers, because we focus a lot of attention on numbers. Right now, I will show you a report. The numbers we want to make sure people do is sales and activities. These are the calls she has to make per week, 26 to customers on the phone asking them to come in for business, asking them if there is anything they need, she has to make 22 appointments as a result of those calls a week. In lending, she has to do \$133,000 per week minimum. That isn't a lot of money, because one loan is \$133,000, and these are the things she has to do. In addition to that some of these other things she has to obtain 2 credit cards, 2 Scotialine loans. One Scotialine, 1 checking account, internet banking which is an easy sell, and savings accounts and term deposits. So, this is her load and she has to meet these. If she doesn't meet these, this in itself will bring down her performance and then of course you have the other things that go with performance, behavioural, functional, all those other things, accuracy. They all go into performance.

I: But is that, what you described, that is the main focus?

R: That is the main focus, results, that is where we make our money and that is where we make our bonus and everyone is trying to outdo each other

I: I heard the Bahamas is the top.

R: yeah, we are the top in the region, we made the most money last year

I: What about the level of participation that is involved?

R: We have in-house competition so one of the things is everyone is trying to outdo each other, but talking for myself I rely on people who are efficient, I try to spread it around if I have a referral because as a manager I may have someone who is following me for a loan, I had a doctor who called me yesterday who wants a car loan, but you want to give it to someone who is going to spin that around within 24 hours.

I: But how do you know which person?

R: I know the performance of all my employees...I have a hands-on approach to management and I am always here. You can phone me at anytime and I am in this chair. I do walk around too but one of the reasons I am always here too is I always think service and the tellers have to send their authorisations to someone and usually I am here to do that for them so I can make sure they have someone to authorise their entries so they don't keep the customers waiting on the line. That is one reason, but walking around, you know, you know the performance because we have a weekly meeting every Monday with my two senior people – the retail and the operations. So we get updates on performance, any issues. We are not like a government office. Here, everyone will get a salary increase based on their performance, you don't perform; you don't get a salary increase. That is fair and I think that is how it should be all around. The forty years that I have been in the bank, you have to perform for yourself. Your increment is based on your performance. We have people in this bank who just don't get a thing. If you have a needs improvement PA and you get that for two consecutive years then your next step is out the door. That is why we have coaching, it ties into everything. You coach them to make them better. It is an integral part to improve performance...we always strive to do better, we always implement campaigns in-house to motivate people. We have a kick-off meeting every day to try to motivate them – it is basically focusing on service and results. We expect this side of the bank to send referrals to that side of the bank. That side of the bank, they hold the purse strings, they book the loans.

I: So it is quite a bit of interdependency involved?

R: Yes.

I: Would Terry have a say in the number of goals or targets?

R: No, no. They are keyed directly in from Canada...well, actually we proportion the goals but the point is that you have your target from Canada, what your target is from Canada, what it is you are expected to do

I: So that is it?

R: That is it. Now on the other side, when it comes to operations or when it comes to overtime or money in the budget for premises and those other little things, they may have some say in it but not the actual bottom-line (financial and related results).

I: You were mentioning the time horizon would be one year in order for you to meet your goals/targets?

R: Well, we like to see you meet the goals more frequently, so that is why we divide it by quarters but every week when the supervisor coaches the employee, she is supposed to coach her to this goal and to prompt her, because you don't want the last quarter in the year to come, or the end of the year to come, October 31st and she didn't meet her targets so every Monday, whatever day is the coaching, once a week, the employee, my subordinate will print this out, write up the coaching template, bring it to her supervisor, they have a set time and they coach to her weakness and they coach to even her strengths and pat her on the shoulder for a good job she is doing, and if she is falling down she will hear from me, but ultimately I am responsible. That is why I printed this because I need to see this person. That is where experience comes in, so the coaching will be beneficial...[talks about

specific subordinate]...we have to pull this up, that is not only making her look bad but making me look bad.

I: So the time horizon, would it be seen as too short or too long?

R: Well you know if you didn't make it in week two, week three or the first month, how are you going to catch up in the third month or the fourth month. So that is one of the reasons that we have to coach and encourage people. Another thing is, at this level, we are paying them a good salary, so the point is they have to be able to perform and you are talking about people who have been in the bank thirty-something years so you have to be able to, you know they know what to do.

I: So then what is the problem?

R: I don't know. Maybe they are getting tired. (phone rings)...or for some reason, not motivated and that is what we have to find out

I: So you were mentioning how one person, their output is also linked to the output of other people or output of people

R: yeah, supervisors. If you have direct reports, their performance always is linked to yours, but if you are a PBO (personal banking officer), you have no one reporting to you, you work for yourself independently, but when you are a supervisor, these people are responsible for my performance assessment

I: And what about the compensation, does that depend on the person's output related to yours?

R: No, no. Here is the organizational chart. There I am so you see the links.

I:...(scenario 2)...if we go to the evaluation stage, you mentioned it is usually based on the computer spreadsheet I suppose that you get the actual results

R: Yeah, and there are other things. This is the financial, there are four quadrants, financial, customer, people, and operational, the financial is this (points to results targets), the customer is if you have written complaints, if you are disruptive we have to discuss that, operational is more for this side but on that side you must know that you must observe the security of the bank, combinations, don't leave rubber stamps all about, or important documents so that is a part of operational. Another part of the operational would be the KYC which is so important to the bank. You have to be very, very vigilant and you have to know what to do and you have to follow the Bank's five basic principles.

I: What are the five basic principles?

R: This is a book called "Guidelines for business conduct" which each one of our staff would have and the Bank's five basic principles. I will let you have a copy of the page listing the five basic principles. I know it by heart.

I: What about using judgment in terms of the evaluation,

R: It better be factual. We don't write it you know. All staff write their own quarterly's and annual Pas, performance assessments. They do it, we don't do it and we just add our comments. Now you know how some people they are just not going factual and honest

with themselves, they are just going to rate themselves higher than they should then it is up to us to point out to them why we should downgrade it or we don't have to say why but we will write why or what our comments will be and at the end of the day if they say they are above average and you say no, you are just meeting expectations, you just have to say that, but when they come in for the discussion, you better have some facts but each supervisor should have a prep file with things. If a letter of complaint came here on somebody and that person reports directly to me, I should have a copy of the letter and the thing in it so by the time I write my quarterly PA in case I forget, I would be able to refer to that prep file to write my comments. So we had three complaints, or we would say two written or maybe one verbal, or one written or three verbal or what have you and I would have it documented and I would have the date and time and everything so that doesn't leave much room for argument. We have a line that says 'I read it and I disagree' so if they disagree they can write their rebuttal.

I: In terms of the flexibility of the evaluation, does Terry need to meet some or all of the targets?

R: Well we would like for them to meet all of the targets, but if they don't, we can't penalize you for it but you will see the difference in your grading because the grading is done in four different categories. Needs improvement, Meets expectations, and Exceeds expectations, now exceeds expectations means you did more than your total. You know one of the things too is that some Terry's can do a \$1.5 million dollar loan for one person and that could be exceeding plan...she might have got it in the lending, but might not have gotten it in the deposits or she might be so busy doing that loan she can't get to do her activities. Our ratings are done in even unacceptable, we have excellent, exceeds expectations, meets expectations, need improvement, and unacceptable

I: In terms of the exceeds expectations, what would Terry the subordinate have to do in order to exceed expectations? Would Terry have to meet the goals and exceed it by a certain amount?

R: Yeah, it is a percentage that I use. It is the policies somewhere here. Most of the categories have to be surpassed depending on the role.

I: ...(Scenario 3)...

R: We have it fixed. It is fixed because we have a policy guideline. We have guidelines for everything. We have guidelines for staff learning, we have guidelines for incentive pay and we have guidelines for salary increases, and every year, February 1st this year's guidelines will come out, so we will see where it is. It is usually about 4%, something like that, different categories. Then, you have something called an MSP, so it is things like that.

I: An MSP would be?

R: (shows it to me)...this is the salary increase for February gone. See that black folder called salary benefits. I add it to that every year, but I usually keep a copy next to me too. So this is the benefits and the guidelines, so for staff loans will get rates like that. What do we have here? This is educational loans, this is financial services, and the salary increase is in the back of this, interest rates, like 4%.

I: What sorts of rewards will be offered in the reward package?

R: We don't have a reward package in the salary. The rewards we do on a quarterly basis based on these same results. We go down to a hotel, have a nice lunch and it is really nice because people get good checks.

I: So the other rewards would be separate from the salary then?

R: Yes, it depends on how much money is in the budget, but there is a programme done at the hotel every quarter. We do eats, give checks. Most rewards would be monetary, staff want money. In-house rewards, we do monetary, movies, gift certificates, things like that for in-house, we do something every month for our employee of the quarter, that sort of thing, but it would mainly be monetary.

I: Given your answer to the earlier scenario, say Terry missed some targets slightly (by a lot), and achieving others, what would happen in that case?

R: She would get meets expectations, and when she sees her peers getting exceeds expectations then, you know the thing is that most of these employees are in competition with each other. We can get up and we can say on a weekly basis what was done last week and they have some flyers that they send around and they say 'great job', 'keep it up' and they say what all they did. One-hundred and something percent, four hundred and something percent, or whatever and they like to hear their name called...the flyers come from our managing director's office. The person who would supervise the branch. This happens every Monday morning, pointing out the exceptional employees, and the person who supervises this office upstairs from Canada, if he sees something outstanding, he sends another flyer.

I: What about the case of imposed stretched goals, is it something Pat, as a supervisor, would want to impose upon Terry the subordinate?

R: We have to because we all have stretched goals. We all have stretched goals. Every time you turn around there is something new to sell. They are coming out with a new credit card. Every time we turn around they open a new department. They opened small business loans last year, small business unit, they opened now a credit card application centre that is just doing credit cards alone.

I: How do you feel about that?

R: Well, I feel as though if they have that centre, they shouldn't have credit cards here because you can't do credit cards two places

I: What about voicing your opinion?

R: Yeah, we talked about it. We talked about it. They were trying to get the glitches off the system so that they could key if this branch sent up ten cards and manually approved so they could key into our system but they can't get it right but yet still we have the goals. So we will see.

I: What happens if mid-year something happens, for instance a change in the environment?

R: If we have a recession, a freeze in lending, we can't penalize for that. If you have been around so long, you know the performance of individuals so you know that one of them is a go-getter, you know that person did not perform to begin with, so recession will be worse so that person is going to get a needs improvement no matter what. The point is that you

know and they know. If we are talking about a recession there is no way I can penalize so if that individual was performing before the recession or the central bank imposed a lending restriction on us and she was performing at a exceeds expectations level I will give her that at the end of the year

I: Will the evaluation change at all?

R: Well that is where the comments comes in, it would have to be documented and say this is the situation, but they (Central Bank or CB) don't shut us down completely you know. What they would say is 'okay, you can lend what your general ledger balance was as of December 31st'. Now they (CB) might say you can lend your paybacks so if you are going to lend what your general ledger (GL) balance was as of December 31st and you have people who made a lot of payments in January you can go back up to what the GL was. That is how it usually is when we have these restrictions...so you will be able to do some loans but you can't go over that GL balance

I: ...(Scenario 4)... How would Pat feel about employees taking initiatives outside their contractual responsibilities?

R: We love it, because the point is that she is a go-getter. We always say in the Bank we have a category which says other duties as assigned. The things I do, I don't see on my position description. Numerous things will fall under duties as assigned so if you have a new initiative, it happens all the time

I: You as Pat won't be apprehensive about...?

R: Never because that is a part of the job

I: Is that the same for all employees or?

R: Yes, we can't be apprehensive.

I: How important is it for you, as Pat the supervisor to predict your subordinates behaviour?

R: Well you know I rely on my girls because they are senior. You can tell because I am always here and you can see that is why I have a policy in the Bank whereby performance assessments cannot be discussed until I have the final say. I sign off on every single one, because I am not going to sign off unless I think they were fair and accurate. One of the things about some people is they hate confrontation so therefore they want to write a glowing PA on everybody, but why do that when you are going to pass that person onto other branches and they are not performing. That is going to make you look bad. So I believe in honesty, accuracy, say what it is because all you are doing is hurting the employee and making yourself look bad. We have a lot of supervisors who like to be buddy-buddy with the staff and not say what they have to say so they will make it glowing, but I am not like that...you have to know and be aware of what is going on. My senior direct reports will come in here and they will say (knock on door – interruption)...I don't tolerate slackness...but I motivate people by saying let's work smart and let's leave from here by 4:00 when we should leave by 4:30...One team one goal, that is what I always say.

I: When looking at Pat's relationship with Terry, does Pat rely on 'gut' feelings or does Pat rely on facts?

R: It has to be facts. If that is her direct report, she would be coaching her. When you go into coaching sessions one of the things you do is small talk, and sometimes that small talk will tell you if she is in a burden, if she has home troubles. Small talk like 'how was your weekend', 'how is marriage going' if she got married a few weeks ago. That starts it and you are able to know what is the situation. I have been through a lot in this bank in the past 40 years from theft, all sorts of things...(phone rings)

I: ...(Scenario 5)...

R: That sounds like trouble. If Pat was given a report to do how could she delegate it down to someone else! One of the things Pat could have done is to sit down with Terry, if Pat is running out of time, sit down with Terry and they could do the report together as a team. That is what they should do...two hands make lighter work. They should do it as a team, that would not cause any confusion, no blaming because they are working together. Pat can say 'look Terry, let's try to meet at 4pm so we can get this report out of the way to meet the deadline'. They will go in a conference room and sit down and discuss what they have to do...the thing is maybe Terry has expertise in some of these areas but she needs guidance from Pat because Pat is senior. Pat knows her desk. It is the same thing for me to go into the back and get one of my girls from the back. I have knowledge of certain things but actually the fine print I would not know what to do. It is relying on each other's expertise, doing it together as a team and that is what we do on some of our big projects. Persons with different knowledge so we do it together.

I: What about in terms of Pat and Terry, so you are Pat and you have this subordinate Terry, would it be expected that you have confidence in Terry to be reliable?

R: Hmmmm, very much so, very much so, and if people step out of line for conduct or anything like that. We have a programme called the performance improvement programme which is not punitive. We give it to you on a primary, it starts off with a primary notice to improve and it goes from primary to advanced to final. With the final if you do something else you are out of the door.

I: So it is not punitive?

R: Well it is not punitive because it is meant for you to do better. We are supposed to give it to you and we are supposed to coach you. You are supposed to do an action plan to come to us and we will say what date we want to see you again and we will discuss it with you and we will monitor your behaviour.

I: If Pat had to make certain assumptions about Terry, what would Pat assume about Terry's concern for the unit's best interest, so there might not be any need for safeguards?

R: Well, checks and balances you know. So depending on what the report is about, Pat, she would want to know that it is already on her desk and that it met the deadline and the supervisor has to have some knowledge if it is accurate. I can't think of whatever else she can do to ensure that, but if Terry isn't that confident, trustworthy then she (Pat) shouldn't have her there.

I: Would Pat actually give Terry a task even if it is critical?

R: Pat wouldn't give a task to Terry if she didn't think she could do it. At least I wouldn't give it to her if I didn't think she could do it. I would have to find someone else to do it or if I can do it myself, more than likely if I work for the same institution I have to know how

to do it. So the point is that I would bring her in and teach her how to do it and the next time she would be able to coach someone else and show someone else how to do it, but if she (Terry) doesn't know how to do it, then Pat shouldn't give it to her, but if she gave it to her, she expects to have it done and completed timely. You can't give someone something if they don't know anything about it. They have to know something about what they are doing. I would never do that to a staff member, just give them something without them knowing how to do it. I will teach them, show them how to do it or let them sit with someone else. My girl here was doing returns and I said to her, let the back office do the sales returns, you show her how to do it, so for one month she showed her, the back office. That is the way it should be.

I: What about time; would it influence the perception of the relationship between a superior and a subordinate?

R: That has to be, you build that relationship and that person has to feel relaxed. There are so many things you do to build that relationship with that employee and to show them that you have their interest at heart and then again you have to coach and teach and that is why coaching is so important. I think because I grew up in this Bank, even coaching at home is important...because you are always talking, you coach that 14 year old and it is no different and that is why the Bank spends so much on teaching us and sending us to courses on coaching. I had a big seminar last year.

I: Do you think you as Pat would care to know Terry outside of work then?

R: I don't care to know people outside of work. I don't care to do that. I don't care to know them outside of work. I don't ever do that. I just want to know that when we come in here, you perform. I have an open door policy, if you want to come and talk to me about something I will talk but apart from that no. I believe in encouraging but I hate to see supervisors go to lunch with their employees, especially if they are supervising that employee. They might not have any respect for you then. When it comes to writing your PA, you are said to be biased, those sorts of things. Other people would talk about it. I wouldn't encourage it.

I: If you had to put comments about Terry in the PAR what would you likely comment?

R: I mark very hard. I definitely don't think, she doesn't exceed expectations. It doesn't sound on all the scenarios that she is above expectations. She doesn't go above and beyond. I would hope that she is committed. I am strict, I believe in high standards...I am tough. They call me Margaret Thatcher. I couldn't care less. If you don't rule like that, they (subordinates) will walk all over you.

I: (Matrix)...Which cell would you prefer?

R: I like this one, ability to meet and exceed the targets. I prefer it because of my background. We focus on targets. At the end of the day it is all about profits, maximize profits. The bottom line is maximizing profits. I don't like this relaxed guidelines though. It leaves room for other things...so this is mixed for me. I would have to take something from each of these to make the right employee but the most preferable would be the meets and exceeds.

I: Did you come straight out of high school and work your way up?

R: Yes. I was a teller for eight months and then became a supervisor, et cetera

I: Excellent. Are these scenarios realistic do you think?

R: Yes, I do. They can relate to most work environments. Some of them are more banking related but some of them could also be any organization because all organizations have rules, regulations, guidelines, money laundering, KYC, law firms, everyone has to deal with KYC. Whether you are in a law firm or a restaurant you have to be aware of these things.

I: One more thing, how would you describe your relationship with subordinates?

R: (Pause) well, very cordial, I try to keep morale going. I try to implement branch functions to keep them motivated. We have in-house functions, most of the things that have occurred in these banks, even our competitors is because of me, for years. The point is, if I implemented back to school day, <name of Competitors> did it. A lot of things I did over the years, people followed suit.

I: Quite a few initiatives. What about in terms of the level of expectations because you mentioned throughout these scenarios about expecting employees to achieve above and beyond, achieve higher expectations and not just meet expectations?

R: You have some very ambitious people. Very much so. Those are the people that I love and that the other employees don't like. They are criticized but I, as a manager I adore them...(knock on door)...

I: What assumptions did you make about Pat and Terry in terms of gender?

R: We rarely have few men in these positions in the bank. I have quite a few guys now as front-line supervisors now, so things are changing, but most of the time it is girls. Throughout the entire bank is mostly women.

I: Sir Ronald Reagan famously said, "trust but verify"...what do you think about that?

R: Yeah I would agree, trust, you have to have some trust in your co-workers, in dealing with them on a daily basis and make them feel like you trust but then again you have to make sure it is verified, because you have some situations where some people come in but they are not honest and you find out later on and then consequences. Trust them to be honest to perform their duties.

I: Thank you so much for your time...

---THE END---

Interview P10, Quality Function Manager, Company X (February 12, 2008)

I: ...(Scenario 1)... It is now the beginning of the year...How will Pat set the targets?

R: Set objectives in for example, we call it straight through processing. We want to ensure that we maintain a 90-95% straight-through processing. We deal with a lot of wire transfers for all branches so it is important that we set objectives and everybody across the, say for example, well, I have 10 people so you have to make sure that you set your targets where you know that they are realistic. We want to set up the straight-through processing

percentage which will be kept at 95% or better, reduce keying errors by 90% by a certain time. Also, assist in customer service in ensuring that the best customer service is given at all times and team-work, ensure we all work as a team. If there is anything that you are not happy with, bring it to my attention so we can sort it out to the best way we can...that is what we have done for the year already and you look at it again. Touch basis through the month or quarterly. If something is not going well try to deal with it before it gets out of hand. You can tell if something is going wrong, because you would find errors with the payments being returned. We don't want that to happen. If it is something you don't understand, bring it to my attention so we can do it together. Don't try to do it on your own.

I: Will the targets be based on what happened in the past or what is going to happen in the future?

R: We want to keep that standard. In the past that percentage was not met so training had to take place, so retraining, and so far the percentages are in the 90% and we want to keep it that way so that is a target. To keep the percentage at the 90-95% range for straight-through processing and the key to doing that is to ensure that training is done on a regular basis.

I: How often will training take place?

R: For staff coming in, we ensure they are trained. It makes life a lot easier...your appraisal is based on four categories, main categories, reducing errors, ensuring payments are formatted correctly, straight-through processing...we also do quarterlies, in which anything that needs improving that is an opportunity as well and we also do coaching so if we find that Terry is not performing and getting subordinates to complete their duties then we have coaching to go through in order to prevent these things from happening again

I: So is this a narrow or a wide range in terms of the number of KPIs?

R: There are lots of KPIs...when you write the PA, you state how they performed, how they worked as a team, whether that person is a team player.

I: What about the level of participation in setting targets? To what extent will Terry have a say?

R: Terry has the opportunity, because she is given a status report that lists what is required and it will tell you, for example, when you are doing your appraisals, it will tell you what is required to obtain a meets expectations or exceeds or excellent. There is also the viewpoint which is an online survey about how well the staff get along with each other and their input is given. It gives them an opportunity to put their ideas forth. It gives them the opportunity to say how the department could function a bit better, for example, maybe you are a manager who doesn't give a pat on the back, maybe Pat feels that a pat on the back for a job well done could improve things for encouragement, as a team, that comes back to knowing everyone. Pat has to be able to bring that out in her staff as well and then you will get more out of the time in terms of encouragement, recognition, even saying 'a good job yesterday', 'we finished before time',

I: Would the recognition be based more on financial or non-financial?

R: No, not necessarily financial. We have done an extra lunch hour, leaving a bit earlier, that kind of thing.

I: Would Terry then as a junior manager have a say in terms of the targets?

R: Yes, with the targets, Terry has the opportunity to say, yes, this can work or no, that is not reachable, or even to say 'yes, I find it good or maybe 'Jenny needs a bit more training in this area' and once we did this, we can even surpass our target.

I: So could Terry say these targets are not good enough, we should change them?

R: Yes, Terry has the opportunity to look at the targets and give her advice on that and say whether it could work or not. If Terry has a problem with the targets it is open for discussion. Whether we need to look at, whether it is the staff that is preventing it or the workload or whether you need someone with more training and we have done that in the past where we had to re-train. As a matter of fact training was done outside of the <country> and it helped us to better understand what we were doing. To give a real life scenario, we were down to 60% and after the training was completed, in which we were advised where our downfall was and we corrected it, it took us 6 months and we made the 95% mark. We know 95% is reachable. Training works, that result comes from working together as a team. Everybody got involved. Terry even, so yes, all it takes is teamwork. Once we work together as a team, everyone understands what has to be done.

I: Okay. Is it possible to manage with targets that last for 1 year? Is it too short or too long?

R: For the immediate, it is too short, but we do targets for 2-3 and 3-5 years or 1-2 year targets where we want to, say for example, we have new persons who Terry want to train, but I know it isn't going to take her 6 months for her to train all those people so we use the target of 1-2 years whereby we know that each person will get ample time for training and Terry knows to take into consideration vacation, illness, so you always have to think along those lines where someone might be absent so you might not complete that training because you want that person to at least complete a month's training. If you have 10 people it is going to take longer than that. We have a development plan which is set between 1-2 years and where you want to see yourself in 3-5 years and what you have to do to get to that target.

I: So there can be revisions made to the targets?

R: Yes, and it may be where you had someone transferred out, and it may take you longer to get to your target, and that is why you have to set realistic goals. Don't say 6 months when you know it may take a year or two.

I: Will Pat worry about Terry meeting every short term target?

R: No. Not necessarily because Pat knows that Terry is doing this, has three or four people set up for training. So far you know that is going well but Terry also wants to get some training in for herself but that might not take place because just recently there was a shuffle so one of those people she had in training has been taken out so we have a new person coming in that Terry has to ensure is trained which is going to interrupt her schedule because that new person is going to take a little longer to train whereas she might have set her goals for the year but that might throw her back wherein she is not going to be able to get her training because when the vacation schedules come up where everyone has to go on vacation that is going to set things back a bit and then Terry is trying to do all the training between January and April, but once those busy months come in that is going to set her back, with her putting a year to a year and a half that is more realistic

I: If we go to this scenario then...(Scenario 2)...How will Pat evaluate Terry? Will the evaluation be based on a formula, e.g. a computer spreadsheet, or will the evaluation be based on judgment?

R: Pat should judge, evaluate Terry on her performance as well as targets, looking at the targets to see how far she has gotten and whether she is on schedule and look at the entire picture, what happened if some of those targets were not met. Based on that along with the formula that we do have regarding all the duties, all the other duties in general so it is not only one thing that we are going to evaluate Terry on, we have to look at performance on her part as well; as well as how the department is being run by Terry and how she is working with her team, and whether the duties are being completed in a timely manner, errors, etc, how you are working and organizing your day, reduced overtime, and getting your people organized to complete their duties in a timely manner. Also, how many errors come back to our area because if the subordinates are expected to produce a certain number of entries per day and how well they are doing it, what percentage of errors are taking place, and if all of these are being done within the bank's policies and time frame then Terry is doing what she is supposed to do

I: So it won't be based on judgement then?

R: No. Attitude comes into play because you have to work as part of a team and if you are working closely with the team and all your subordinates are there you can evaluate and you are there to see how Terry is performing...as well as her effort. There is a section in the PAR where you have to put whether this person displays a good attitude, makes the extra effort to do certain things, even if it is just coming in earlier, or if there is a need to stay late, whether that person has a problem with that or whether they just jump to the occasion.

I: What happens then if by the evaluation stage, Terry is meeting some targets, exceeding others, but not meeting certain targets?

R: Then Terry will be graded accordingly, and that is basically what we have in our sales and service. If they don't meet a certain target then they are graded accordingly, the same thing with training, with back-office. It is basically the same thing, only that it is in performance. If you are not performing to the level at the time of your report. That is why we do coaching and quarterlies, so that if a person is having a problem, you have the opportunity to nip it there and by the next report there should be improvement. Now if it isn't that means that person either can't learn or is not interested. You have some persons who are just lazy, they don't want to do more than they are doing. Then you have to take a different approach to them.

I: Then there won't necessarily be in this case a decrease in the performance indicators?

R: If there is improvement by, say for example, you did 3 quarterlies and in all three you notice improvement but it could be better and you reach your final, the end of year appraisal and it still hasn't improved to where you think it should be. You know the person is a good worker, you know they can do more so you have to write it as it is, and grade it as that and you find that sometimes that works and causes the person to really think, I have to do something different, and they turn it around and it really helps, once they sign that and have to agree that yes, I have to do A,B, and C in order to improve my performance so you do find that and I prefer to give them an opportunity to improve themselves. If it something where they have to retrain and reading more and focusing more on what they are doing and that little bit makes a difference.

I: So it wouldn't necessarily be in terms of changing the metrics?

R: Sometimes it is not necessarily what they like to do. So have a one on one and find out where it is they would like to work or what it is they would like to do. You would find that the department they are in is not really what they want to do but they would like to try something else and I have experienced that as well and given them the opportunity to train in another area and it worked. So once they got the training in one area and liked working in that area, they were able to transfer out and work better in that environment, doing something different and with the bank you have different areas you could go into: sales, the front line, the teller line, back office, human resources, some persons prefer back office than face to face with the customer. So you have to give them an opportunity and find out what they would like to do.

I: If Terry says that they can't meet the targets, what are Pat's options?

R: I guess we have to compromise. Agree to do it on a trial basis and see whether we are able to accomplish the goals that Pat set out to really give it a chance to work. So we would have to discuss and agree on it. I don't want to knock it down right away but to discuss it and say 'I think this should be this, but let's try to see how we can best accomplish these targets that Pat has argued for'. If I think that we can do 95%, we will see whether we can make that. We might even surpass it. So encourage her to work with the team. It might be something that is making her feel that it is not attainable

I: So as Pat what do you think this implies about the relationship between Pat and Terry in terms of you said, you would have to compromise, discuss it?

R: Discuss meaning to find out why they think it is not attainable because like I said, it could be one or two staff that is not pulling their weight, why they are saying that it is not attainable, why she is thinking that it can't be done and I am thinking that it can. So we have to look at it again and then try it because Pat knows that it is attainable and look at what it is, it might be something missing that she is not aware of either so in this case you would have to have a meeting with staff

I: What about if a change in directives occurs? What will Pat do? Will Pat's measurement emphasis and evaluation of Terry change also?

R: This actually happened...that was a hard one to deal with. Actually we just went through some changes in evaluation reports about a year ago. Because we were used to one set of standards we followed in doing the evaluations and then we received, we were transferred under a different unit so the evaluation process changed slightly, so what I had to do is meet with my staff, as a group then individually, and as they went through and we went through with the old report, comparing it with the new to see what was different and we finally got it done but we found out eventually it really came down to it being the same thing but caused you to look at each accountability differently. So I had to have a meeting and we went through the report because it had to deal with customers, in reducing errors which had to do with the bank's overall costs, people,

I: How was it before?

R: It was basically the same thing but with this change it is a little bit more in depth. A little bit more information. So more things we are looking at, and it trickled down to

subordinates from management to clerical. So the management as well as subordinates changed...because you were accustomed to doing it one way and in this sense you had to agree to do this, ensuring that this is reduced by 85%. This is increased by whatever. More emphasis is put on doing it right the first time. In other words, you have to reduce errors, costs to the bank, dealing with people, and the financial part of it where you had to ensure that you are not doing a lot of wasting and even in Bank's like everywhere else you have to help to keep the costs down, so that was a change and a challenge so we went together as a group and compared so they would understand because they were used to doing it one way and then you sort of match a little bit and have them do it a bit rough and then met with them one to one and it paid off. A little bit more work, but it simplified things too in some instances and this is our second year, so it is going well.

I: How does a change in evaluation affect Pat's perception of Terry's ability?

R: Well it didn't. There was no change in terms of affecting performance.

I: (Scenario 3)...Which rewards then are used most frequently?

R: We have employee of the month, employee of the quarter, employee of the year. Actually we do it quarterly and at the end of the year there is a staff celebration that we do in the bank itself, in which we recognize the long service workers and the staff who made employee of the year, that sort of thing

I: It wouldn't be that Pat would emphasize monetary rewards, financial rewards more than non-monetary?

R: The sales and service area has more financial rewards and it is basically done by sales and service unless it is an overall recognition where the department gets an overall monetary reward

I: ...(Scenario 4)... How would Pat feel about employees taking initiatives outside their contractual responsibilities?

R: Pat doesn't mind because Terry would have ensured that all her subordinates were trained so when she goes the others can fill in and sometimes we do need staff to assist in other locations, or even Pat will have to fill in for Terry when she is out and that is where the cross training comes in and that is why we do that every year. Cross training at the beginning of the year so that if something like this does come about, Terry will not have a problem assisting in other areas

I: So Pat will not feel apprehensive about Terry taking initiatives

R: No because that is what we want to see. That is something that does happen from time to time. Maybe Terry got the chance to work in an area she wanted to work in for sometime.

I: Would Pat prefer to be informed before Terry takes on the initiative?

R: yes, Pat would prefer that you speak with her and find out whether this is a good time because you also have to do that so Pat can make arrangements to accommodate. If this is something Terry wants to do also you have to discuss with Terry...Terry taking on another role for example working in loans,...finding out how interested Terry is in the initiative so

it doesn't necessarily have to be an initiative that benefits the bank directly, but could benefit Terry.

I: What happens if the initiative proves defective?

R: You have to look at if she was responsible for that initiative first because if something goes wrong you have to find out whether it was her responsibility because if it is something that she was not doing and she is just training she shouldn't be held responsible. If there is something that she is being trained then there should be checks involved to prevent errors, to prevent something from going wrong but should it happen she shouldn't be held responsible because if she is in the training process. If it is something that she should be aware of then she could be held responsible because if it is an area and going in, assisting say with this new initiative then whoever they are working under should give them a listing of what should take place to keep in those guidelines. A lot of, I think we have one going on now, and what they did is set up times to be trained before they really took on and started that initiative so it is realistic...everything you go through here in these scenarios does happen. You have an opportunity to go on these initiatives and do extra things, that they have going on from time to time and it may be something they have to get done by a certain time and they have to have a team and you have everyone responsible for the group and they would make sure, so it is realistic, it happens all the time

I: When looking at Pat's relationship with Terry, does Pat rely on 'gut' feelings or does Pat rely on facts?

R: I think both, because sometimes you have to make a decision that is sometimes outside of the guidelines. With Terry and Pat, they have to be careful how they make their decisions too...despite the Bank's rule and regulations, they can for example check an account instead of returning a cheque, when checking the account they see Mary Jane is a good customer of ours so they can process the cheque and they can still get the bank to confirm who the beneficiary name is, but if it something you are not familiar with then you don't deal with it. Also, with employees you can tell who the weak and strong workers are and Terry knows who works well and Pat from working closely with Terry knows who works well, who needs to improve, and who is the strong person who gets in there and does what they have to do.

I: Would Pat use gut feelings more so then?

R: Pat would do that yes, with the gut feelings and the experience on how Terry dealt with things, for example when Pat was away, Terry was able to run the department with no problem.

I: ...(Scenario 5)... Will Pat give the task to Terry?

R: I think Pat is responsible for this report so you can't really blame Terry or Terry's subordinates...even if she, Pat gets Terry to help with it, the responsibility still falls on Pat...I never had blame shifted on me thankfully. I know from the time that I have been responsible for my area, I know that no matter who I give it to I know that I am responsible and I am the one they are going to come down on so I always try to, even in soliciting help, make sure that it is done in a timely manner and any hiccups are corrected before it is passed on...Pat could delegate. Pat would delegate to Terry but it is Pat's responsibility to ensure that it is completed correctly, on time and passed on, so she doesn't get in trouble with her superiors.

I: How would Pat determine to give the task to Terry instead of other subordinates?

R: It depends on the task. Whether it is something that you can delegate to subordinates because sometimes it depends on whether it is something you want your staff to be involved with, but if it is something that can be delegated then yes. You really have to look at the task. If it is confidential, well no, you have to deal with that yourself

I: what if it is something critical, would Pat still give the task to Terry?

R: If it is something critical where she needs assistance and she knows that Terry is her back up and it is something that Terry should know in the event of her absence anyway, and eventually Terry might take over the department then yes, we work together on it and what Pat tries to do is to ensure that Terry knows what has to be done every day so if she is not there she will be able to jump right in and get it done, so everything Pat does, Terry should know what it is, and you are going to have from time to time some confidential matters to deal with, but if I am not there my superiors will deal with, but any other duties, if I am not there, my assistant has to be able to do because if I am not there and something goes wrong, they have to know what the next step is.

I: So then, if you were Pat, the supervisor, and Terry was your subordinate, what assumption would you, Pat, the supervisor, have about Terry, the subordinate in terms of Terry's level of RELIABILITY? Would you say that you have confidence in Terry's integrity, that Terry has a high level of reliability?

R: Yes, I would have confidence in Terry's reliability to the extent that I would recommend Terry to take over my position in the event that that arises.

I: Okay, what about Terry's ability? Would Pat have confidence in Terry's ability?

R: I think so. Pat might point out one or two areas that she needs to improve on and I think once she does that, it wouldn't be a problem.

I: Would length of time influence the perceptions you have about Terry's reliability, ability? Would it matter if Pat knew Terry for a few years?

R: That would have influence as well as working with her and knowing what she can do and that she has proved herself. It might just be getting more knowledge of certain areas and once that is accomplished, once she improves in that, she has proved herself in the past to handle the area and works well as a team member and has no problems with getting along with everyone

I: How many years would Pat and Terry have to know each other for those perceptions to come?

R: I think 2 or more years. I think the longer you work together with someone, the better you understand them and get to know, I don't think you know everything about a person within a year. I am not sure you can. I have had situations where it took longer. Some people can do it in less time. You can pick up whether this person is going to work out or not but I think you get a better feel when you have worked with them for a longer time.

I: If Pat decides to give Terry the task, what does Pat believe Terry intends to do if something goes wrong?

R: I think Terry would take the responsibility. She is that kind of person, so I don't think she would try to throw it on someone else. She will take her beating as it comes so to speak.

I: So does Pat believe Terry has a high level of CONCERN with promoting Pat's and the unit's best interest over her own?

R: Right. I feel that instead of Terry not feeling any concern for anyone except herself, she is concerned for the unit. For example, climbing the corporate ladder, that is something she wants to do, she not only wants to improve herself but at the same time make sure that someone is able to do her job while she is training.

I: How would you, Pat most likely comment about Terry in the performance review?

R: I think your comments need to match the grading Terry is given. They have to be aligned with the grading. I would give Terry exceeds expectations because she is committed, she does show initiative. She wants to learn something new.

I: ...(Matrix)...which cell would you prefer if you were Pat?

R: B2...

I: Why B2?

R: Focus on efficiency

I: To end, how many years have you worked with the company?

R: Over 30 years

I: How long in this position?

R: Ten

I: We have been talking about how Pat would evaluate Terry, but I would also like to know what you are doing now, whether there would be any changes in terms of how you use the performance evaluation system to evaluate your subordinates?

R: It would be the same. More or less.

I: What would change?

R: I would make sure my assistant knows my job so that when I am away my job is covered. Training staff, the same thing, make sure they are involved in the training and get them involved in everything because when I am not there they have to rise to the table and do what is required, and that is basically what we are doing within our area now, cross training...it keeps the morale high

I: What influences your relationship with subordinates – meeting targets, judgment on capability to meet targets?

R: Capability, whether they have the capability. Where you have here, meeting budgets, deadlines, keeping written promises, these are important, and the skill to adjust, you should understand and know what it is you are doing. You feel more comfortable.

I: What are your assumptions about the gender of Pat and Terry?

R: My assistant is a female so I automatically...

I: Do you think that in terms of interpersonal work relationships, and things such as trust, do you think that it is a complement or a substitute to performance evaluation style?

R: I think trust helps to better evaluate a person, you know that person, you know what they can do, whereas if they were someone just coming in, say three months, you would not be able to give an in-depth evaluation of what they could and can do. You might just say they have only been with us for three months, whereas if you have worked with someone for long enough you know their strengths, weaknesses, their capabilities, and you can better assess them and even bring out to them in your discussion and discuss whether they agree or disagree and bring out those points to let them know this is where they need to be or what they need to do in order to, if it is someone you have to really work with or someone who is having difficulty.

I: How do you show them you trust them? Trust them to do what?

R: Giving them...for example, once you train them leave it up to them, but keep a close eye when you are checking because you still have your checks in place. You can't get away from that. Let them do that and when they make errors then bring it to their attention and say this is how you do it the next time. I think the approach is not to discourage them because they might make more than one error, but you have to make sure that when you deal with it, it depends on your tone too, and eventually the trust builds and you are able to do it and you are able to leave them alone and let them do it on their own and at the same time encouraging them.

I: So this is what inspires confidence in this particular relationship?

R: Right. Sometimes you know them that well where you can talk to them and encourage them in a different kind of way, and sometimes you have persons that you know can do it but they might not have been on the post that long as well but because they don't know you that well they might not take you seriously or think you are genuine. I have experienced that too. You get the feel and you see where they are and try to encourage them to do this and that so that they can bring themselves at that level that the bank would expect them to be at and you have to be, as a supervisor too, you have to make them feel comfortable in the same way and so that they don't, sometimes you feel people are timid. To make them feel that you are interested in their performance and their well-being and their trying to move to another level, and at the same time keeping it professional and within the bank's guidelines and that kind of thing too, at least do your part. Sometimes it works and sometimes it doesn't. People who don't have a great personality, a good attitude, that plays a part in your performance too, when you are doing your overall evaluation. That is something you try to nip in the butt before it gets to the point where it shouldn't just be mentioned in the yearly. It should be mentioned in the quarterly and even in your coaching so you could nip it in the butt accordingly.

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