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Contextualising the coevolution of (dis)trust and control – a longitudinal case study of a public market

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ABSTRACT

Research into the dynamics of trust–control is still inconclusive. In this paper, we offer an in-depth understanding of how (dis)trust and control coevolve as embedded in multiple dimensions of context. The paper focuses on public markets, a context which is underrepresented in extant studies on trust and control. Our analysis is based on a longitudinal case study of interorganisational relationships (IOR) between boundary spanners representing purchaser and providers on a customer choice market for home care in a midsized municipality in Sweden. We identify, narrate and analyse critical incidents during seven years of the process. A conceptual framework contextualising the trust–control nexus of a public–private IOR is developed and utilised. We find that while the public–private IOR context requires control, control only enables deterrence trust from the municipal officers and only in individual providers. Interferential rather than symbiotic coevolution of trust and control is the dominating pattern. In addition, we find what we denote as mixed coevolution, where control simultaneously has positive and negative impact on trust. In our case in point, control enables trust in specific providers but this trust is not reciprocated due to experienced distrust on the category level.

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INTRODUCTION

The trust and control nexus has been the subject of a lively academic discussion (cf. Bijlsma-Frankema & Costa, 2005; Costa & Biljsma-Frankema, 2007; Six, 2013). Research results are inconclusive and empirical studies with a dynamic process perspective have been called for (Costa & Biljsma-Frankema, 2007). Bradach and Eccles (1989) viewed price, authority and trust as three control mechanisms that are both substitutable and complementary. Since then, some researchers have argued that control tends to undermine trust (Neu, 1991), others that control and trust are substitutable (Fukuyama, 1996), and yet others that control mechanisms may enhance trust (Sitkin, 1995; Sztompka, 1999). Numerous theoretical papers (i.e. Choudhury, 2008; Das & Teng, 1998, 2001; Ferrin, Bligh, & Kohles, 2007; Inkpen & Currall, 2004; Six, 2013; Vlaar, Van den Bosch, & Volberda, 2007; Weibel, 2007) on trust and control have offered propositions on the
relationship as well as discussed how previous studies can be integrated and reconciled. To mention a few studies: the nexus has been analysed in relation to various forms of control and trust (Das & Teng, 2001), the initial conditions of trust (Vlaar et al., 2007), and how and in what form control is developed and executed (Weibel, 2007). It has also been argued that the trust–control nexus depends on the wider embedding context (Edelenbos & Eshuis, 2012; Tillmar & Lindkvist, 2007).

Trust in public sector arrangements is vital for a democratic society (Choudhury, 2008; Goodsell, 2006; Kim, 2005; Oomsels & Bouckaert, 2017), but public contexts are underrepresented in the field of trust research (Edelenbos & Klijn, 2007; Six, 2013). Within public administration, the need for what is called trust-based governance has been enacted and is currently increasingly emphasised (Edelenbos & Klijn, 2007; Vallentin & Thygesen, 2017). This also applies to Sweden, where the government has appointed a ‘trust commission’ to shed light on and evaluate pilot cases of trust-based governance (Bringselius, 2017). The focus is on intraorganisational trust. However, during the past decades New Public Management (NPM) reforms have increased the number of interorganisational relationships (IOR) in the public setting (Edelenbos & Klijn, 2007; Hodge & Greve, 2007). The IORs take forms such as public–private partnerships, cross-sectoral cooperation or networks, and are regarded as complex and challenging (Bryson, Crosby, & Middleton Stone, 2006; 2015). Public markets comprise a large portion of the economy: 16 per cent of Gross Domestic Product in the European Union alone (the European Commission, 2017). Scholars have concluded that trust across borders is both more difficult (Child, 1998) and more important (Li, 2012), but such research, particularly concerning sectoral borders, is still scarce. Hence, in line with Brown, Potoski, and Van Slyke (2007), we argue that the context of public–private IORs is particularly interesting for an exploration of the interplay between trust and control.

The objective of this research is to examine the role and dynamics of trust and control between boundary spanners in a public–private interorganisational relationship. The paper reports from a longitudinal case study of a customer choice market for home care in a midsized Swedish municipality. It contributes with insights into how (dis)trust and control coevolve over time across levels of analysis, exploring how the process is impacted by context in general and the customer choice model in particular. Since boundary spanners have been found to play a crucial role in the process of trust in interorganisational relationships due to their direct interaction with one another (Oomsels & Bouckaert, 2017; Vanneste, 2016) we pinpoint the perspectives of boundary spanners of both the public and the private parties of the interorganisational relationships.

The paper is structured as follows. A conceptual framework is developed in relation to theory and a review of previous research on the dynamics of trust–control in the specific context of public markets, suggesting a contextualisation approach. The framework is followed by a description of the methods employed in the empirical research project and analysis. The case description and analysis is followed by a discussion in which we discuss our findings in relation to the framework. The paper ends with conclusions and implications as well as suggestions for further research.

**Analytical framework**

We define trust itself in accordance with the seminal paper by Rousseau, Sitkin, Burt, and Camerer (1998, p. 395) as ‘a psychological state comprising the intention to accept
vulnerability based upon positive expectations of the intentions or behaviour of another’. The emergence of trust, or distrust, is a continuous dynamic process (Oomsels & Bouckaert, 2017) linked to what is perceived as ‘good reasons’ for trust (Lewis & Weigert, 1985). Nonetheless, trust always requires a leap of faith (Möllering, 2001). ‘Good reasons’ for trust (Rousseau et al., 1998) include deterrence trust where trust is based on the existence of control, calculus trust based on credible information, and relational trust when emotions are added to the state of trust. During the evolution of trust between specific actors, they assess each other’s trustworthiness in terms of their ability (competence trust) and intentions (goodwill trust) (Noooteboom, 1996). However, trust is a multilevel phenomenon also affected by our preconceptions of different categories of people (Tillmar, 2005; Zucker, 1986).

Control is here defined as ‘a regulatory process by which the elements of a system are made more predictable through the establishment of standards in the pursuit of some desired object or state’ (Das & Teng, 2001, p. 258). Das and Teng (2001) distinguish between behavioural control (ensuring appropriate process), output control (assessing members’ performance) and social control (shared values, beliefs and goals) and propose that both output and behavioural control have negative effects on trust, whereas social control has positive effects. Control may be one of the perceived ‘good reasons’ (Lewis & Weigert, 1985) for trust, as it affects a person’s possibilities to act opportunistically (cf. Rousseau et al., 1998).

Extant literature provides contradictory interpretations of the trust–control nexus. Costa and Biljsma-Frankema (2007) distinguish between (1) the substitution view, (2) the complementary view and (3) the contextual-based view. The substitution view (1) assumes that high trust enables low control and that low trust necessitates high control (cf. Williamson, 1975; Gambetta, 1988), but argue that there is a lack of empirical evidence for that (Costa & Biljsma-Frankema, 2007). The complementary view (2) holds that both trust and control contribute to cooperation and that they can reinforce each other. For example, laws and regulations provide a predictability which enables cooperation and development of trust (cf. Luhmann, 1979; Tillmar, 2006; Zucker, 1986). Vlaar et al. (2007) discuss how IORs can develop into vicious or virtuous circles in relation to trust and control. Within the contextual-based view (3), as explained by Costa and Biljsma-Frankema (2007), the nexus depends on the type of control used (Das & Teng, 2001). The relationship has, however, also been found to be dependent on the institutional context (Deakin & Wilkinson, 1998; Rus & Iglic, 2005; Tillmar & Lindkvist, 2007).

We argue that these inconclusive research results call for an analysis of the specific contextual dimensions involved, in order to better understand the interplay (Möllering, 2005) and coevolution (Edelenbos & Eshuis, 2012).

Previous research on trust–control dynamics in public sector contexts

In public management, the scholarly interest in the subject of trust is increasing (Argento & Peda, 2015; Getha-Taylor, 2012; Oomsels & Bouckaert, 2014) but given the context of the public sector’s legal, social and regulatory systems, control is always involved to some extent (Edelenbos & Eshuis, 2012; Six, 2013; Vadelius, 2015; Vallentin & Thygesen, 2017). Based on a literature review of research published in 1990–2017 (summarised in Appendix 1), we can conclude that only a limited number of papers shed light on trust–control
dynamics in public IORs. We find that the previous studies on trust–control in IORs display a pattern somewhat similar to that recognised by Costa and Biljsma-Frankema (2007). In arguing for a shift from control focus to trust focus, both Huque (2005) and Singh and Prakash (2010) lean towards seeing the phenomena as substitutable. Some papers take an interest in how not only control, but also trust, can be used by the public organisation as a complement to control the behaviour of service providers (Chen, 2009; Ditillo, Liguori, Sicilia, & Steccolini, 2015), or a creative sector where quality is not easily measured (ter Bogt & Tillema, 2016). Trust is found to complement regulations and price when public purchasers choose providers for their care markets (Mannion & Smith, 1998).

In contrast to Costa and Biljsma-Frankema (2007), we find that most previous studies show that the trust–control nexus depends on a broad spectrum of contextual issues. For instance, Argento and Peda (2015) argue that the relationship between trust and contract is contingent on the mode of informality and frequency of interaction between the contracting parties. Cäker and Siverbo (2011) argue that control is affected by type of trust, but that trust can be unaffected by control. Milbourne and Cushman (2013) demonstrate how trust in public agencies is eroded among third sector providers due to use of competitive markets, control and lack of communication.

Taken together, previous research shows the importance of a contextual approach. By context we generally mean the ‘situational opportunities and constraints that affect behavior’ (Johns, 2006, p. 386). The following section is denoted, based on theory and the results of the literature review, to develop a contextual approach to guide the analysis of trust–control dynamics in public–private IORs.

A contextualisation approach to trust–control in public–private IORs

As a basis for contextualising the interplay of trust–control we propose targeting the broader dimensions of context introduced by Johns (2006) and developed by Welter (2011), who discusses context as comprised of business (industry, market); social (network, household, family); spatial (geographical environment, community) and institutional (culture, political and economic system) context.

On public markets, or quasi-markets (Ferlie, Ashburner, Fitzgerald, & Pettigrew, 1996), both public and private organisations provide publicly funded services that are free of charge to the users of the services. When analysing public markets it is of particular importance to understand the particularities of the public sector (Kastberg, 2005; Norén, 2003; Yttermyr, 2013). The variety of actors involved in this kind of market increases the complexity of the interorganisational relationships (Tillmar, 2009). Public markets are organised differently depending on local prerequisites and ways of translating ideas (Blomqvist & Rothstein, 2000).

The customer choice system is a voucher system which enables the customer to choose a provider, thus giving the customer a larger degree of power (Le Grand, 1991). In a customer choice system, authorisation criteria are decided by the municipality and only providers who apply and fulfil the criteria are included in the system. These criteria can differ from one municipality to another, as can the model for distributing clients who are unable or unwilling to choose a provider (Högberg & Mitchell, 2015; Sundin & Tillmar, 2010). The key actors in a customer choice model are the customers, the service users who choose an authorised provider; the providers, all the organisations authorised to perform the care
services; and the purchaser, the municipality, who is ultimately responsible for the services provided, for authorising providers and the party paying for the services (service users pay in relation to income and only a small fraction of the cost). The role of the municipality in a customer choice system is hence partly that of purchaser and partly that of an agent of the citizens (Berlin, 2006). All key actors contribute to and have impact on how the market is organised. The actors involved have their specific positions, motives and strategies that can be in conflict with other actors’ interests, resulting in a dynamic organising process where there is always some uncertainty about the outcomes of the interplay (Ahrne, Aspers, & Brunsson, 2015).

The municipal organisation is multifunctional, governed by elected representatives and entitled to balance interests including the rule of law, control, transparency, openness, predictability and cost efficiency (Christensen, Laegreid, Roness, & Røvik, 2007). On customer choice markets, municipalities have the responsibility and power to organise the market to meet these challenging demands. As an organiser of the market they have the power to use a range of control elements to regulate the providers, such as deciding on who is involved in the market (authorisation of providers), rule-setting, monitoring procedures and sanctions.

The suppliers who engage as providers on public markets can be public, private or not-for-profit organisations. The interests of the small private providers targeted in this study are multiple too, albeit of different sorts as compared to public organisations, as they must balance the interests of all their primary stakeholders in order to be sustainable (Clarkson, 1995). There is typically strong interdependence between a private corporation and its shareholders, customers, suppliers and employees besides the governmental bodies that govern the sector. If any of those primary stakeholders were to withdraw from the corporate system, it would seriously damage the corporation (Clarkson, 1995).

Due to their direct interaction with one another, boundary spanners are of particular importance to comprehend the process of trust in IORs. It is the boundary spanners who, based on their interaction and subjective evaluation of previous experiences of one another, decide on whether or not the other party is trustworthy (Oomsels & Bouckaert, 2017). Vanneste (2016) argues that trust between organisations evolves through a bottom-up process, which starts with interpersonal trust that spreads to the organisational level and becomes interorganisational as a result of indirect reciprocity. As proposed by Schilke and Cook (2013), a common understanding within one organisation that another organisation is trustworthy may also trigger the development from individual-organisation trust to organisation-organisation trust. Longitudinal empirical studies capturing such processes are needed, argue Schilke and Cook (2013). Hence, the contextual embeddedness of public–private IORs is expected to influence the interplay of trust–control as boundary spanners are required to mind the specific prerequisites of the organisation they represent. In our case analysis, we aim to elaborate exactly how the contextual dimensions presented in this framework influence this interplay.

Given the public sector embeddedness of the IORs targeted, there is reason to consider Oomsels and Bouckaert’s (2014) proposition that trust as well as distrust may be both functional and dysfunctional in public administration. Trust is functional when suspension of vulnerability enables goal orientated collaboration. However, too much trust may be dysfunctional and costly if the trustor becomes improvident. Distrust might be functional, albeit costly, through regulations serving to avoid vulnerability, or dysfunctional, when regulations and contracts constrain fruitful collaboration. Based on previous research
(Oomsels & Bouckaert, 2014), we can hence expect to find both functional and dysfunctional aspects of trust, as well as distrust, in the interplay of trust and control in this particular context. (Dis)trust between boundary spanners is to be understood as a state of mind that, at any point in time, can be placed on a continuum from distrust to trust (cf. Rousseau et al., 1998).

In the context of the public market, control is a behaviour directed only from the municipal organisation to the provider organisations. Based on extant literature (e.g. Das & Teng, 2001; Edelenbos & Eshuis, 2012), it is reasonable to assume that the type of control, as well as how forms of controls are utilised in the IOR, has an impact on the dynamics of trust and control in a public–private IOR. An analysis of the interplay of (dis)trust–control should hence include the forms of controls and methods by which the municipality governs the behaviour of providers. Based on previous research (Das & Teng, 2001), we can expect that social control is less likely than behavioural and output control to have negative effects on trust.

Based on a literature review Vlaar et al. (2007) describe how IORs can develop into vicious or virtuous circles in relation to trust and control. Based on an empirical study Edelenbos and Eshuis (2012) suggest that trust and control coevolve with time in either symbiotic or interferential circles depending on whether control supports or undermines trust. With a focus on managerial control, Weibel (2007) proposes that the design process and implementation of control are of vital importance. A participatory development of the formal control and constructive feedback is proposed to have positive effects on value internalisation and trustworthiness while rewards and sanctions based on standards are proposed to have a negative effect. Given the asymmetry of the public and private organisations involved in IORs on public markets, the ways of introducing control might be of similar importance for the coevolution of trust–control as in Weibel’s (2007) study.

Vlaar et al. (2007) argue that the level of (dis)trust in the initial stages of an IOR is important for understanding how the relationship will evolve as it impacts both control and IOR performance. The initial levels of trust and distrust have a strong influence on how controlling behaviour undertaken later on is interpreted. Similarly, Edelenbos and Eshuis (2012) argue that the initial relationship is of particular importance for the direction of the coevolution of trust–control into symbiotic or interferential patterns. On a related note, it has been demonstrated that behaviour undertaken to restore broken trust can be interpreted as distrust, hence having negative effects (Sitkin & Stickel, 1996; Vlaar et al., 2007).

Based on the above, we could also expect that in an IOR between a public authority (such as a municipality) and a subcontractor (such as an SME), a high degree of participation in design and implementation of control is conducive to virtuous circles of trust–control coevolution, while a non-participatory approach to control could be expected to have an opposite impact. Furthermore, we can expect that the initial levels of (dis)trust are of particular importance for the direction of this coevolution. Finally, we can expect that efforts to restore trust can be perceived as distrust and result in an interferential coevolution of distrust–control.

**Method**

Capturing the complex interplay of contextual dimensions of the trust–control nexus arguably calls for a qualitative case study approach as it enables us to generate a rich empirical
description of the phenomenon (Yin, 2013) as embedded in context (Eisenhardt & Graebner, 2007). This paper builds on a longitudinal case study of a customer choice market for home care services in a Swedish municipality of midsize hereafter referred to as ‘Fieldtown’. The case is of particular relevance for analysing trust–control as the local regulations offer the authorised providers substantial autonomy, hence putting matters of trust and control to the fore. The paper focuses on the years 2010–2017, a phase in which the number of small private providers first increased substantially, then decreased as a result of increased control and distrust.

Studying processes of trust and distrust empirically is challenging since it is theoretically a state of mind (Rousseau et al., 1998). What we can capture is but the materialisations of such states of mind, taking the form of actions and oral or written accounts. The paper is based on an interpretive organisational research approach (Prasad & Prasad, 2002), which means that we consider the process by which trust as well as control is socially constructed as boundary spanners involved in IORs share their interpretations of actions and experiences made.

Our empirical material consists primarily of interviews and documentation such as authorisation applications, agreements and decisions taken by the municipality during the process. Interviewees include representatives of the purchaser (municipal officers and politicians) and the providers (small business owner-managers and their deputies). Key interviewees, the boundary spanners, were interviewed on repeated occasions to form the longitudinal understanding necessary to fulfil the research objective. Interviews were in-depth and lasted about one and a half hour on average, focusing on the interviewee’s lived experiences of either acting on the customer choice market (small private providers) or acting to organise the market (municipal officers).

To represent the perspective of small private providers, two boundary spanners were selected. Both ‘Khabat’ and ‘Aminah’ are small firm owner-managers engaging as providers in the Fieldtown customer choice market. They enter the market at different points in time and together their experiences make up a relevant variation of perspectives. Their counterparts, the boundary spanners of the municipal organisation, are the municipal officers responsible for carrying out the political decisions made by the elderly care services committee regarding authorisation of providers and controlling the quality of services delivered. The material is focused on the boundary spanners who have the most direct contact with providers, first ‘Kristina’ and ‘Ulla’, and subsequently ‘Eva’ and ‘Margareta’.

We approached the material iteratively similar to the process described by Eisenhardt and Graebner (2007, p. 25) as ‘recursive cycling among the case data, emerging theory, and later, extant literature’. We utilised the critical incident technique (CIT) (Münscher & Kühlmann, 2012) to identify critical factors in the process. The strength of the CIT method is arguably in collecting and analysing data that make visible the effects of certain behaviour on trust, including the creation, strengthening or destruction of trust (Münscher & Kühlmann, 2012). CIT was used to pinpoint situations where trust could be interpreted as either created, strengthened or diminished in relation to control efforts. By analysing how patterns of trust and control coevolve in the specific context we developed emergent theories that were then related to the findings of previous research.

A literature review was conducted systematically in the Scopus and Web of Science databases to explore the extent and specific topics covered concerning trust and
control in the context of public sector interorganisational relationships as published in articles and book chapters 1990–2017. Key search terms include ‘trust’, ‘control’ and ‘public’. Only articles discussing both trust and control (or contract as a type of control) were included. The 16 publications that met the criteria are outlined in Appendix 1.

Based on the literature review we conducted further readings of the critical incidents found in the case, looking for complementary or contrasting findings to those of previous research. Having found gaps in the previous literature, we developed a theoretical framework, making use of literature on trust–control in combination with theory of context (Johns, 2006; Welter, 2011) as well as theories of public sector organisation prerequisites (Christensen et al., 2007) and private company prerequisites (Clarkson, 1995). The framework provided a frame for further analysis as well as a means to explain the patterns found.

The case of Fieldtown

The case highlights critical incidents identified as important to the coevolution of (dis)-trust–control between municipal officers and small private providers in the Fieldtown customer choice market. Appendix 2 offers an overview of the process.

Marketisation reform has been continuous in Sweden since the 1980s, facilitated by new legislation including the Act on System of Choice in the Public Sector (2008:962). The principle of local autonomy (Local Government Act, 1991:900) means that elected representatives of the municipality decide on the ways in which services are to be provided. When introducing a customer choice market for home care services in Fieldtown, the right-wing majority of the elderly care services committee were seeking an organisational solution that would facilitate more options for care recipients by increasing the diversity among providers. The elderly care services committee (from now on the committee), comprising elected municipal politicians, is ultimately responsible for the care and services provided. In Fieldtown, providers who have the necessary qualification can apply for authorisation to conduct the assessment of the client’s needs that is typically performed by the Social Services. This means that the provider has a greater responsibility in Fieldtown than elsewhere in Sweden. For political reasons, the criteria for authorisation were set to attract new providers. Providers who are authorised are not guaranteed any clients and it is up to each provider to attract clients. The municipal provider along with large companies had an initial advantage over small and new ones in the customer choice market as they were already established in Fieldtown and recognised as providers of elderly care. Amongst the few small private firms who gave the new market a go, it was soon realised that it was quite difficult for them to attract clients.

Khabat – first of the small providers

One of the entrepreneurs who took the step to seek authorisation to provide care is Khabat. Khabat was born in Iraq and speaks six languages. He had completed the upper secondary school nursing programme and had worked as a care assistant at a large company providing elderly care before starting Khabat Care. In his authorisation application he describes his firm as employing two relatives and tending to one (1) client in need of 225 hours of personal care per month.
The municipal officers of the elderly care services department (from now on the department) are responsible for enacting the authorisation procedure as well as for supporting and controlling the performance of providers. The assessment of Khabat’s application states that Khabat does not meet the requirements regarding formal competence and experience. It is proposed by officers Kristina and Ulla, and decided by the committee in February 2011, that Khabat Care be authorised to provide a limited number of hours of home care (160 per month) but that all decisions regarding service users’ needs must be made by the Social Services. Khabat is unhappy with the decision:

They were a bit cautious at first even though I could demonstrate good references. … It was war between me and them, because I wanted to increase the number of hours that I could produce. They increased the level from 160 to something like 500. But I wanted to develop further.

As Khabat gains experience and can demonstrate satisfied clients he is allowed to produce more hours. However, reports repeatedly question how he reports hours produced, which causes suspicion among municipal officers. Khabat Care heavily exceeds the hours that the firm is authorised for, and provides care after 10 pm. Kristina and Ulla summon Khabat to a meeting in October 2011 for a reprimand. To prove his capability to the municipal authority, Khabat studies to gain further qualifications.

With time, Khabat’s firm is allowed to produce more hours. In 2014, after some years of operation, Khabat’s business has grown. The firm now has 41 service users and 31 employees. Khabat recruits a coordinator with the formal competencies required by the municipality, a university degree in the health care professions, and she brings knowledge on how to organise the operations in a professional manner. Once more Khabat applies for authorisation to perform needs assessments and again his application is rejected by the municipality. He has undergone the education required, yet is denied full authorisation since it is found that he himself, not the coordinator, is the actual manager. He describes the situation as one of mutual distrust, where mistakes for which he is held accountable (such as erroneous invoices) consistently turn out to be mistakes on the part of the municipality (such as miscommunication between Social Services and the department). The ‘war’ with the municipality thus continues.

The municipal officers’ dilemma

In the light of the committee’s objective to increase the number of small providers, the establishment of firms like Khabat Care is positive. However, the inexperience of new small providers causes the officers some concern. Eva explains:

As municipal officers we are torn in two here, … as we have this political objective stating that the number of small firms with less than ten employees must increase. We have to work for that goal. On the other hand, we want the companies who are included in the care system to be able to do the job, so that the clients aren’t harmed. This certainly isn’t easy.

The dilemma concerns the lack of competence demonstrated by the new firms when delivering home care, both in terms of care and in terms of management:

We have spent disproportionate amounts of time and resources to help them. We did not presume them to be business people and fully-fledged managers but it is very difficult when we cannot send them a form to fill out.
To reinforce the requirements for management competence, the municipal officers propose a revision of the specification criteria for authorisation, including the contract with the providers who are already authorised. Various education efforts are offered. The differences in support needs between large and small providers causes the officers to hold separate meetings for small and large providers. The large organisations are represented by middle managers with the same professional qualifications as the municipal officers of the department, thus speaking the same language, as Eva describes it. The small providers have completely different queries. A further dilemma is that the officers in the department do not themselves have the sufficient competence to educate or even understand the small firm owner-managers. The officers are typically educated professionals in nursing or social work, not business management.

If a provider is found not to comply with the criteria in the 18-page contract, the officers respond with patience and information, Eva argues. The reason is that diversity is key for the customer choice system to actually offer more freedom of choice for the clients. She explains:

We know the political significance of this freedom-of-choice motive and that in a customer choice market we must treat all the providers equally, and here you can obviously see that we don’t. If [one of the large firms] were to say something like that [they can’t take on only one client in a remote area due to the impact on profitability even though they have applied to provide in that area], then there would be no excuse. No, it is the freedom of choice, the diversity perspective, which has won over the contract.

The ‘limited needs assessment’ procedure is unique for Fieldtown and increases the municipal officers’ dilemma as it calls for a trustworthy party, who will not take advantage of the opportunity and allow the client more hours than necessary in order for their own firm to make a profit. According to Eva this procedure poses an obstacle to the inclusion of small providers. A procedure by which the providers only perform the care decided upon by the Social Services would facilitate the inclusion of small providers, implying that the officers trust the small providers to perform the care but not to conduct the needs assessment. Khabat is a case in point in this dilemma. His clients are satisfied and have no reason to complain. ‘In that respect it seems to work’, Eva says, and adds that the concern regards the significant volumes of hours produced as well as Khabat’s competence. ‘He is very frustrated with us’, she concludes. Small providers who offer both home care and personal assistance services are the most difficult to deal with, according to Eva.

It is very important to state that it is not our view that they cheat intentionally. That is not what we are saying. Rather, they lack the knowledge, they don’t understand the differences.

**Aminah – the former municipal employee**

In early fall of 2014 yet another provider with competencies in several languages, Small Town Care, receives authorisation. The owner-manager, Aminah, is a qualified nursing assistant who was previously employed for 18 years by the municipal care provider as a nursing assistant. Unlike several other small firms, Small Town Care offers only home care, with no parallel services such as personal assistance. Aminah was encouraged to start her own firm by a former manager who thought that Aminah had both the knowledge and experience of care work as well as the language competences and the drive to do the job. Aminah’s authorisation is approved within just two weeks of submitting her application.
A new control programme

In September 2014 the local government elections result in a power shift in the municipality. After eight years of rule by the right-wing alliance the municipality is to be governed by a coalition of Social Democrats, Greens and Liberals. With the new political majority, the objectives for the department are altered to focus more on the quality of services produced than on who performs them. Having a large number of small providers offering diversity of services is no longer an end in itself.

Officers at the department voice criticism of the current provision of home care. Since the introduction of the customer choice system, there has been no general control effort. A quality control programme is decided on by the committee and implemented by the department from June 2015. Politicians and municipal officers agree on the importance of a review that is broad in its scope and includes all providers, not only the private ones, as they do not want to signal distrust in them in particular. One of the committee members, Anna, specifically mentions that trust between the municipality and the private providers is important, as ‘Fieldtown has a long history of close dialogue between the parties [the municipality and private companies].’ She concludes that the ‘reliable’ providers are happy with the quality control, since it is a means for them to demonstrate that they do a good job. Anna states that it is important to control providers in order to make sure that any opportunistic behaviour is prevented and that fine examples of good services are highlighted.

The quality control programme targets areas including the organisation of operations, staff education levels, and actual hours spent with clients in relation to billing. Different accounts are compared, such as needs assessment and staff schedules, salary reports and financial reports.

Municipal officers too argue that the control effort reinforces and ensures that the trust they put in providers is legitimate. Eva states that providers who are found to perform needs assessments that are out of proportion, such as allowing three hours for taking a shower, lose the municipality’s trust as a consequence. Her colleague, Margareta, who is one of the officers responsible for the review, agrees and adds:

In such cases, the trust that the provider has in both helping the client and applying for the help, but also in terms of setting the limits to the service, this trust is then eaten into.

Where minor deviations are found, the providers and municipal officers engage in dialogue to construct an action plan for each provider to deal with the deviations. Almost all the private providers reviewed, including one of the large providers, are followed up in a subsequent review regarding financial aspects. A midsized firm, with a general profile and no language niche, is the first to be excluded from the customer choice system as a result of the control effort, due to significant deviations from the contract. Municipal officers, including Eva and Margareta, express relief that this firm is not one of the niched small providers who offer home care in a foreign language. Municipal officers agree that it is very important to keep the companies in the language niche operating as they meet a need in the market. The hard part is making them act according to the contract, they conclude.

Providers are excluded as a result of the new control programme

The quality review of Khabat Care is performed in several steps. Khabat brings his lawyer, a consultant and his operations manager to the first meeting with Margareta and the other
municipal officers performing the review. The review finds that Khabat Care is still not formally qualified to perform the limited needs assessment and that the criteria in the contract are not being met. Criticism is also directed at the committee for authorising Khabat’s Care in the first place. By the subsequent review, Khabat has had some months to implement necessary revisions but fails to do so and the contract is subsequently terminated.

Khabat is annoyed with the decision to withdraw his authorisation. His firm has done everything to comply with the rules and norms, he argues. He has consulted former managers in established provider organisations to ensure the firm’s organisational routines and claims that hours are reported in a correct manner. His interpretation of the situation is that the municipal officers distrust him based on his status as an ‘immigrant’ and argues that ‘They don’t want to see an immigrant succeed.’ Khabat takes the case to court, but loses.

Aminah and her firm comes out well from the quality review process. In March 2016, when the review is conducted, the company employs six staff, including the owner-manager, and provides home care services to 14 clients. Aminah herself is the only qualified nursing assistant but the organisation is in the process of recruiting. The records state that the firm meets the quality criteria on all accounts. In addition, even though Aminah is trained and authorised to conduct a limited needs assessment, the company has only engaged clients via the Social Services.

By late 2016 when the quality control programme is finalised, seven firms have seen their contracts terminated due to non-compliance with the criteria or breach of contract. The reasons include inaccurate financial reporting and violation of working laws. The officers conclude that the original criteria were set too low and that this has made it possible for non-trustworthy companies to enter the market. Margareta states:

We need to set the requirements higher from the beginning in order not to include any irresponsible companies. Because that is what this comes down to, non-competent management…. That they don’t understand the business they are in.

The main error, according to Margareta, is the quality management of the small firms:

They did not understand the importance of having a quality management system, what it must include, how to get the staff involved and understand the system.

Working conditions are also given increased importance. The ratio between staff working hours and compensation awarded has been found not to be in line with either social services or employment legislation. Margareta draws the conclusion that the private providers pay too much attention to the ‘business aspects’. There are even cases where the officers have found reasons to report providers to the police for fraud, where providers have received compensation from the municipality on incorrect grounds.

**A higher threshold and increased controls**

In March 2017 a new authorisation specification is decided upon by the committee to make sure that the providers meet the municipality standards. The new criteria stem from experiences made in the quality reviews and include clarifications regarding quality assurance system and measures to ensure client safety and good work conditions for staff. Formal education at university level in a relevant profession such as nursing or
social work is now a requirement for the acting manager, or ‘demonstrated competence’ in equivalence to this. This is, according to municipal officers, to make sure that competent providers such as Aminah are not excluded from providing services.

In addition, yet a new control system is implemented to continuously follow up on the providers. ‘We will track the providers much more closely now than before’, Margareta says, adding that ‘If they start out on the wrong path then hopefully we will discover that much sooner and can correct them.’ As a result, Margareta says, they now have more trust in the providers who remain in the system.

Among the remaining providers is Aminah and Small Town Care who by now provides home care to 47 clients and employs 32 persons. Although still in business, Aminah’s view is that the municipality does not want small private providers, that they are not trusted to do the job well. She interprets the quality reviews as a means for the municipality to shut them out:

They review us 200% more than they do the large providers. … Every day there is something new that they want to look up and investigate. What’s next? What will be the next point of control?

The constant reviews leave Aminah with a sense of frustration and discrimination. The reviews are also time-consuming. To make sure her firm fulfils the requirements, Aminah has employed a deputy manager who is both a qualified nursing assistant and holds a university degree in social work. She has experience of working with several organisations, including Social Services. The vision Aminah holds for the future includes neither expansion nor diversification, but simply a stable local organisation specialising in home care to elderly clients with foreign backgrounds. Even though her firm passed the control measures she is not confident that she has gained the trust of the municipality. Aminah and her deputy manager both describe a situation in which small firms with owner-managers of foreign background are being treated in a discriminatory way by the municipality and the large providers. Aminah has the impression that politicians, municipal officers and managers of the larger organisations distrust them. Her deputy adds that even a small sense of trust from the municipalities would make a big difference to the providers, who try their best:

When you feel that you follow the rules and you know the law and do everything you are told but still hear ‘You did not behave, what have you done?’, then how can you do a good job? I wish that there was at least 20% trust in the small providers. Then things would have been fine. Then they would not have had to – and I am not saying that all small providers have behaved properly 100% and maybe that is what is causing the suspicion with the others – but they lump everyone together. That’s how it feels!

Aminah’s sense of a lack of trust in her and in other small providers is a cause for constant concern and worry:

When you feel that you follow the rules and you know the law and do everything you are told but still hear ‘You did not behave, what have you done?’, then how can you do a good job? I wish that there was at least 20% trust in the small providers. Then things would have been fine. Then they would not have had to – and I am not saying that all small providers have behaved properly 100% and maybe that is what is causing the suspicion with the others – but they lump everyone together. That’s how it feels!

Aminah’s sense of a lack of trust in her and in other small providers is a cause for constant concern and worry:

We will see if we are allowed to continue. … There is that constant worry regarding the municipality. You never know what they will do next. We struggle on and work and keep the clients satisfied. … The municipality keeps talking about caring for the client but still we don’t always know what it is that they want. You never know if you are meeting the criteria of the contract.

Despite the uncertainty, Aminah and her deputy are determined to carry on and do what they think is meaningful and right for the client. They follow the rules as best they can,
making adjustments where necessary. ‘We will put up a fight, we will show them it can be done’, Aminah concludes.

Discussion

Having described the coevolution of (dis)trust–control empirically by pinpointing critical incidents in the case of Fieldtown, we now discuss the results in the vocabulary of the analytical framework.

(Dis)trust–control dynamics as embedded in context

As expected based on the analytical framework we find that the contextual embeddedness influences the interplay of trust–control in the case of Fieldtown, as the boundary spanners mind the prerequisites of their particular organisations when interacting.

The longitudinal approach enables us to consider the time context, tracking the evolution of (dis)trust–control as a process. This process is influenced by developments not only on the local level, but also by national and international trends (Pollitt & Bouckaert, 2011). In Sweden, as in many other countries, marketisation has been continuous since the 1980s (Erlandsson, Storm, Strads, Szebehely, & Trydegård, 2013). New Swedish legislation for public procurement (Public Procurement Act ‘LOU’, 1992:1528/2007:1091) in general and customer choice systems (Act on System of Choice in the Public Sector ‘LOV’, 2008:962) in particular has facilitated the process. On a local level, the customer choice reform as such, as well as the priority of supporting small scale private providers, is understood as politically motivated at a certain point in time. As times and political climate change, priorities change, and hence also the prerequisites for trust and control in the eyes of the officers, as is clear from the case study.

A key feature of public markets is the institutional context, which is of importance to comprehend the prerequisites of the boundary spanners representing different organisations and why they are faced with different ‘rules of the game’ depending on these roles. Elderly care is the responsibility of the municipality but as the Social Services Act (1980:620) regulates only the services as such, and as the 290 municipalities in Sweden are autonomous (Local Government Act, 1991:900), each municipality can design their public markets to fit the preconditions of the local society. Simultaneously, the officers have multiple interests to handle besides the rule of law, including control, transparency, openness, predictability and cost efficiency (Christensen et al., 2007). Given these prerequisites, complete trust in small private providers in general is arguably dysfunctional if there is limited basis to assess goodwill and/or competence, and some degree of distrust is hence functional. For example, trusting a business manager without an education in a care profession to make the limited needs assessments to determine the home help hours that the business he owns will earn, as in the case of Khabat, would not have been appropriate given the institutional context of the IOR. The municipal officers’ distrust in Khabat which necessitated the control (that in turn led to deterrence trust) can hence be interpreted as functional. The political system is another aspect of institutional context (Welter, 2011) that influences the prerequisites for trust on behalf of the municipal officers acting as boundary spanners. In the initial phase, Eva and her colleagues are required by political objectives to facilitate for private providers in relation to an...
interpretation of the authorisation criteria that causes issues of trust in terms of provider competence. In a second phase, political mandates and priorities change into a focus on controls to make sure that all authorised providers are trustworthy both in terms of competence and in terms of goodwill. We hence find that what is deemed as functional trust in the eyes of one political mandate is deemed dysfunctional in the eyes of another, altering the prerequisites for trust between boundary spanners.

With the private providers, a number of stakeholders’ demands must be met in order for the business to be able to continue (cf. Clarkson, 1995). If the demands are in conflict, the provider must either prioritise one interest over the other or find a way to make them meet. As the customer choice market model does not guarantee the providers any clients, the clients that have chosen a certain provider gain a position of power with that provider. Aminah and Khabat both focus on a certain niche of clients based on language and culture, and see it as their competitive advantage to meet the demands of these specific clients. The result is a potential conflict of interest with the demands of the municipal authority, as discussed in more detail in the next section. In the eyes of the municipality, Aminah manages to balance the demands of both clients and the municipality better than Khabat. As a result, Aminah is trusted whereas Khabat is deemed to act opportunistically and hence distrusted.

The above is closely linked to the business context, which concerns the market dimensions (Welter, 2011). As the market is regulated by one of the organisations in the IOR, there is a strong asymmetry in the relationship. The market for home care in Fieldtown was relatively new when Khabat applied for authorisation. Yet at that time large providers had already established themselves as legitimate in the eyes of municipal officers. The small firm was a new category for the municipal officers to grasp, and there was no pre-existing category-based trust. Hence, the specific trust in firm owners was especially important. Adding to the difficulty for small new firms was the local Fieldtown procedure of limited needs assessment, calling for an even more trustworthy party than in other customer choice systems. The market constitution and the dominance of large providers render the small firm providers a weak negotiation position. The small business dependence on the municipality makes the relationship more vertical than horizontal. Hence, this particular context makes the IOR asymmetrical, affecting the coevolution of trust–control to a high extent.

The spatial context refers to the circumstances of the local community (Welter, 2011), here Fieldtown in Sweden. Fieldtown is a midsized municipality where there are enough elderly in need of home care to sustain a market of several providers in terms of volume, local variations and submarkets. Fieldtown also has a large enough number of citizens who request home care in languages other than Swedish, which opens up for the niche in which both Khabat and Aminah find legitimacy for their businesses. Yet Fieldtown is not a big city, and the distance from one end of town to another is short. In terms of trust, interaction between purchaser and providers is enabled by the close proximity of offices, enabling frequent meetings, but hampered by the lack of opportunity for spontaneous and informal contact that a co-localisation would enable. In a purchaser–provider system, too close a personal and informal contact between boundary spanners would not be deemed appropriate for reasons of competition, and hence it is not suggested as a solution but rather a complicating factor in terms of trust.
The social context dimension is perhaps the one causing most problems in the Fieldtown process of trust–control, in terms of social categorisations. Khabat and Aminah are both operating in an ethnic niche of the market, providing home care in languages other than Swedish. They are also both of non-Swedish origin. From previous trust research (Tillmar, 2005; Zucker, 1986) we know that social categories matter with regard to who is perceived as trustworthy. Although the boundary spanners representing the municipal elderly care services department never articulate such a stance, both Khabat and Aminah perceive their behaviour as a sign of category-based distrust related to ethnicity. This triggers vicious circles of distrust–control.

The role of unidirectional control

Our case study reveals that control has a profound impact on trust, contrary to some previous research such as the case described by Cäker and Siverbo (2011). What we see in Fieldtown is at first a lack of small providers from the politicians’ perspective. They want more diversity and freedom of choice, but fail to attract small providers due to constraints in the form of economies of scale. When small firms enter the market – the first of which is Khabat – and the municipal officers assess their trustworthiness they induce goodwill but not enough competence (cf. Nooteboom, 1996). Through a supportive and educational approach, the municipal officers strive to help Khabat develop enough competence to gain their trust. The piecemeal socially-oriented controls and interaction enable the municipal officers to place enough trust in his competence to take, if not a leap of faith (Möllering, 2001), at least a small step of faith (Tillmar & Lindkvist, 2007) involved in deterrence trust (Rousseau et al., 1998) to continue the contract. This supportive approach on behalf of municipal officers can also be explained based on the satisfaction demonstrated by Khabat’s clients in his services, which gives the municipal officers incentives to continue the contract and serves as a basis for calculus-based trust.

It is our interpretation that the educational efforts of the municipal officers were vital to maintain the interorganisational relationship in the initial phases. The new quality control system introduced in 2015 was primarily based on behavioural and output control in the terms of Das and Teng (2001). Only the requirements related to profession and education can be regarded as a form of social control (Das & Teng, 2001), as profession and education often include a component of shared beliefs, values and goals. When the general approach, initiated by officers and decided by the new political majority of the committee, is changed, a vicious circle of control–distrust begins. In other terms, we witness interferential, coevolution of trust and control (cf. Edelenbos & Eshuis, 2012) in the case of Khabat after the changes in forms of control. The Fieldtown case hence supports previous research stating that social control is less likely to result in interferential coevolution of trust–control than behavioural and output controls.

Furthermore, it is our contention that the interferential coevolution has to do with how the change of control was introduced. The asymmetrical nature of the studied IORs makes them resemble a hierarchical management control situation. As Weibel (2007) argues, control systems should be designed in a participatory way and implemented in a non-standardised manner including constructive feedback, in order not to have negative effects on trust. The small business owners in Fieldtown perceived the controls to be neither participatory nor constructive. In this case, we have seen how a standardised
top-down introduction of a new control system lead to vicious circles also in a public market IOR context.

**Mixed coevolution of (dis)trust and control**

In the case of Fieldtown, we find instances of both interferential and symbiotic coevolution of trust and control (Edelenbos & Eshuis, 2012) but also observe a third type of process, one which we label ‘mixed coevolution’.

When, based on changing and increased control efforts in 2015, evidence of opportunistic behaviour on Khabat’s part is found, the calculus-based trust developed is replaced by distrust. The officers assess their initial distrust as having been functional (cf. Oomsels & Bouckaert, 2014). After yet another try at establishing trust, Khabat loses his contract and authorisation in late 2016. Khabat experiences the distrust on behalf of the municipality to be based on an erroneous assessment and he in turn distrusts both the municipal organisation and individual municipal officers. This distrust is expressed when he takes the case to court. He loses, and the mutual distrust increases.

The increased control efforts lead to both distrust in and from specific providers and more controls to make sure that all who are not trustworthy are excluded. Yet, municipal officers argue, the controls also lead to increased trust in specific providers based on a combination of deterrence (Rousseau et al., 1998) and perceived ability of those who comply with contract criteria. In Aminah’s case, the municipal officers start off with relational trust (Rousseau et al., 1998). She is known to them by association (having been employed by the municipal provider for many years) and is assessed as having the relevant practical experience in care to compensate for her lack of higher education. In such a situation, with high initial trust, others (Vlaar et al., 2007) have argued that virtuous circles are likely to occur. However, our case shows a more complex pattern. The municipal officers’ view of developing trust in Aminah by means of control resembles a symbiotic process where control leads them to find reasons to trust Aminah as she continuously passes the tests that they present, both in terms of competence and goodwill. However, the experience of a symbiotic process is not reciprocal. Aminah’s view is, to the contrary, that she is being controlled to a greater extent on the basis of being categorised as a ‘small provider’ and an ‘immigrant’, which is why she loses her trust in the municipality. For her, the process is interferential rather than symbiotic. Although Aminah comes out well in the controls, and officers perceive their trust to have been functional, she, like Khabat, perceives the treatment as unequal from that of large providers and that treatment of providers of a Swedish background differs from that of providers of a non-Swedish background. Our interpretation is that the two providers experience category-based distrust (Tillmar, 2005; Zucker, 1986), i.e. they experience that there is more distrust in providers of a non-Swedish background. By the municipal officers, Khabat is distrusted and Amina is trusted. However, both providers distrust not only the goodwill of the municipal boundary spanners but eventually the municipality in general.

The case demonstrates how virtuous circles of coevolution of trust–control can turn into vicious circles. Hence, the coevolution is not necessarily dependent on the initial stage, to the extent previously argued (Edelenbos & Eshuis, 2012; Vlaar et al., 2007). Based on our longitudinal case study, we argue that coevolution is, instead, continuously affected by contextual dimensions. Therefore we coin the term mixed coevolution. Mixed coevolution
is at hand when both trust and distrust develop simultaneously as a result of control. For example, mixed coevolution can be a result of different impacts of control on the boundary spanners from the organisations involved in the IOR. Even if control has enabled the more powerful controlling partner to trust its counterpart, that trust is not necessarily reciprocated. When that is not the case, mixed coevolution also occurs. Furthermore, divergence in the (dis)trust directed towards categories of actors and specific counterparts within those categories, may also cause mixed coevolution.

From the above, we find reason to enrich the contextualisation framework with the term mixed coevolution, and modify the expectation that initial levels of trust determines the direction of the coevolution. Consistent with expectations from previous studies is, however, that efforts to restore trust can be perceived as distrust.

**Contributions, implications and further studies**

To date, empirical studies on the trust–control nexus within the field of trust research have largely focused on the private sector. The few existing studies of public markets are published in public administration and management journals (as demonstrated in Appendix 1). This paper contributes to the trust–control literature in the following ways:

- We have developed an analytical framework for the contextual interplay of trust and control when embedded in a public–private IOR setting.
- Findings from a longitudinal case study has been discussed in relation to expectations based on previous trust research in similar contexts to further the understanding of coevolution of (dis)trust and control in public–private IORs on public markets.
- We have demonstrated not only virtuous circles of symbiotic coevolution of trust and control, but also vicious circles of interferential coevolution (cf. Edelenbos & Eshuis, 2012). The boundary spanners’ interactions, experiences and partly differing contextual embeddedness are found to be key to understanding the complexity.
- An important conclusion is that the coevolution can be simultaneously interferential and symbiotic, and we hence coined the term mixed coevolution to conceptualise such patterns.
- The mixed coevolution, we argue, can be understood as a consequence of diverging embeddedness of the IOR boundary spanners, and demonstrated in different levels of (dis)trust in specific individuals and in a category of actors.

**Implications**

From the case of Fieldtown, and in line with Chen (2009), we argue that the trust–control balance is delicate but vital for the functioning of public markets. Hence, this balance needs to be analysed in relation to market construction. Given that municipalities want to support diversity on public markets and encourage small scale service provision, the system needs to enable not only control but also possibilities to interact and develop mutual trust. While public markets require some degree of control, the kinds of control that are used and how forms of control are implemented can be directed in order to enable trust. Less direct monitoring and more socially orientated control seem preferable from a trust perspective, as does a participatory approach to developing and implementing control systems.
Further studies

The case study reported in this paper highlighted the dynamics of (dis)trust–control in a particular municipality in Sweden, with its particular prerequisites. A comparative approach to study the phenomenon of contextual embeddedness of (dis)trust–control would be a relevant path to further the analysis of the contextual factors influencing the nexus.

Other questions emerging from this study relate to the impact of category-based trust. Does trust presuppose homogeneity between organisations? If so, of what kind? The organisations involved in this study are heterogeneous in many dimensions, such as size and sector, as well as gender and ethnicity of the founder. What role does heterogeneity between organisations play with regard to interorganisational trust and control? This was a study of a customer choice market. As studies on different kinds of public markets increase, a comparative approach would be relevant.

This paper has focused on the interaction of boundary spanners as embedded in different organisational systems. However, it gives rise to questions regarding the impact of the macro level in terms of changes in the political, legal and cultural situation. Further studies might preferably analyse policy documents and the media discourse in relation to individual and organisational trust–control processes.

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References


## Appendices

### Appendix 1. Research published 1990–2017 on the trust–control dynamics within public sector IORs

<table>
<thead>
<tr>
<th>Author(s) and year</th>
<th>Publication</th>
<th>Method</th>
<th>Type of IOR</th>
<th>Industry/country</th>
<th>Findings relating to trust–control dynamics (selected)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mannion and Smith (1998)</td>
<td>A Revolution in Social Policy: Quasi Market Reforms in the 1990s, (Bartlett, Roberts &amp; Le Grand)</td>
<td>Qualitative</td>
<td>Purchaser/Private providers Procurement</td>
<td>Care for the elderly England</td>
<td>Mechanisms influencing the assessment of the quality of a provider include: formal inspection, feedback from users; informal networks; and provider marketing. Qualitative issues are replaced by the concept of trust. p. 131</td>
</tr>
<tr>
<td>Huque (2005)</td>
<td>Public Organization Review: A Global Journal</td>
<td>Qualitative</td>
<td>Housing authority/Contractors Contracting-out Public/private</td>
<td>Housing Hong Kong</td>
<td>‘Along with streamlining the procedures, increasing emphasis on accountability, and improving the system of monitoring, the answer seems to lie in the inculcation of a spirit of trust and cooperation between the principal and agent.’ p. 81</td>
</tr>
<tr>
<td>Brown et al. (2007)</td>
<td>Local Government Studies</td>
<td>Qualitative</td>
<td>Contracting for-profit and non-profit partners</td>
<td>Refuse collection, social service provision USA</td>
<td>‘The degree to which contracts are more or less complete is a function of numerous factors such as the duration of the contract, level of experience each contracting party has with one another, the risk tolerance levels of the parties, service characteristics, market competitiveness, the incentives employed, and the potential for unforeseen contingencies.’ […] ‘… the degree of contract completeness is contingent on the level of trust between government and its vendors.’ […] a one-size-fits-all approach to writing contracts is not optimal.’ p. 62</td>
</tr>
<tr>
<td>Chen (2009)</td>
<td>Administration &amp; Society</td>
<td>Theoretical paper</td>
<td>Contracting-out relations</td>
<td></td>
<td>‘Relational contracting complements the insufficiency of rational control.’ p. 116 ‘Proposition 8: Failing to detect the need for balance between relational contract and formal contract can result in low performance and contracting failure.’ p. 117</td>
</tr>
<tr>
<td>Walker, Smith, and Adam (2009)</td>
<td>Health Care Analysis</td>
<td>Qualitative interviews</td>
<td>Primary Care Partnership Private partners</td>
<td>Primary health care Australia</td>
<td>Informants’ perspectives on risk and uncertainty, trust and control tended to be consistent with their position in the partner organisation. p. 65</td>
</tr>
<tr>
<td>Singh and Prakash (2010)</td>
<td>Public Management Review</td>
<td>Qualitative interviews</td>
<td>PPP – network</td>
<td>Health care India</td>
<td>‘Power is asymmetrically distributed in the network, and there is greater reliance on formal mechanisms of co-ordination. However, for networks to be an</td>
</tr>
</tbody>
</table>
A \textit{management} \textit{accounting} research approach is important to reduce the power asymmetry between the partners, and rely more on informal mechanisms of co-ordination and trust, and develop horizontal co-ordination and social capital in these networks.\footnote{Cäker and Siverbo (2011)}

\begin{tabular}{|c|c|c|c|}
\hline
\textit{Cäker and Siverbo} & \textit{Management Accounting Research} & Qualitative cases & Joint ventures among public organisations \\
(2011) & & Waste disposal activities & Sweden \\
\hline
\textit{Edelenbos and Eshuis} & \textit{Administration & Society} & Qualitative interviews & Community based /citizens – public managers – farmers \\
(2012) & & & Spatial planning \\
& & & Netherlands \\
\hline
\textit{Milbourne and Cushman} & \textit{Voluntas} & Qualitative interviews & Public authorities and/third sector providers of public services Procurement \\
(2013) & & & Education for disengaged young people and service for children and youths England \\
\hline
\end{tabular}

Effective way of governing, it is important to reduce the power asymmetry between the partners, and rely more on informal mechanisms of co-ordination and trust, and develop horizontal co-ordination and social capital in these networks.\footnote{p. 851}

\begin{itemize}
\item \ldots vertical control packages are affected by: goodwill trust and competence trust; parent differences in management style and size in combination with control competence; parent diversification (low relatedness between the JV’s activity and the parents’ other activities); and the horizontal control package (e.g. rules for parent interaction and distribution of work). Horizontal control packages are affected by: goodwill trust, system trust and calculative trust; parent differences in size; and efforts to achieve equality.\footnote{p. 330} \ldots trust is potentially unaffected by the introduction of formal controls. \ldots trust has an inverted ‘crowding out’ effect on control. A high ambition to maintain trust leads to underdeveloped formal controls.\footnote{p. 669}
\end{itemize}

The relationship between trust and control is multiform and has also shown that when dissected, how different forms of control may enhance or decrease different forms of trust and vice versa. In particular, different coevolutionary pathways of trust and control exist.\footnote{p. 668} \ldots the coevolution of trust and control depends on the specific (initial) situation in which the relationship between trust and control unfolds. Trust and control are related through complex and contingent causation, resulting in divergent paths of coevolution.\footnote{p. 485}

\begin{itemize}
\item Drawing on examples from empirical studies in two English inner-city areas we explore ways in which power and controls exerted through dominant organizational cultures and arrangements undermine independent approaches, innovation and organisational learning across sectors. State bodies have taken trust in their actions as given while shifting responsibilities for service delivery and risks of failure to others.\footnote{p. 485} \ldots increasing market}

\footnote{Continued)
Six (2013) *Public Management Review*  
Theoretical paper  
Regulatory relations  

Stewart and Ablong (2013) *The Economic and Labour Relations Review*  
Qualitative longitudinal interviews  
PPP Procurement  
Defence Australia  

Qualitative longitudinal interviews  
IOR between local governments and service provision companies with different owner structure  
Externalised public service provision of water Estonia  

Cultures and regulation have damaged cross-sector trust promoting divisive interests and risk-averse behaviours, restricting the local autonomy, innovation and community action presumed in the Big Society agenda. ’ p. 485

‘SDT is used to build a model for the relation between regulator trust and control as they affect regulatee compliance. The model follows the perspective that control may complement trust in achieving internalization of regulator values by the regulatee and thus result in voluntary compliance. Such self-determined, voluntary compliance has a positive impact on regulator trust, which in turn has a positive effect on both regulate internalization of regulator values and regulator controls that enhance selfdetermination. This creates a reinforcing cycle. Next, several factors were discussed that affect the different variables in the cycle. These may further reinforce or dampen the cycle.’ p. 179

‘In these circumstances, tightening and sharpening processes and controls might have had its advantages. However, given the realities of defence procurement, it is hard to see that the problems of the system, many of which lie in the multiple purposes it tries to serve, can be fully resolved in this way. The need for both more flexibility and more accountability is evident. To bring these values into better balance requires processes that encourage, rather than discourage, communication, collaboration, trust and a more realistic sharing of risk.’ p. 250

‘The relationship between trust and contract, which can either be substitutes or complements, or eventually erode each other, is contingent upon the capacity of interacting individuals (and related organizations) to keep interests aligned in water services provision.’ Abstract p. 335 ‘… mode and frequency of interactions between key actors within the underlying governance setting foster different combinations of trust and contracts.’ p. 348
Ditillo et al. (2015) in Public Administration: Quantitative questionnaire. Chief Executive Officers Contracting-out to private providers. Waste collection Homecare for the elderly Italy. In the presence of contracting-out, market-, hierarchy-, and trust-based controls display different intensities, can coexist, and are explained by different variables. p. 212

Appuhami and Perera (2016) in Journal of Accounting & Organizational Change: Qualitative interviews. PPP Management control systems. Power sector Sri Lanka. While bureaucratic control was the predominantly used control pattern throughout the three phases (namely, selecting, building and operating) of the PPP, trust-based controls also played an important role. Market controls on the other hand played, somewhat, a nominal role, particularly in the selecting phase of the project. p. 425

Kastberg (2016) in Financial Accountability & Management: Qualitative longitudinal interviews. Network between public organisational units and a public shared service centre. IT Sweden. … compared to actors in previous studies of dyadic relationships in the private sector, actors in network relations seem to consider trust a risky option. It is less tempting to rely on a certain party when that party in turn is entangled with other parties. This situation causes a more intensive use of formal control. Another result is that increased trust between two parties might lead to more emphasis on formal control by a third party. p. 33 ‘Formal control was used both to signal trust and to limit the growth of trust; formal control sometimes also had side effects that problematized relations.’ p. 52 ‘As the case indicates, divergent views of control initiatives might exist between parties and these variances might also affect others (third parties)’ p. 53

ter Bogt and Tillema (2016) in Critical Perspectives on Accounting: Qualitative interviews. Partnership between theatres and municipalities Subsidies. Theatres Netherlands. ‘… trust is a very important element in the control of these public sector partnerships. The importance of trust is reinforced because the civil servants and aldermen are aware of the difficulty of expressing the objectives of the municipal cultural policies in quantitative terms. The same holds true for the contribution of the theatre’s outputs and outcomes to realizing these objectives.’ p. 19 ‘However, the low measurability of the theatres’ outputs and outcomes complicates the municipalities’ control as based on performance agreements and accounting information. This complication increases the role of trust.’ p. 5
### Appendix 2. Critical incidents manifesting the coevolution of (dis)trust and control in the Fieldtown case.

<table>
<thead>
<tr>
<th>Time</th>
<th>Phase 1</th>
<th>Phase 2</th>
<th>Phase 3</th>
<th>Phase 4</th>
<th>Phase 5</th>
<th>Phase 6</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Level of organisational systems</strong></td>
<td></td>
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<tr>
<td>Elderly care services committee</td>
<td>The customer choice model is launched with a vision of diversity in small providers.</td>
<td>Demonstrates trust in providers that are authorised and partial trust in Khabat who is partially authorised.</td>
<td>Sets a goal to increase the number of small providers.</td>
<td>Maintains objective of supporting small providers.</td>
<td>A new majority with a new agenda: quality over provider diversity. Decides on control programme.</td>
<td>Terminates the contracts of seven providers who fail to meet the requirements. Decides to keep the customer choice model.</td>
</tr>
<tr>
<td>Elderly care services department</td>
<td>Authorisation criteria are set at a level to enable small firms to be authorised.</td>
<td>Authorisation followed by punctual follow ups – errors are corrected continuously.</td>
<td>Supports small providers via an educational approach.</td>
<td>Rewrites authorisation criteria to hinder opportunistic behaviour.</td>
<td>A general control operation is conducted comprising all providers.</td>
<td>The contracts of seven providers (35%) are terminated. A new control system is implemented and authorisation criteria revised.</td>
</tr>
<tr>
<td>Small private providers (category)</td>
<td>Difficult to compete with large providers, few make it.</td>
<td>First of small providers with a niche strategy is authorised to provide personal care.</td>
<td>Several small providers apply for authorisation.</td>
<td>Competition amongst small providers increases as new firms apply.</td>
<td>All providers are reviewed; those who do not meet the criteria are revised again.</td>
<td>Seven contracts are terminated. Subject to increased continuous controls. New firms are authorised.</td>
</tr>
<tr>
<td><strong>Level of boundary spanners</strong></td>
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<tr>
<td>Municipal officers: first Kristina and Ulla then Eva and Margareta</td>
<td>Expresses trust in established providers (competence). (E in 2014)</td>
<td>Suggests only partial authorisation of Khabat (lack of formal competence). Continuous dialogue to make him stick to the contract. (K and U)</td>
<td>Trust in small providers is undermined by perceived lack of competence. (E and M)</td>
<td>Small providers act in ways that were not intended and hence they suggest that authorisation criteria are revised. (E)</td>
<td>Increased distrust based on evidence of opportunistic behaviour by some providers (in addition to lack of competence in some providers). (E and M)</td>
<td>(M) Expresses distrust in providers whose contracts are terminated. Expresses trust in the remaining providers, both competence and goodwill, but also based on controls (deterrence trust).</td>
</tr>
<tr>
<td>Khabat</td>
<td>Applies for authorisation in late 2010.</td>
<td>Is partially authorised but unhappy with the decision; strives for more hours and to be fully trusted.</td>
<td>The firm grows substantially in terms of clients and staff. Seeks full authorisation again but is rejected.</td>
<td>Distrusts the municipality based on perceived discrimination and suspicion of corruption.</td>
<td>Full authorisation is once more denied is subject to review and fails in both first and second rounds.</td>
<td>Is excluded from the customer choice system as a final statement of distrust. Distrusts the municipality in return. Takes the case to court but loses.</td>
</tr>
<tr>
<td>Aminah</td>
<td>Employed by the municipality.</td>
<td>Employed by the municipality.</td>
<td>Employed by the municipality.</td>
<td>Applies for authorisation and is fully authorised despite lack of formal qualifications.</td>
<td>Is subject to review and subsequently approved.</td>
<td>Grows as other firms fail the control efforts but distrusts the municipality for lack of trust in small providers with immigrant background.</td>
</tr>
</tbody>
</table>