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Trust in Relational Contracts: a theoretical study

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Abstract

This article aims to contribute to a better understanding of trust within organizations in order to expand and refine theoretical constructs. Trust is approached in the economic perspective. The study seeks to understand the role of trust in the informal coordination of relational contracts. Trust is approached as a critical element to the execution of specific organizational tasks and its role as a mediator of organizational performance is observed. Finally, an analytical model is proposed and the study concludes that trust is a central element to better understand relational contracts and that investments adopting a trust-based management style should observe the specific context and the nature of the organizational tasks.

Keywords: Trust. Informal Coordination. Relational Contract. Organizational performance.

Confiança em contratos relacionais: um estudo teórico

Resumo

O objetivo deste artigo é contribuir para uma melhor compreensão das questões relativas à confiança dentro das organizações, de modo a expandir e refinar constructos teóricos. A confiança é abordada em uma perspectiva econômica como mecanismo social de gestão. Buscamos compreender o papel da confiança na coordenação informal dos contratos relacionais. Abordamos a confiança como um elemento essencial para a execução de tarefas organizacionais específicas e observamos sua relação mediadora com o desempenho organizacional. Ao final, propomos um modelo analítico e concluímos que a confiança é um elemento central para a melhor compreensão dos contratos relacionais e que investimentos em um estilo de gestão baseado na confiança devem observar o contexto específico e a natureza das tarefas organizacionais.

Palavras-chave: Confiança. Coordenação informal. Contrato relacional. Desempenho organizacional.

Confianza en contratos relacionales: un estudio teórico

Resumen

El objetivo principal de este artículo es contribuir a una mejor comprensión de las cuestiones de confianza dentro de las organizaciones, con el fin de ampliar y perfeccionar los constructos teóricos. La confianza se enfoca, desde la perspectiva económica, como mecanismo social de gestión. Se trata de comprender el papel de la confianza en la coordinación informal de los contratos relacionales. Asimismo, se aborda la confianza como un elemento crítico para la ejecución de tareas organizacionales específicas y su relación mediadora con el desempeño organizacional. Por último, se propone un modelo analítico y se concluye que la confianza es un elemento central para comprender mejor los contratos relacionales y que las inversiones en un estilo de gestión basado en la confianza deben observar el contexto específico y la naturaleza de las tareas organizacionales.

Palabras clave: Confianza. Coordinación informal. Contrato relacional. Desempeño organizacional.

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INTRODUCTION

Trust between members of an organization can contribute significantly to increase efficiency of organizational tasks (DIRKS and FERRIN, 2001, 2002). This increase in efficiency of the organization's internal economic transactions through trust relations can represent the construction of an intangible capital (ANDRADE, REZENDE, SALVATO et al., 2011; MAGALHÃES, 2015). In this sense, several organizational studies have focused on trust (ARROW, 1969, 1974; GRANOVETTER, 1985; MAYER, DAVIS and SCHOORMAN, 1995; LANE and BACHMANN, 1998; GAMBETTA, 2000; DIRKS and FERRIN, 2001; O'NEILL, 2002; ZANINI, 2005, 2007; BACHMANN and ZAHEER, 2006; FRANKEL, 2005; SCHOORMAN, MAYER and DAVIS, 2007; COOK, LEVI and HARDIN, 2009; DIRKS, LEWICKI and ZAHEER, 2009). Recently, many scholars and researchers studying organizations have shown interest in understanding the issue of trust (ANDRADE, REZENDE, SALVATO et al., 2011; ZANINI and MIGUELES, 2014; SCHNACKENBERG and TOMLINSON, 2016; ZANINI, SANTOS and LIMA, 2015; MAGALHÃES, 2015; ZANINI, 2016). As a result of this interest, several contributions have emerged from disciplines of the social sciences such as political science, anthropology, sociology, psychology, and economics (COOK, LEVI and HARDIN, 2009).

The interest of researchers and academic leaders in the issue of trust comes from the "belief that it has a significant impact on a variety of outcomes relevant to organizations" (ZANINI, SANTOS and LIMA, 2015). In this case, trust is understood as an intangible asset able to generate positive results that guarantee the success and sustainability of the business in the medium and long term (ZANINI, 2007). In many cases, the trust between members of an organization may represent the basis to forma competitive differential or a different organizational competence. The logic of this function lies in the way this informal mechanism operates in relational contracts - for example, employment contracts.

From an economic perspective, trust can be defined as "an early and voluntary acceptance of a risky investment, by abdication of explicit contractual mechanisms of security and control against opportunistic behavior, in the expectation that the other party will not act opportunistically" (ZANINI, 2007). The notion of behavioral risk is intrinsic to relationships of trust. Coleman (1990) presents it in the asymmetries of time between the investment based on trust and its observed results. That is, a party must invest resources before it can verify the results of that investment and, thus, trust operates as a necessary social mechanism so that several economic transactions can occur. Therefore, trust becomes a social mechanism to reduce risks, allowing agents of interaction to cooperate to satisfy their interests and achieve their goals collectively. In this sense, Luhmann (1979) observes that the trust relations can increase the efficiency of the interactions, operating as a mechanism to reduce uncertainties.

Many of the studies on this subject, present trust as a variable that influences or is influenced by one or several organizational variables. There is, however, a need to discuss in depth the role of trust in relational contracts, adopting approaches that are different from the ones pointed out in previous studies (ZANINI, 2007; ZANINI and MIGUELES, 2014; ZANINI, 2016). In addition, it is necessary to advance the discussions on how the mediation of relational contracts can influence organizational performance. In this sense, this article focuses on discussing the role of trust in relational contracts, increasing the understanding of the relationship between trust and organizational performance. Three questions guide this study:

1. What is the role of trust in relational contracts?
2. How can specific tasks be related to a greater or lesser need for trust in employment contracts?
3. What is the impact of the relationship between trust and formal control on organizational task performance?

These questions guided the theoretical reflection presented in this article. Their relevance, as suggested by Zanini (2007), lies in revisiting and advancing the discussion about trust. In a society where economic actors are more socially interwoven, chains of social relations are formed allowing transmission and dissemination of trust (GRANOVETTER, 1985). This social connection refers to the role of concrete personal relationships based on reciprocity to generate trust and discourage opportunistic behavior. Consequently, the quality and the intensification of social relations may be a facilitating element in the establishment of trust, while discouraging opportunistic behavior; the greater intensification of one aspect reduces the probability of the other. If such assumptions are correct, one can approach the predominantly economic perspective of trust, from the predominantly social or cultural perspective. These assumptions are supported by Granovetter's (1985) argument economic relations become meshed with social context where there are strong expectations of trust and absence of opportunism. The author goes on to say that personal relations, rather than institutional arrangements, are most responsible for producing trust in economy, which corroborates the assumptions aforementioned.

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Employment contracts are examples of relational contracts based on interpersonal trust (ZANINI and MIGUELES, 2014). Even if such agreements need to be formalized in explicit contracts – a written document – for legal reasons, they become relational contracts between agents of interaction over time. The trust that can be built as a result of this interaction works as an informal mechanism of control and coordination for various organizational activities. According to Arrow (1974), the interpersonal trust observed in hierarchical structures becomes a "lubricant" for the various economic transactions that take place among corporate agents. Instead of anticipating all future contingencies, relational contracts anticipate a series of uncertainties, in the form of transactions between the parties based on the parties past experiences. Therefore, such contracts are characterized as incomplete by definition. Contractual issues that may arise in an employment relationship can be reduced significantly when there is trust.

In this sense, this article seeks to analyze trust as an element of informal coordination and its relation to organizational performance. To better understand such a social mechanism and its consequences within organizations, this article is organized in 3 sections. The first section presents an analysis of the centrality of trust in relational contracts. The second section, shows the relationship between trust and formal control in organizations. Finally, the last section, presents the relationship between trust and organizational performance.

TRUST AS A CENTRAL ELEMENT OF RELATIONAL CONTRACTS

Trust is recognized as a central element for a better evaluation of relational contracts (KREPS, 1990; WOLFF, 1997; CASSON, 1994; GIBBONS, 2001; GIBBONS, BAKER and MURPHY, 2002; ZANINI and MIGUELES, 2014). From an economic perspective, relational contracts, such as employment contracts, are incomplete agreements used to explain cooperation in a world of uncertain future events (FURUBOTN and RICHTER, 2005). By definition, relational contracts refer to long-term contractual relationships, so any new information available, exogenous or endogenous to the system, may generate new options for the agents in the form of new behaviors (WOLFF, 1995).

By definition, relational contracts cannot be monitored or controlled by third parties. Therefore, contractual rearrangements are necessary over time in order to ensure a process of continuous cooperation between the parties. According to the context, trust can be highly desirable and efficient to deal with the behavioral uncertainties caused by the emergence of new information in relationships between the parties. The greater the frequency of new information within the system, the greater the chances of increasing behavioral uncertainty and higher the need to use relational contracts based on trust to deal with this uncertainty. Thus, the relevance and efficiency of trust working as a governance mechanism is primarily related to the degree of endogenous and exogenous uncertainty, in the form of absence or information reliability, or the frequency of the emergence of new information within the system potentially changing people's behavior. In addition, social mechanisms such as trust are particularly important when the termination of a relationship imposes a very high cost (particularly where there is a specific relationship built over time).

In this sense, employment contracts are examples of relational contracts based on specific relationships. These contracts can combine the characteristics of formal agreements, due to legal requirements, and characteristics of informal agreements, in the form of reputations built within idiosyncratic relationships. Employment contracts are based on self-enforcing mechanisms that determine the fulfillment of the contract, in order to ensure the efficiency of the relationships, due to the difficulty of monitoring and evaluation (KEEFER and KNACK, 2008). They may be better understood in the reputation model of rational behavior confronted by unpredictable contingencies (KREPS, 1990; WOLFF, 1997). In this case, the trust generated in interpersonal relationships works as a mechanism of self-control, present to a certain degree in all working relationships. The rationale is that the parties agree in advance to cooperate in the long term because they both want to maintain their reputations for future deals.

In an economic approach, the central premise of relational contracts is that they are trust-based contracts, allowing for risk allocation or risk-taking considering resource sharing. In this sense, it is possible to observe in relational contracts the coexistence of formal and informal elements, in order to ensure the commitment of the parties to generate mutual benefits (KREPS, 1990; WOLFF, 1997; CASSON, 1994; GIBBONS, 2001). Each party motivated to maintain their credibility and reputation with the others will act cooperatively. As Keefer and Knack (2008) note, when parties inherently trust each other, it becomes easier for transactions to occur. The basic condition for this is maintaining expectations of continuity of mutual advantage relations in the long term. Trust, then, becomes an essential element in relational contracts, for, as argued by Arrow (1969), in the absence of trust, it is extremely costly to seek alternative guarantees and sanctions, which may inhibit many opportunities for mutual cooperation.

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The essence of approaching trust in relational contracts is based on the understanding that each party should benefit from the relationship. In short, lack of trust can mean the absence of transactions and situations of mutual benefit. Relational contracts involve investments in sharing open communication and sensitive information for the promotion of complementary knowledge. In this sense, Macneil (1977) highlights two elements related to relational contracts: the harmonization of internal conflicts and the preservation of relationships.

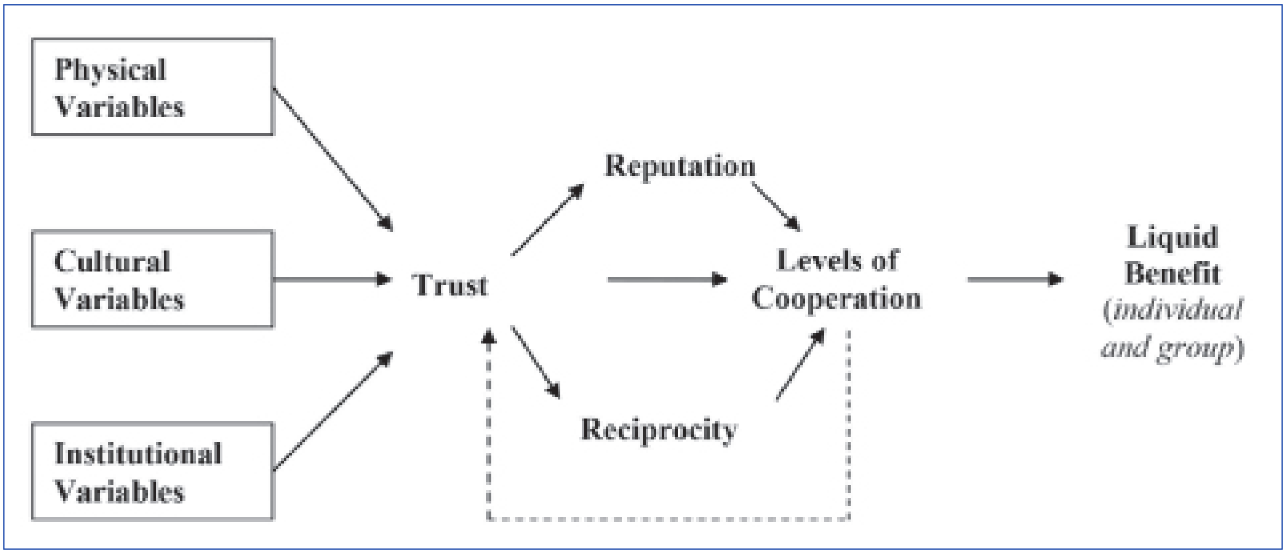
The absence of trust in employment contracts can mean the lack or absence of great efforts to achieve a more efficient level of cooperation and thus inefficient use of resources. When judicial solutions are replaced by a private ordering in contractual relations, the reliability of the promises calls for credible compromises (credibility), which work as the "cement" of relational contracts between individuals (FURUBOTN and RICHTER, 2005, p. 276). Reliable compromises involve acts of reciprocity that safeguard a bilateral relationship when they take the form of irreversible investments and specific investments (WILLIAMSON, 1996, 2007). As mentioned before, relationships of mutual trust can be used as a safety device to build trustworthy commitments, such as reputations, through specific investments over time, when individuals begin to use reciprocity strategies (KREPS, 1990); the effects of reputations in organizations are built on social norms and principles of justice and mutual benefits, which in turn must provide to the people in hierarchically inferior positions, an idea of how the organization will react in certain circumstances when they arise. Finally, as Williamson (2007) states, such principles should guide behavior and expectations within the company, promoting social conditioning regarding job security and protection against exploitation.

Trust is related to repeated interactions and irreversible investments. If these experiences withstand the trust invested, they become mechanisms that determine contract performance, mitigating the chances of opportunism between the parties. A reputation system is built on trust over time and, at the same time, it is a condition for the development of patterns of behavior. Hardin (2002) calls this effect of maintaining trust the 'feedback loop'.

Based on studies of collective behavior in social dilemmas using repeated games, Ostrom (2003) presents a scheme with the core variables for maintaining the two trust relations: reciprocity and reputation (Figure 1). The model presented by Ostrom (2003) considers the physical, cultural and institutional variables critical to form the social context in which the human interactions occur, and to promote or inhibit investments based on trust. Thus, the physical distance between agents of interaction, behavioral models that encourage or inhibit cooperation, and the nature of productive systems, which may require more or less interactivity between individuals for the production of a given value, are fundamental elements for the analysis of trust relations. Trust relations will be supported by informal rules of reciprocity and reputation among agents. Reciprocity and reputation will directly influence risk perception, inhibiting or fostering relationships of trust, which will influence levels of cooperation and the ability of a particular social system to produce individual and collective gains.

Figure 1

Feedback relations in repeated social dilemmas



Source: Ostrom (2003, p. 51).

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In general, people will use their past experiences as information to act in the present. The more people have received benefits in the past, as a result of interactions with other agents who have used reciprocity strategies, the greater will be their inclinations to use reciprocity strategies in the present. The more often people use reciprocity, the less likely they are to abandon the relationship. This means that, in general, agents will trust more and act reciprocally, based on their own personal norms affirmed by past experiences. However, this is affected by the information individuals may have about the reputation of the other parties, and with that, they can assess the risk of investing trust in a particular situation.

Thus, trust can be seen as a rational form of cooperation under behavioral risk. In this sense, companies can be understood as networks of relational contract among their corporate members. According to Furubotn and Richter (2005), companies are social organizations with rules and investment in cultivating relationships between individuals. The authors argue that strengthening organizational culture, as a mechanism to improve information sharing and reduction of behavioral risk based on mutual trust, represents an important investment. Thus, levels of trust within companies can be understood as indicators of the efficiency of relational contract management. One of the functions of relational contract networks based on mutual trust is the ability to survive future market uncertainties. This reasoning indicates that trust is relevant, for example, in processes of change in general, such as processes of rapid growth or downsizing, mergers and acquisitions, and inheritance processes, since such movements tend to transfer uncertainty of internal social relations to the company. In such cases, existing trust ensures the fulfillment of expectations between the parties.

Within organizations, it is possible to divide in two types the sources of information needed to develop trust relationships in relational contracts: they are specific or general information (RIPPERGER, 1998). As for the specific information, the sources can refer to a) a particular person and a specific situation; and b) the reputation of the person in whom trust is invested. The latter refers to public information about the reliability of a particular actor. Although it is not a perfect substitute for information from real interactions between two agents, reputation works as an important source of information for the agent who invests trust. Regarding the general information, it is possible to observe two categories as well: a) the information related to the systemic trust or the perception of the agent who invests trust, i.e., the level of reliability of a given social system. This category refers to the perception of reliability not related to a single person or to a specific situation but based on the characteristics of the individuals that make up a particular group of people interacting within a system; and b) the atmosphere of trust, as a category of general information related to the level of reliability experienced by the agents interacting within a system.

This distinction helps us better differentiate interpersonal trust (perceived trust in competencies and/or intentions among agents) from organizational trust (perceived trust in an organization). Although these categories of information are not totally independent and their boundaries are not always very clear, they contribute to understand some important dimensions for the development of relationships of trust. In this case, the more people experiencing trusting relationships, the greater the quality of the atmosphere of trust.

The maintenance of the atmosphere of trust is proportional to the institutional conditions and the specific investments made (RIPPERGER, 1998). Wolff (1997) argues that this dimension is related to the norms, values, and sanctions of corporate culture – resources used to "direct" human behavior. Thus, the process of building an organizational culture that supports relationships based on personal trust is a process that has time as an essential resource for the construction and internalization of interaction rules. In this sense, patterns of behavior are created over time, preserving the perception of mutual benefits between people, while maintaining the perception of fair gains between the parties. In this way, it is possible to develop levels of perceived reliability among the members of a company (or between agents from different companies) and, thus, to stimulate investments based on trust. This process ends up creating a virtuous circle of cooperation (ZANINI, 2016), because cooperative interactions contribute to the continuity of the connections and the strengthening of institutions that foster relationships of trust.

TRUST AND FORMAL CONTROL IN ORGANIZATIONS

In organizations where trust exists along hierarchical relationships, there is the possibility of eliminating or reducing the costs of bureaucracy (CHILES and MCMACKIN, 1996; BUTTER and MOSCH, 2003). Trust-based relationships can reduce the need to use bureaucratic mechanisms, which greatly reduce the efficiency of organizational interactions. Since formal control and monitoring are coercive and time-consuming, it seems logical that trust-based relationships require less monitoring, time and energy, and also foster spontaneous cooperation, which in turn promotes additional productivity. In this way, managers can devote more time to decision-making and implementation processes.

When trust is generated within an organization, it can become an intangible asset in the form of organizational social capital, which is the basis for the performance of other intangible assets, such as intellectual capital (ROLLAND and CHAUVEL, 2000; ROBERTS and VAN DEN STEEN, 2001). Trust-based relationships arise as a result of formal and informal rules that exist in organizational culture and define patterns of behavior in social relationships. Work environments characterized by an atmosphere of trust are directly related to actions based on reciprocity and to practices perceived as mutually beneficial, achieved by consecutive investments based on trust. In these environments, people end up gaining a certain reputation, based on their history of interacting with others.

An environment of trust increases people's overall motivation and satisfaction because they feel freer to contribute and share their ideas and problems without the fear that others may hurt them by acting opportunistically. In these environments, spontaneous cooperation emerges as a facilitator for various organizational tasks. Based on reciprocity strategies, trust relationships that use the perception of mutual benefit increase the likelihood of consensus and strengthen human relationships, promoting greater synergy in organizational performance (LANE and BACHMANN, 1998; ADLER, 2001).

The opposite of a high trust environment is a low-trust environment where people perceive a high risk in cooperating spontaneously, sharing their ideas and solutions in a collaborative way. A break in trust can "contaminate" a work team completely, especially when it is promoted and occurs by those who occupy high hierarchical positions. In the same way, lack of trust in a trust-based relationship results in bad reputation. In a low-trust environment, the perception is that what is said or done can be used against you. In this way, the best strategy is to share less information and be more cautious in interactions. This type of environment causes considerable loss of motivation and gratification among the agents. Instead of trust-based relationships that promote spontaneous coordination there will be a greater need for monitoring and formal rules to make coordination possible.

The inefficiency of applying formal control and monitoring mechanisms are related to potential intangible costs, which are difficult to measure. These intangible costs are related to elements such as difficulties of communication in people's relationships; lack of credibility in the relationship between people in higher and lower organizational levels; lack of integrated vision and focus on organizational processes and tasks; lack of metrics to evaluate the results of work; impact of turnover, absenteeism, internal conflicts, lack of motivation and engagement; problems with recurring incidents (DIRKS and FERRIN, 2001).

Bureaucratic mechanisms, such as authority and monitoring, are a means of ensuring that interaction partners play their role properly. When information sharing becomes critical, a low trust environment with an emphasis on monitoring and too much use of external rules can considerably inhibit spontaneous co-operation. However, this may be vital to achieve success in the market (SAKO and HELPER, 1998; LANE and BACHMANN, 1998). Because formal contracts cannot predict all circumstances in work relationships, the presence of monitoring systems and norms and rules can cause lack of flexibility and organizational efficiency.

We can observe a relationship of complementarity between certain levels of trust and the use of formal monitoring in work environments (OUCHI, 1980; CASTELFRANCHI and FALCONE, 2000). However, the excessive presence of monitoring can considerably hinder the emergence of trust relationships. On the other hand, the presence of trust always implies some residual risk, as well as costs related to the establishment and maintenance of conditions that generate an organizational environment based on trust (WOLFF, 2000). Dunn (2000) and Luhmann (2000) share the view that rational exploitation of other people's interests can hardly serve as an appropriate substitute for trust-based relationships. On the other hand, according to

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Gambetta (2000), if there is a relationship of trust in cooperation, somehow coercion will also be present. The author states that if there is trust, less coercion will be needed, and vice versa.

Finding a good balanced relationship between formal control mechanisms and trust relationships poses challenges for management: betting too much on trust relationships can open space for opportunistic behavior of the agents. Betting too much on formal control can mitigate existing trust relationships and discourage people from interacting and cooperating more spontaneously.

RELATIONSHIP BETWEEN TRUST AND ORGANIZATIONAL PERFORMANCE

Trust among agents may be a necessary but insufficient condition to explain organizational performance. As Granovetter (1985) argues, the trust generated by personal relationships can equally enhance opportunistic behavior. In this sense, Langfred (2004) shows in his empirical study that high levels of trust, under the specific circumstance of high individual autonomy, can be detrimental to the performance of self-managed work teams. This brings us back to the need to analyze levels of trust separately and to take into account the specific context of analysis. Thus, empirical studies have often suggested that trust has a more moderating effect on organizational performance than a direct and positive relationship (DIRKS and FERRIN, 2001; MACCURTAIN, FLOOD, RAMAMOORTY et al., 2009; ZANINI and MIGUELES, 2014). These studies have related the positive effects of trust, for example, on the relationships between leaders and those they led (DIRKS, 2000; DIRKS and FERRIN, 2002; DIRKS, 2006; ZANINI, SANTOS and LIMA, 2015), in order to strengthen the commitment of employees (ROLLAND and CHAUVEL, 2000; ROBERTS and VAN DEN STEEN, 2001; MACCURTAIN, FLOOD, RAMAMOORTY et al., 2009), and to increase organizational efficiency and productivity (RING and VAN DE VEN, 1992; LANE and BUCHMANN, 1998, SAKO, 1997). Dirks and Ferrin (2001) present a meta-analysis with a series of empirical studies that confirm the positive effects of trust relationships on the attitudes and behaviors of individuals within organizations. According to these authors, higher levels of trust are expected to result in more positive attitudes, higher levels of spontaneous cooperative behavior, and consequently superior performance. Trust is also observed by Aryee, Budhwar and Chen (2002) as a mediating element for the collective perception of distributive and procedural justice, job satisfaction and turnover intentions.

This means that high levels of trust do not necessarily dictate superior performance or that companies with low levels of trust will necessarily have poor organizational performance. It is important that the analysis of the relationship between levels of trust and organizational performance takes into account the context or institutional environment where these transactions take place so that alternative governance mechanisms can be considered in a cost-benefit analysis (ZANINI, 2007). Therefore, the adoption of a management style based on trust has the inherent costs of establishing a context where some antecedent and fundamental elements for the construction of relationships based on trust are created and maintained. Ultimately, as stated by Hadfield (2005), what primarily defines this relation of cost and efficiency is the various institutional arrangements that translate into environmental uncertainties.

As previously observed, the notion of trust is related to a notion of associated behavioral risk, which in economic terms means associated costs (COLEMAN, 1990; RIPPERGER, 1998; WOLFF, 2000; ZANINI, 2007). Trust building and maintenance is time consuming and requires specific investments. For a company to adopt a management style based on trust, it is necessary to maintain certain elements that support trust relationships, such as norms of behavior, conduct and punishment, organizational transparency, and clarity in corporate communication. In addition, the potential use of a trust-based work environment requires consecutive investments in maintaining a relative stability of the conditions and prospects of continuity of employment contracts. The collective perception of justice in procedures, measurement and distribution of results also becomes a critical factor for the management of levels of trust. Whitener, Brodt, Korsgaard et al. (1998) present a study on some elements directly related to the construction of environments that foster relationships of trust. These elements are: the quality of internal communication, the perception of integrity, consistency and concern for employees, and the delegation and sharing of authority. These elements also offer a better evaluation of environments and of the management of intangible assets. Such a management style based on trust can be highly desired for the fulfillment of certain organizational tasks, however, the institutional context in which the company is in should be observed (ZANINI, 2007).

The great benefit of working environments that present an atmosphere of "high trust" is that it enables individuals to conduct transactions without the need to guard against occasional opportunistic behavior of others, thus accepting greater risks in these transactions. In atmospheres of "low-trust", people are more afraid to make investments based on trust because they perceive low levels of motivation in the agents to adopt reciprocity strategies, and the probability of taking personal losses in transactions will be greater. However, it should be noted that in specific organizational contexts it may be possible that fostering internal competition among members of the company is more efficient and produces better results. When the efficiency of business units is related to a type of strategy that encourages internal competition, there is a natural selection of individuals and this may privilege individual efforts over collective efforts (LAZEAR, 1998). In some cases, it may be more efficient that low levels of interactivity may represent better results, i.e., investments in creating and maintaining an environment that stimulates interpersonal trust between individuals may not represent the most efficient way to achieve results. In such cases, the remuneration system will privilege and reward individual efforts. As a result, individuals can dedicate themselves more and make greater efforts to be promoted and achieve a better salary. However, where the system encourages internal competition among employees, trying to build trusted personal ties can be extremely difficult and time-consuming. Other situations suggest that the use of explicit control may be more advantageous than to rely on trust. When results are relatively easy to measure, when tasks have low complexity and do not require creativity, learning speed, conceptual understanding, or do not require the critical transfer of knowledge the application of explicit mechanisms seems to be more efficient (OUCHI, 1980; OSTERLOH and FREY, 2000). On the other hand, this is not the case when productive systems consider gains based on the interactivity of working groups or need to share sensitive information to perform specialized and highly complex tasks (OUCHI, 1980; ADLER, 2001; MACCURTAIN, FLOOD, RAMAMOORTY et al., 2009). As authors such as Osterloh and Frey (2000) and Adler (2001) claim, when organizational tasks are based on innovation, product creation and development, the best results can be achieved through intense interaction between people.

Another important point for choosing a style of management based on trust is when performance measures become too ambiguous. As Ouchi (1980) comments, in such cases the use of trust becomes central to the alignment of individual and organizational goals. Where traditional bureaucratic mechanisms based on explicit control may fail because it is impossible to externally assess the added value per individual, the use of trust is advised. Some scholars observe that the intense use of explicit control mechanisms, such as formal monitoring, increases the probability of opportunistic behavior (VAN DE VEN and WALKER, 1984; AULAKH, KOTABE and SAHAY, 1996). That is, too much emphasis on explicit guarantees can considerably hinder the development of trust relationships. Breaking trust relations can be somewhat expensive because using trust does not require additional expenses with legal guarantees. Where there are levels of trust, the need for explicit monitoring and control and associated costs will be reduced. In addition, the intensive use of explicit control mechanisms involves not only investments in monitoring and formal control, but probably a considerable loss of individuals' motivation to generate commitment towards organizational goals (RIPPERGER, 1998).

Ouchi (1980) and Dasgupta (2000) observe that the possibility of monitoring individuals' actions is a crucial factor for deciding between explicit mechanisms of control or trust. As tasks become more complex, interdependent or ambiguous, the ability to monitor and evaluate individual performance is reduced. In such cases, contracts become more dependent on informal arrangements between agents and require trust to meet expectations.

Empirically, it is common to find the combination and coexistence of formal and informal mechanisms acting at different levels within the business environment in a complementary way (OUCHI, 1980; BRADACH and ECCLES, 1989; ZANINI, 2007). Ouchi (1980) notes that formal and informal control mechanisms can often be found in complementary conditions and at different levels in any organization.

In this sense, the analytical model in Figure 2 is proposed. It shows the relationship between the need for trust versus control and the specificity of organizational tasks. As organizational tasks become more complex, uncertain, ambiguous or interdependent, the need for trust among the agents increases. The graph in Figure 2 suggests that the efficiency in performing organizational tasks of this nature will largely depend on the trust between the agents (e.g., in the relationship between managers and subordinates, partners, co-workers or between agents in multifunctional teams). When the good to be produced calls for the participation and contribution of various specialists, it becomes more difficult to measure the individual contribution of each agent. When individual assessment becomes ambiguous, the trust that the agents have in their evaluators or in the evaluation system becomes very important. Which is also the case for more complex tasks, in which the results to be obtained present a high degree of unpredictability.

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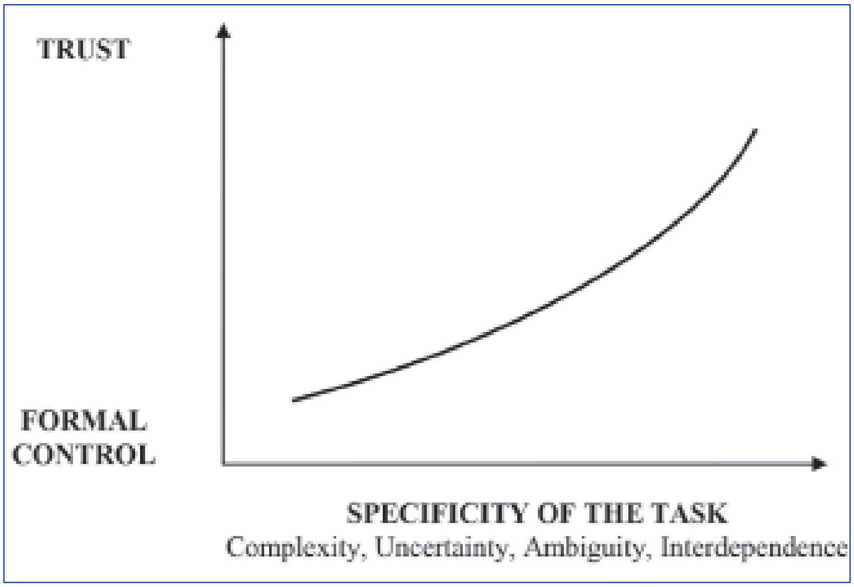
Figure 2

The relation between the need for trust and the specificity of the task



Source: Elaborated by the authors.

On the other hand, the less complex, uncertain, interdependent and ambiguous are the tasks, or the more predictable the results, less is the need for trust. These cases suggest that formal contracts can be used more efficiently. However, as Zanini (2007, 2016) argues, trust and control are better understood as complementary management mechanisms, not substitutes. There will always be some trust and control in any organizational environment.

CONCLUSION

Although many studies of organizational theory have advanced on the topic of trust in recent years, this article seeks to introduce a functional logic to better understand the role of trust relationships within organizations, from the analysis of the role of trust in the informal coordination of relational contracts. It was observed that trust is key for informal coordination within companies and for the construction of intangible assets. In the first section, some elements of trust were analyzed, in order to better understand its influence.

In the next section, trust was analyzed as a central element for relational contracts – employment contracts – that have a standardized (formal) legal mechanism supporting the development of a relational contract over time. It was possible to identify trust as a central element in this informal aspect of the contract, contributing to the efficiency of specific organizational tasks.

In the last section of this article, the study observed the specificity of organizational tasks in a complementary relationship between trust and formal control. It was possible to observe that trust is not a determining variable for organizational performance, but it can be better understood as a mediating element that can contribute to the more efficient coordination of some specific organizational tasks.

In this sense, we propose a theoretical model that relates the specificity of the organizational task (complexity, uncertainty, ambiguity and interdependence) to the need for trust or formal control, advancing the discussions on the role of trust in relational contracts and the its influence on organizational efficiency. Finally, it is important to observe that the analysis of trust relations as a central element in relational contracts, and the connection of these relations to organizational performance, opens up a vast field for future research.

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