



Combining formal controls and trust to improve dwelling fit-out project performance: A configurational analysis

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Received 12 February 2017; received in revised form 28 May 2017; accepted 5 June 2017

Abstract

Despite an increasing emphasis on combining formal control and trust to improve project performance, it is still empirically not known that how formal control and trust combined could contribute to project success. To bridge this gap in knowledge, this study aims to investigate how combination of formal control and trust would give rise to high project performance through a configurational analysis. A questionnaire-survey of 265 dwelling fit-out projects was undertaken in China. Data were analyzed through fuzzy set Qualitative Comparative Analysis. The configurational analysis in the end identified four equifinal combinations of formal control and trust that could result in project success. This study contributes to the control-trust nexus literature by empirically presenting a configurational solution.

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Keywords: Trust; Formal control; Project performance; Configuration analysis

1. Introduction

Formal control that relies on the establishment of rules for influencing others' behaviors is an important governance mechanism for managing projects (Eisenhardt, 1985; Liu and Wang, 2016; S. Liu et al., 2017). However, it is increasingly recognized that formal control is faced with considerable challenges to dealing with non-routine works and dynamic temporary organizing. In addition, some project tasks might have a low level of observability and testability. This would in the end result in enormous ambiguity and uncertainty (Keil et al., 2013), thereby diminishing the usefulness of formal controls. As a consequence, it calls for a complementary governance strategy. Trust as a form of relational governance is considered as an important complement (Cao and Lumineau, 2015; Yang et al., 2011; Das and Teng, 2001). It indicates the willingness to become vulnerable to the other whose behavior is not under one's control (Mayer et al., 1995; Schoorman et al., 2007).

Despite a wealth of studies focusing on either formal control or trust, studies increasingly found that combining formal control and trust would be critical to improve business performance

(e.g., Cao and Lumineau, 2015; Costa and Bijlsma-Frankema, 2007; Das and Teng, 1998; Edelenbos and Eshuis, 2011). In practice, clients rarely manage their projects through one governance mechanism alone. There exist a considerable number of studies examining the control-trust nexus. Several special issues of the organization and management journals were devoted to the control-trust nexus research (see Bachmann et al., 2001; Bijlsma-Frankema and Costa, 2005; Costa and Bijlsma-Frankema, 2007).

One way of combining formal control and trust is to adopt the contingency approach, which suggests that formal control or trust would be effective in a particular context, or to cope with a specific type of problems (Das and Teng, 2001; Zwikael and Smyrk, 2015). The contingency approach emphasizes the merits of formal controls and trust, yet addresses them in a separate manner. When considering them jointly, a close look at the mutual impact and the interaction between formal control and trust would be necessary as it would not be a simple aggregation. However, research in this regard faces great controversies (e.g., Cao and Lumineau, 2015; Costa and Bijlsma-Frankema, 2007). It is found that formal control and trust could possibly complement or substitute each other (Bijlsma-Frankema, 2005; Şengün and Nazli Wasti, 2009). In addition, they would interact with each other in terms of influencing project performance (e.g., Srivastava and

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Teo, 2012). Overall, these studies face great limitations in identifying combinations of formal control and trust in successful projects as they mainly present net effects of control and trust on project performance (see Woodside, 2013).

To complement these studies, researchers have conceptually proposed a configurational approach and emphasized that “organizational control is best depicted as configurational” (Cardinal et al., 2010: 61). Configuration refers to a co-existence of multiple formal control and trust based on typologies (Fiss, 2011). In Cardinal et al.’s (2010) study, configuration covers behavior and outcome control, formal and informal control within organizations. However, hitherto, empirical studies seldom investigated the configuration of formal control and trust in projects and determined how configurations influence project performance.

To bridge this gap in knowledge, this study aims to identify configurations of formal control and trust that could result in project success. A configurational analysis would be adopted, which has the strengths of identifying the impact of different combinations of conditions (i.e., formal control and trust) on outcomes (i.e., project performance) (Fiss, 2011; Ragin, 2008; Woodside, 2013). The configurational analysis results would complement extant literature by providing a typological understanding of the control-trust nexus. The results from the configurational analysis would provide project managers with combinatory solutions for achieving project success.

This study focuses on the transactional level. Hence, formal control and trust are exercised between the client and contractor. This study examines the combination of formal control and trust from the client’s perspective. In addition, formal control and trust are conceptualized as multi-dimensional constructs. The former comprises outcome control and behavior control (Eisenhardt, 1985); the latter is consisted of competence trust and goodwill trust (Das and Teng, 2001; Malhotra and Lumineau, 2011).

The research is organized as follows. Section 2 presents the review of formal control, trust and four streams of studies about combining formal control and trust. Section 3 reports a configurational model of combining formal control and trust to achieve better project performance. Section 4 presents the research methodology of a questionnaire-survey of dwelling fit-out projects and elaborates three merits of using fuzzy set Qualitative Comparative Analysis (fsQCA) in the configurational analysis. The results are presented in Sections 5 to 7. It is ended up with a discussion, implications for theory and practice and concluding remarks.

2. Literature review

2.1. Formal control and informal control

In the control literature, control mechanisms could be divided into formal control and informal control (e.g., Choudhury and Sabherwal, 2003; Kirsch, 1997). Formal control represents a regulatory process by which parties’ behaviors and outcomes are made predictable through adherence to the formal rules (Das and Teng, 2001). It comprises three necessary conditions. These are

need for codification, monitoring and safeguards (Bijlsma-Frankema, 2005). It relies on more impersonal mechanisms.

On the other hand, informal control utilizes social or people strategies to reduce goal differences between parties (e.g., Choudhury and Sabherwal, 2003). Prior studies have extensively examined the antecedents and consequences of formal and informal control mechanisms (e.g., Liu, 2015; Liu and Deng, 2015; Liu and Wang, 2014; Ning, 2017a,b; Tuuli et al., 2010).

2.1.1. Formal controls

Formal control could be exercised in two ways: behavior control and outcome control. In behavior control, client focuses on the process to the goal achievement. Rules that help to achieve desired goals are specified in detail. Typical mechanisms are regular meetings, walkthroughs and weekly or monthly reports. Clients would monitor contractor’s behaviors and make the reward based on the extent to which contractor adheres to the pre-specified procedures. Studies found that behavior control is appropriate for the situation where behaviors are measurable and client could observe and evaluate contractor’s behaviors (Choudhury and Sabherwal, 2003; Kirsch, 1997; Turner and Makhija, 2006).

Outcome control requires the client to focus on project outcomes (Choudhury and Sabherwal, 2003). Desired outcomes should be formally specified. They may include project milestones, quality requirements, and cost requirements. Contractor would be rewarded for meeting the pre-set outcomes. Studies found that outcome control would be effective when project outcomes are measurable and clients could be able to evaluate the project outcomes (Kirsch, 1997; Turner and Makhija, 2006).

However, when facing measurement difficulties and high uncertainties, formal controls would fall short of shaping partner’s behaviors and adapting to unforeseen situations (Bijlsma-Frankema, 2005). In addition, when client lacks relevant project control knowledge, the usefulness of formal controls would be further lessened (e.g., Choudhury and Sabherwal, 2003). This would thus call for alternative governance mechanisms.

2.1.2. Informal controls

In the control literature, informal control comprises clan- and self-control. The clan-control refers to “shared norms and values as well as a common vision that motivate goal-directed contractor’s behaviors within a peer group” (Wiener et al., 2016, p. 744). It has been widely adopted in information system development (e.g., Choudhury and Sabherwal, 2003; Liu, 2015; Wiener et al., 2016).

However, in construction projects, for instance dwelling fit-out projects examined in this study, contracting parties may encounter enormous difficulties in employing clan control because their relationships are temporarily bond and both parties only contract within a pre-determined period. They may have few prior interactions and low possibility of contracting with each other again. Clan control would be instead more appropriate to the long term alliance (e.g., Choudhury and Sabherwal, 2003).

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