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# Management control systems as inter-organizational trust builders in evolving relationships: Evidence from a longitudinal case study ☆

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## Abstract

Research on inter-organizational relationships argues that at mature stages, when trust has reached a high level, it will be damaged by new management control systems (MCSs). This longitudinal case study provides evidence to the contrary: in an open-ended and evolving relationship, even when trust is well established, MCSs can build it. High trust provides a platform where success encourages the partners to cooperate further, demanding, in turn, more MCSs and greater levels of trust to support cooperation. By providing evidence with a greater appearance of objectivity than informal controls can yield, action and result controls improve partners' perception of each other's trustworthiness, and build competence and goodwill-based trust. MCSs are used not only to supervise but also to coordinate, and this second, more salient function avoids possible suspicions that could damage trust.
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One key for maintaining an inter-organizational relationship (IOR), or preventing its failure, is that partners have adequate confidence in each other's

cooperation (Das & Teng, 1998). In IORs, as collaborative arrangements to gain competitive advantages (Coletti, Sedatole, & Towry, 2005), firms tend to have greater confidence when they perceive a suitable level of control over their partners (Sohn, 1994) and when they trust each other (Das & Teng, 2001; Ring & Van de Ven, 1992). But the relationship between management control systems (MCSs) and trust is complex and open to debate (Coletti et al., 2005; Dekker, 2004; Tomkins, 2001; Van der Meer-Kooistra & Vosselman, 2006).

As Knights, Noble, Vurdubakis, and Willmott (2001) pointed out, there is a long tradition that conceptualises MCSs and trust as alternatives. In opposition to this idea, Das and Teng (1998) maintained that the introduction of an MCS does not necessarily suppose a lowering of trust. Tomkins (2001) argued that conceptualising MCSs and trust as either substitutive or complementary reflects a static analysis that ignores the dynamic process of building trust. He maintained that the influence of MCSs on trust is not uniform, and is likely to be characterised over the life cycle of a relationship by an inverted U-shape. Thus, only in the IOR's early stages do MCSs have a positive association with trust. In the later stages, when trust has reached a higher level, the introduction of new MCSs can cause harm.

When the IOR's duration is limited to one specific project or venture, it is probably true to say that as trust intensity becomes established at higher levels the successful development of the associated activity needs less control to sustain that relationship, as Tomkins (2001, p. 170) claimed. However, in open-ended IORs, the stability of mature stages could provide a platform for continuous evolution (Halinen, Salmi, & Havila, 1999). When the IOR's feedback loops are positive (Ariño & de la Torre, 1998), trust will encourage the partners to enlarge the collaboration (Inkpen & Curral, 2004). Encouraged by favourable results, the parties may expand the scope or complexity of their activities (Doz, 1996), involving more resources and time, and in turn increasing their interdependence. This evolution could affect the information needed for control of the IOR and the perceived trust.

The aim of our paper is to increase knowledge on the effect of MCSs development on already established trust in mature stages, taking into consideration the evolving nature of an open-ended IOR. To grasp the complexity and dynamism of IORs (Ariño & de la Torre, 1998; Dekker, 2004), we adopted a longitudinal case study approach (Yin, 1984). We chose the long-standing and successful relationship between a manufacturing firm called CMD (a pseudonym) and its distribution channel. Between 1997 and 2004, CMD, as a part of its strategy to extend and control its degree of

externalisation, gradually introduced, to the entire channel, various MCS tools that now make up a management control system shared between CMD and the channel. We study this process from both perspectives, that of the manufacturer and that of the distribution channel, and analyse a series of events that occurred during the course of the IOR, in order to explain the impact that MCS development had on trust.

Our paper makes several contributions to the existing literature in order to offer a new point of view on the complex association between MCSs and trust. First, advancing on Tomkins thesis, we observe the association between MCSs and trust in a mature and open-ended IOR and address the evolving nature of IORs. This case study provides evidence that, even when trust is well established, MCSs foster conditions that favour and build trust. The constant evolution of the IOR in interdependence, scope, and complexity requires greater confidence in cooperation and, in turn, demands new MCSs and greater levels of trust. Second, given Sako's (1992) proposal that competence-based and goodwill-based trust will be created and maintained in different ways, we analyse whether action, result, and personnel-cultural controls (Merchant & Van der Stede, 2003) have different effects on trust. Whereas Das and Teng (2001) and Inkpen and Curral (2004) argued that only informal controls can build trust, our findings suggest that action and result controls also build trust, by providing evidence with a greater appearance of objectivity. Formal MCSs do not necessarily cause inflexibility; instead, such systems can improve agents' independence and increase their opportunities to demonstrate their competences inside the established limits. Furthermore, because both parties work with the same system, formal MCSs improve their perception of each other as trustworthy. Third, in contrast to most studies (Andaleeb, 1995; Inkpen & Curral, 2004; Ring & Van de Ven, 1994), which focus on the monitoring function of MCS, even to the extent of confusing it with the whole function (e.g., see Coletti et al., 2005), we include the less-studied coordination function of MCSs (Dekker, 2004; Tomkins, 2001). Our findings show that both parties use MCSs to coordinate the new com-

plex tasks, and this use creates trust. The leader firm, "giving in order to receive", keeps end market control, improving joint results and satisfaction. Although the manufacturer uses the same MCS tools both to coordinate and to supervise, because the tools are shared, the channel members perceive much more coordination than monitoring, and this avoids suspicions that could damage trust.

In the next section, we consider different definitions of trust, its twofold dimensions, and the precursors of its increase. Second, we review the literature that analyses the effects of MCSs on trust in order to establish our research questions. We present a longitudinal case study of how CMD introduced MCS tools into its distribution channel and the impact of these tools on trust. We offer an analysis in the discussion section, and end with conclusions and directions for further research.

## Inter-organizational trust: the concept and the precursors of its evolution

Although trust has been defined in different ways, Moorman, Deshpandé, and Zaltman (1992) recognized two general conceptions of trust in the business literature: (1) trust as a *belief* or expectation about a trustee and (2) trust as a *behavioural intention* that reflects a reliance on the trustee and involves vulnerability and uncertainty on the part of the trustor. Rousseau, Sitkin, Burt, and Camerer (1998) concluded that "confident expectations" and a "willingness to be vulnerable" are critical components of most definitions of trust. Using Mayer, Davis, and Schoorman's (1995) definition, we understand trust as the willingness of a party to be vulnerable to the actions of another party on the expectation that the other party will perform a particular action which is important to the trustor.

Since trust is an inherent characteristic of human nature (Mayer et al., 1995), it lends itself to multiple levels of analysis. The origin of trust, the trustor, is of course human, but may be either an individual or a group; the object of trust, the trustee, may be things as well as people and their systems (Luhmann, 1979). Various authors (Cur-

ral & Inkpen, 2002; Das & Teng, 2001; Ganesan & Hess, 1997) have treated trust across organizational boundaries as having multiple levels: (1) interpersonal trust, in which individuals in organization A trust individuals in organization B; (2) organizational trust, in which an individual in organization A trusts organization B as a whole; and (3) inter-organizational trust, in which members of organization A have a collectively held trust in organization B.

"*Trust ... depends on time and context*" (Nooteboom, Berger, & Noorderhaven, 1997, p. 314). As partners and partnership managers learn about each other, the level of trust will change, which means that trust should be viewed as dynamic rather than static (Inkpen & Curral, 2004), and its evolution should depend on perceptions about distinct trustee characteristics (Mayer et al., 1995). Accordingly, the literature is increasingly conceptualising trust in multidimensional terms (Das & Teng, 2001; Sako, 1992). Although precise definitions and examples are beyond the scope of this paper, keeping in mind our aim, we choose a typology that describes the base of these expectations: (a) an expectancy that the other party's word can be relied on; and (b) a belief in the motives of the other party. Sako (1992) categorized three basic types of trust: contract-based trust in written or oral agreements that are backed by a mutual, universalistic agreement on ethical codes; competence-based trust, the expectation of a trading partner's technical and managerial competence; and goodwill-based trust, or somewhat diffuse, abstract expectations of open commitment to each other. Therefore, as Sako (1992) argues, trust can relate to distinct trustee characteristics, among which, in IORs, a partner's goodwill and capabilities are of particular importance. Indeed, Ganesan (1994) argued that competence-based trust includes the contractual dimension. Various scholars (Das & Teng, 1998, 2001; Dekker, 2004; Ganesan, 1994) have connected competence-based trust to relatively objective perceptions about partners' technical capabilities, skills, know-how, credibility, and reliability, and goodwill-based trust to subjective expectations regarding the partner's moral responsibility, benevolence, and non-opportunistic behaviour in unforeseen situations.

It is therefore necessary to understand how trust can be enhanced. Sako (1992) argued that each dimension of trust will be differently created and maintained, though with some degree of interaction. Accordingly, the precursors of trust proposed in previous research can be classified according to their effect on each dimension:

– Competence-based trust precursors may be divided into technological, economic, and partnering competencies. According to Sako (1992), firms may generate competence-based trust through investments that allow them to transfer their knowledge and technology to their partners. Reliability can be induced through education (Sako, 1992). One competence-building mechanism is proactive information collection (Das & Teng, 2001). Other factors that build trust are satisfaction with the relationship, reaching acceptable levels of results (Kumar, Scheer, & Steenkamp, 1995; Selnes, 1998), the professionalism of the counterpart, the ability to perform, and (large) size of the partner firm (Doney & Cannon, 1997).
– Goodwill-based trust precursors include the establishment of mutual objectives and interests (Anderson & Weitz, 1989; Das & Teng, 2001); a common system of values and norms, together with ties of friendship in a context of reciprocal interchange (Sako, 1992); investment in resources dedicated to the partner (Sako & Helper, 1998); willingness to provide complementary services and undertake investment (Anderson & Weitz, 1989; Doney & Cannon, 1997); technical assistance (Sako, 1992); and IOR formalization and participation in decision-making (Dwyer & Oh, 1987). Bradach and Eccles (1989) stated that the creation of trust could be accelerated by regular contacts (see also Das & Teng, 2001; Langfield-Smith & Smith, 2003). Morgan and Hunt (1994) and Sako and Helper (1998) have stressed a two-way information flow, as one-way demands for information evoke suspicion of opportunism. The partner's reputation also relates to goodwill-based trust (Anderson & Weitz, 1989). Managerial style, openness, and the perception of being treated with fairness, reciproc-

ity, and equity nurture trust in the partner (Das & Teng, 1998; Kumar et al., 1995; Ring & Van de Ven, 1992).

## Management control systems' effects on inter-organizational trust

In an IOR, MCSs are used to create conditions that motivate the partners to achieve desirable or predetermined outcomes (Dekker, 2004). Translating Merchant and Van der Stede's (2003, p. 4) definition to an IOR setting, we adopt a broader vision of MCSs that comprises the various policies and procedures (Coletti et al., 2005) used to ensure that the partners' behaviour and decisions are consistent with the IOR objectives and strategies.

MCSs and trust are both sources of confidence that a partner will cooperate (Das & Teng, 1998). According to Das and Teng (1998), confidence in partner cooperation is defined as a firm's perceived level of certainty that its partner firms will pursue mutually compatible interests in the IOR. Firms tend to have greater confidence in the IOR when they perceive a suitable level of control over their partners (Sohn, 1994) and when there is trust between firms (Das & Teng, 2001; Ring & Van de Ven, 1992). Nevertheless, a review of the literature highlights the complexity of the relationship between the two constructs (Tomkins, 2001) and indicates a need for further research (Coletti et al., 2005; Dekker, 2004; Van der Meer-Kooistra & Vosselman, 2006).

As Knights et al. (2001) noted, there is a long tradition that conceptualises MCSs and trust as opposite alternatives. It is argued that the introduction of contracts and other types of MCSs may be perceived as lack of trust (Neu, 1991; Ring & Van de Ven, 1994). Das and Teng (1998) maintained that this argument assumes that confidence in an IOR is given and static, and is a zero-sum calculus: any increase in either MCSs or trust supposes a decrease in the other. But in practice, they defend, partners will demand the confidence level that they feel is needed, and this level will differ according to a number of factors including the partner firm's risk propensity,

perceived risk, the type of knowledge involved, and the amount of resources committed. For that reason, they argued (p. 495) that both MCSs and trust contribute "*jointly to the total level of confidence one has in partner cooperation*". Therefore the introduction of an MCS does not necessarily suppose a lowering of trust. Similarly, Woolthuis, Hillebrande, and Nooteboom (2005), focusing on contracts as a form of formal control, find trust and contracts to be both complements and alternatives in IORs.

Coletti et al. (2005) criticized previous studies that considered the cooperation level in collaborative settings as constant. They found that the presence of MCSs enhances the level of trust and that observed cooperation perfectly mediates this effect. Their experimental results showed that MCSs could directly increase cooperation and, in consequence, indirectly increase trust. Taken together, these results suggest an increasing marginal effect of MCSs on the evolution of cooperation. These results concur with arguments by other authors (Langfield-Smith & Smith, 2003; Poppo & Zenger, 2002) that MCSs reinforce trust because they promote expectations of cooperation and generate commitment in the IOR.

Arguing that the information generated by MCSs intervenes in the dynamic process of building trust, Tomkins (2001) distinguished four stages in the IOR life cycle—pre-relationship, exploratory, developing, and stable—and proposed that the negative effect arises only at later stages, when trust intensity becomes established at higher levels. In closer IORs the information needed to successfully carry out the activity associated with the relationship is less, and therefore the introduction of more MCS may harm trust.

Relating Tomkins (2001) proposals with Das and Teng's (1998) arguments, one might think that, when the IOR reaches a maximum point in the inverted U-shape function, the maximum confidence in partner cooperation will be reached and remain constant, and the introduction of an MCS will damage the pre-existing trust. This argument is probably true when the IOR's duration is limited to one specific project or venture. However, Halinen et al. (1999) argued that in IORs with an expectation of continuity and an open-ended

nature, the stability of mature stages could provide a platform for continuous evolution. The IOR will be enhanced by the trust increment, which will encourage the partners to accept bigger risks and to enlarge the IOR scope (Inkpen & Curral, 2004). Doz (1996), referring to joint ventures, argued that to continue being successful, an alliance will need to go through a series of spiral transitions. When the initial conditions support continued collaboration, the movements toward deeper cooperation involve willingness by the partner firms. Encouraged by the favourable results, the activities associated with mature IORs can increase or change in character; members can invest more resources; and their interdependence level can be affected. Ariño and de la Torre (1998) concluded that positive feedback loops are critical in the evolution of alliances, and that MCSs are critical from the start in fostering a climate for positive reinforcement and building trust and confidence in the IOR.

Dekker (2004)—in speaking of the level of trust at a certain point in time and the need for control that the IOR itself generates—pointed out that trust will be damaged only when formal control exceeds the level necessary to safeguard the transaction. This implies that until this threshold the use of formal controls can be complementary and conducive to trust. Keeping in mind his argument, we suggest that if the initial conditions evolve, a higher level of confidence may be needed, requiring more information for control of the IOR and more trust, in an additive association, even in mature IORs. This argument is summarized in our research question:

> *Does MCS introduction increase already established trust in a mature but evolving inter-organizational relationship?*

To answer this question, we considered that itemising the different MCS types and MCS functions could advance our knowledge because they might have different effects on trust.

On one hand, regarding the different MCS types, Inkpen and Curral (2004) argued that action and result controls formalize limits on the discretion of the parties and may thus discount trustworthy action. Similarly, Das and Teng

(2001) pointed out that strict rules and objectives may undermine people's autonomy and lead to questioning their intentions, creating an atmosphere of low trust. These control types hinder the creation of competence-based trust, as they prevent partners from designing their own behaviour and demonstrating their capacity to work in the best interest of the IOR. Conversely, shared objectives and norms allow partners to act freely and boost trust based on competence and goodwill.[3] These studies therefore agree that only formal controls impair trust. Clearly, we need to analyse separately the association between each MCS type and each trust dimension. One useful, and all-inclusive, way to classify MCSs is to focus on the object of control (Merchant & Van der Stede, 2003). Specific action controls try to ensure that certain desirable actions are carried out and undesirable actions are prevented, using physical and administrative constraints, action accountability, pre-action reviews, and redundancy. Result controls motivate the achievement of desirable results by defining, measuring, and rewarding them. Personnel-cultural controls mitigate control problems by improving capacities, selection and training programmes, communication, and commitment to objectives.

On the other hand, these three MCS types can develop different functions in the management of the IOR. For example, Woolthuis et al. (2005) found that, in a trusting atmosphere, contracts (as a form of formal control) can have a different function and meaning, concluding that contracts and trust can be both alternatives and comple-

ments, depending on the intentions with which contracts are drawn up and used. Intra- and inter-organizational studies on MCSs (e.g., Abernethy & Vagnoni, 2004; Dekker, 2004) have defined two main functions of MCSs:

- *Monitoring*. MCSs are used to measure and reward performance by supervising the accomplishment of objectives. MCSs are intended to reduce opportunism and divergence by providing warning signals and by aligning incentives.
- *Coordination*. The need for MCSs arises from the division of work-loads and specialization and from differing knowledge and capacities, which create uncertainty and interdependence. MCSs generate, update, and share the information needed to reduce uncertainty, to direct attention, and to assist planning—in general, to make decisions and solve problems. MCSs also communicate common objectives and assist learning.

Monitoring is often believed to be detrimental to trust because it implicitly assumes that opportunistic behaviours by partners are possible, and this assumption can create suspicion between them (Sitkin, 1995). Most scholars (Andaleeb, 1995; Inkpen & Curral, 2004; Neu, 1991; Ring & Van de Ven, 1994) who regard MCSs as an alternative to trust focus only on their monitoring function, confusing it with the whole.

MCSs can also be developed to coordinate tasks (Dekker, 2004; Gulati, Lawrence, & Puranam, 2005). The relationship between coordination and trust has not been analysed extensively. However, as the need for coordination is associated with complexity, strategic importance, or interdependence (Dekker, 2004), we may assume that the coordination function of MCSs lacks the negative connotations associated with the monitoring function. MCSs can be used to share information (Abernethy & Vagnoni, 2004), and communication is accepted in the literature as an important determinant of trust (Morgan & Hunt, 1994; Sako, 1992). Seal, Cullen, Dunlop, Berry, and Ahmed (1999) and Kajüter and Kulmala (2005) claim that when MCSs increase the

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[3] The conceptual domains of social control mechanisms, social control, and trust have significant overlap. Social control mechanisms are structural arrangements that foster socialization and interaction between partners. The outcome of these arrangements is social control (i.e., the ability to influence behaviours) based on mutual understanding and the development of shared values and norms. The shared values and norms generate trust (Sako, 1992), but trust involves a positive attitude about others; also, it is not about influencing others' behaviour, but about believing that others will perform on the relationship's behalf. Therefore, we concur with Das and Teng's (1998) statement that trust should not be viewed simply as a control mechanism.

transparency and fairness of agreements, trust is enhanced. Although Tomkins (2001) and Dekker (2004) have advocated distinguishing between the MCS functions, there is still little empirical research relating MCSs to trust that makes this distinction.

## Case study research and description

Some authors have argued that longitudinal qualitative research is needed to clarify the underlying core issues of IORs (Ariño & de la Torre, 1998; Dekker, 2004). Accordingly, we adopted a longitudinal case study approach (Yin, 1984), selecting as our research site the relationship between a manufacturer called CMD (a pseudonym) and its distribution channel, formed by a set of 176 small agents who carry out their assigned activities in similar ways, in given geographical territories. This may be described as a non-equity and open-ended inter-firm relationship in which a set of smaller downstream agents assumes part of the value chain functions from a bigger upstream manufacturer. As Stern, El-Ansary, and Coughlan (1996) note, it is possible to suppress or to replace agents, but their functions cannot be eliminated, and many of the system's activities cannot be explained simply by analysing each member. In fact, CMD has viewed the channel as one entity, developing a set of homogeneous MCS to manage it. So, we analyse trust as both the manufacturer's perceptions and expectations regarding its distribution channel, as a whole, and the distribution channel members' perceptions and expectations regarding the manufacturer.

We chose this case because (1) the distribution channel has longevity, success, and stability. The manufacturing firm has used this sales channel for more than 19 years, and as Table 1 shows, 97% of the channel members have been agents for more than 5 years. (2) During the period studied (1997–2004), the manufacturer gradually introduced—uniformly to all agents—various control tools that currently make up its MCSs. (3) Our access to both manufacturer and distribution channel members allowed us to gather evidence from both perspectives.

Table 1
Longevity of distribution channel

| Longevity of agents | | |
|---|---|---|
| Less than 5 years | 3.0% | 3.0% |
| Between 6 and 10 years | 12.9% | |
| Between 11 and 15 years | 27.7% | |
| Between 16 and 20 years | 21.8% | 97.0% |
| Between 21 and 30 years | 18.8% | |
| Between 31 and 40 years | 6.9% | |
| More than 40 years | 8.9% | |

*Source:* Extracted from Agents Database, 2004.

## Data collection

Extensive, detailed archival data allowed us to identify the chronology of MCSs introduction, as well as their objectives and content. The main archival sources included the different types of contracts, the agent evaluations, minutes of all the regular joint meetings, and projects and procedures documents (see Appendix Table A.1). Interviews enabled us to gather the perceptions and expectations of individual members, a key to evaluating trust, and served to triangulate our findings. Taking as a base the literature on MCSs and trust, we developed guidelines for semi-structured interviews to orient data collection in two areas: (1) the implementation of MCSs in the IOR and (2) the effects of MCSs on trust. We held 12 interviews with key CMD employees (see Appendix Table A.2), interviewing boundary personnel who were continually in contact with the channel, and other top managers who were the designers of MCSs and/or were involved in the channel management at a higher level. We also interviewed eight agents (see Appendix Table A.3), whom CMD categorized into three groups: group A, with sales exceeding 600 thousand euros per year; group B, with sales of 360–600 thousand euros per year; and group C, with sales of less than 360 thousand euros per year. Our interviewees were chosen randomly from these three groups (two agents from group A, and three each from groups B and C). Because we were focusing on a particular period of time, we did not interview former agents. All interviews were carried out between November 2002 and June 2003 and typically took 2–4 h. Interviews were tape recorded and transcribed,

with the complete write-up being sent to the interviewees for comment. We also visited some work centres and held informal discussions with both IOR parties, taking advantage of the fact that we were invited to four annual joint meetings (years 2001–2004).

*Research site and antecedents*

CMD was founded in the late 19th century and is currently the leader in its branch of the Spanish chemical industry. It is organized into 11 regional districts, and its main focus is commercial, although it also produces and packages commodities. This sector is characterised by a relatively stable market, in which five large companies share most of the world market and large entry barriers discourage other potential manufacturers. CMD's products are sold (a) directly to major clients and (b) to a large number of small and medium clients via its distribution channel, which currently generates more than 75% of sales and caters to 90% of clients. CMD's ROI from its distribution channel is 3.4 times higher than from direct sales.

The distribution channel is formed by microfirms (physical people or firms with 1–4 workers). The channel members receive the products on consignment for distribution and sale. There is no internal competition; each agent acts exclusively in a given geographical area and receives commissions on CMD's invoicing, regardless of who actually delivers the products to the client. The commission system and the market stability enable agents to obtain high and stable profits. In addition, serving as a CMD agent is compatible with selling other industrial supplies, and because of the synergy between businesses, large-scale investments are not necessary to join the CMD channel.

Although CMD had a distribution channel practically from its foundation, this channel was consolidated in the mid-80s. In 1985, CMD formalized a single contract type for the entire distribution channel. This contract defined the functions and responsibilities of distribution channel members, the exclusive geographical areas assigned to them, and the commissions, which

functioned as both remuneration and a control system.

At the same time, CMD established a commercial department. The role of commercial staff was essential to the proper working of the distribution channel. Besides conducting typical sales activities with large direct clients, the commercial staff also supplied assistance in all the channel functions and became the main liaisons in the IOR. They also carried out (and still do) direct supervision of channel members' actions, supporting the greater part of commercial activity: indicating channel needs, supplying technical and commercial support, and even selling on behalf of the channel members. From this moment onwards the IOR was structured as shown in Fig. 1.

From 1985 through 1996, CMD's trust in its distribution channel had been built up from experience and good results. "*The fact that CMD has had a distribution channel during so many years is based on trust*" (former CMD CEO). "*CMD trusts the channel from the beginning, because we gave them our client portfolio, a fixed revenue, before they do anything*" (Sales Manager). Before the period of study, the activities delegated to the distribution channel were simple: warehousing and delivery of products. The process of selecting
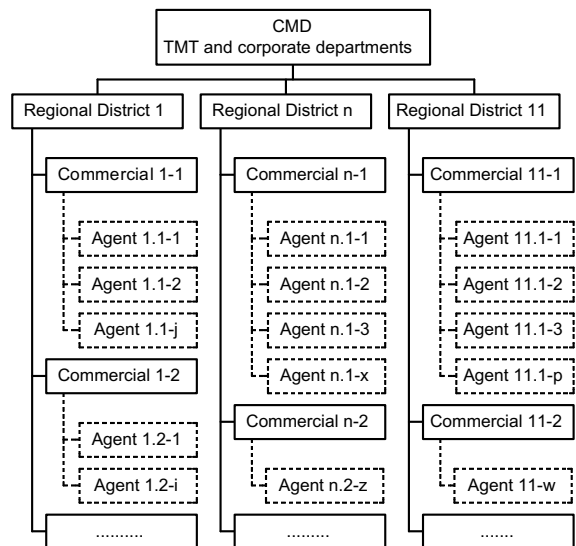


Fig. 1. Organization chart of CMD and its distribution channel relationship.

agents was based mainly on their reputation and on previous contacts. The commercial staff's visits favoured social relationships, which encouraged the creation of trust. However, CMD related separately with distribution channel members, and usually "*we tried to avoid agents' meetings*" (CAC – Client Attention Centre-Manager).

Since the 1985 formalization, CMD has looked to develop strategies and behaviours that favour a good climate and trust. The former CMD CEO referred to it in this way: "*Agents know that we do not look to abuse them, we look for the long-term relationship. Although they always complain about the commissions, as employees complain about salaries, the relationship tone indicates that the channel trusts us reasonably, and they know that in conflict situations that are not covered in the contracts, the treatment that they will be given will be fair*".

For example, in 1992, CMD's financial statements reported losses. The reasons were not clear, but the losses were put down to macroeconomic factors, excessive costs, and duplication of centres and activities, among other causes. CMD hired a consultant firm, which recommended that it abandon the channel model and use resellers as its competitors did. However, on the basis of trust developed over the years, CMD rejected the consultant's proposal. CMD considered that through its channel "*in spite of the distance, we had identified and assisted small clients*" (Sales Manager). "*Our channel is better than those of the competitors. CMD bet on it, even against some people who indicated just the opposite*" (District Director).

On their part, the agents trusted the reputation of a bigger firm "*that provides us an image, and reasonable benefits*" (Agent B-2). Their trust in CMD is manifested in longstanding relationships and low desertion. The widespread feeling of trust is shown in comments such as "*I have always felt a friend of CMD, more than in a buyer–seller relationship*" (Agent B-1). The channel members perceive CMD's commitment toward them, reflected in small sacrifices that are very important for them. "*They have always helped us. I remember that we had financial problems and they helped us*" (Agent A-2). "*They have always trusted us. For example, they never disapproved me in a client action*" (Agent C-3).
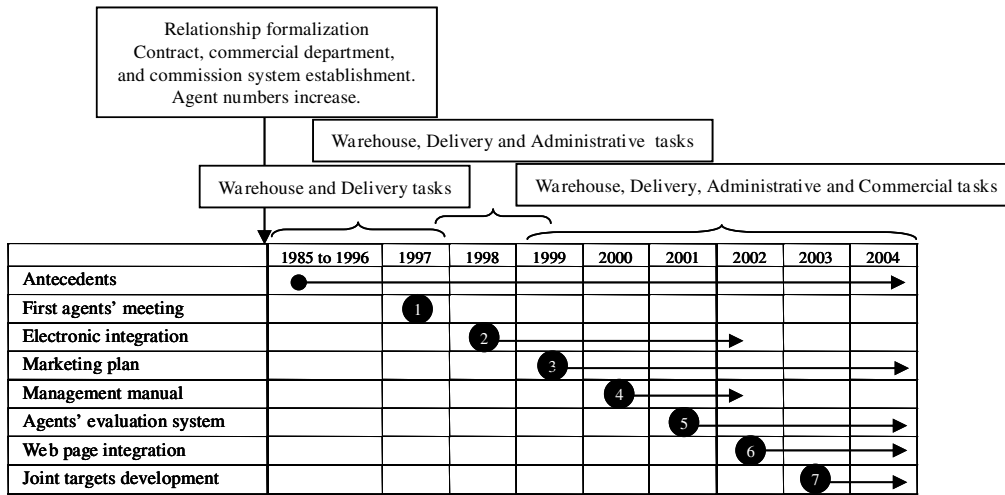
*Events in the evolution of the CMD – distribution channel relationship*

We have tracked seven events that show the chronological evolution of MCSs. Table 2 summarizes the time line and shows, for each event, the MCS tools' use over time and the IOR evolution.

– Event 1: 1997 Agents' first meeting. CMD called a videoconference for all of its employees with the aim of communicating the firm's new strategy, which changed focus from production to marketing, highlighting the need to "*deliver a difference*" to end clients. "*If we are able to sell better, at a better price, it is because we are different and we should be able to give that difference to clients... Since 1997, CMD has realized that it cannot remain static, that it owes users the added values of the channel and needs to give them more*" (District Director). All channel members were also invited to attend this conference, which was regarded by both parties as a turning point in the IOR. Interviewees saw this meeting as foreshadowing what the relationship would be in the future, in terms of motivation and greater distribution channel alignment with CMD. "*We saw that the channel belonged to the CMD value chain, and that it was necessary to find communication, and to work as a team*" (Commercial Director). "*CMD began to invest its effort in creating a commercial network based on the distribution channel, and that is our advantage*" (Sales Manager). "*From that moment onwards they valued us and were closer to us*" (Agent C-1).

– Event 2: 1998 Electronic integration. "*We needed systems that, by qualifying [Distribution channel members] to execute the assigned functions, would allow us to keep control over the market*" (District Director). In 1998, CMD supplied its entire channel with computers and shared its own software. Its goal was to homogenize tasks, improve activities control, eliminate duplicated functions (mainly administrative), and reduce its inventory level. "*It liberated us from an important administrative work-load; we won in speed and reliability of data, and decreased client complaints*" (CAC Manager). "*We invest time, and CMD saves it*" (Agent C-1). These systems allowed

Table 2
Events time line

| | 1985 to 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | |

Relationship formalization
Contract, commercial department, and commission system establishment. Agent numbers increase.

Warehouse, Delivery and Administrative tasks

Warehouse and Delivery tasks

Warehouse, Delivery, Administrative and Commercial tasks

| | 1985 to 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|---|---|---|---|---|---|---|---|---|---|
| Antecedents | ● | | | | | | | | → |
| First agents' meeting | | ①1 | | | | | | | → |
| Electronic integration | | | ②2 | | | | → | | |
| Marketing plan | | | | ③3 | | | | | → |
| Management manual | | | | | ④4 | | → | | |
| Agents' evaluation system | | | | | | ⑤5 | | | → |
| Web page integration | | | | | | | ⑥6 | | → |
| Joint targets development | | | | | | | | ⑦7 | → |

Legend
1. Change in the distribution channel policy. Turning point in the IOR. CMD reorganizes its activities from production to market focus.
2. Outsourcing of administrative tasks. Mechanization of activities, qualifying the distribution channel to control the end market.
3. Outsourcing of new commercial activities. More links, shared information, benchmarking and interface channel structures, developing an agent profile, an agents control scorecard, an agents database, periodical agents' meetings and channel satisfaction surveys.
4. Development of new procedures in order to homogenize and constrain the activities. Channel training plan. Gradual reduction in agent numbers.
5. Performance measurement system to appraise the channel activities, including 37 items. Ranking of agents to reward the best, and to identify those who required more assistance. Gradual reduction in agent numbers.
6. New platform to include all of the former tools, as well as some new services. Gradual reduction in agent numbers.
7. Commitment and Excellence awards. Objectives and improvement projects to reach target congruence. Gradual reduction in agent numbers.

Chronology of events (start at top).

CMD to externalise new functions (i.e., mechanising deliveries and invoices, creating and maintaining client files, setting price discounts, managing its own and clients' warehouses and logistics). "*It allows us to know the identity of clients assisted by the channel... with this information, we feel that this makes it harder for agents to abandon us and contract with our competitors*" (former Agents Manager). "*It allows us greater efficiency, even though the channel model is more costly*" (former CMD CEO). The agents willingly accepted CMD software as a means to automate their tasks. "*We have advanced a lot. They gave us a very good tool, to see consumptions or stock levels.*

*Now we control the market*" (Agent B-2).

– Event 3: 1999 Agents' marketing plan. This plan consisted of five phases: (a) a new agent profile definition; (b) an agents control scorecard; (c) the creation of an agents database; (d) the beginning of regular meetings; and (e) channel satisfaction surveys.

(a) The definition of the agent profile and the establishment of norms for agent selection allowed CMD to formalize these processes, and "*adapted the existent channel*" (Agents Manager). The agent profile evolved to com-

prise the following basic characteristics: A CMD agent must (1) be an industrial supply firm; (2) know its territory; (3) have a good reputation; and (4) conduct other related business, which should compose approximately 75% of its total (Agent selection norm). "*We have consolidated our channel. We defined what the channel type must be, describing how [agents] should work. This takes us to the following step, to evaluate the channel against this definition*" (former Agents Manager). This new profile refocused the channel towards commercial activities, which highlighted that CMD needed to begin to supply commercial information to the channel. "*The new profile defined a professional looking for new opportunities and not just maintaining our portfolio*" (District Director). The channel members saw this process as normal: "*CMD was looking for our synergies*" (Agent B-3).

(b) With the introduction of the agents control scorecard, CMD began to share information with the channel (information that some agents were already demanding). "*It gives them information to improve their management*" (District Director). "*It is a support tool where each agent's situation is analysed, and it provides a great quantity of information about the agent's sales, decreases in individual clients' orders, stocks, sales analysis regarding the previous year, itemized sales analysis...*" (Agents control scorecard report). "*Elaborating tools to help them, we told them that the clients should be managed, requesting that they take responsibility for doing so*" (Agents Manager). The feedback received from the channel is "*completely satisfactory. Our channel members have agile information that allows them to develop their work in a more coordinated, effective, quick and satisfactory way, using a common language*" (Agents control scorecard report). As expressed by the designers, the philosophy was "*give in order to receive*". "*If they were partners, they needed to receive professional-to-professional treatment*" (District Director). "*We began to transform the channel into a partnership,*

not only into operational executors*" (former CMD CEO). "*There were people who feared the sharing of information. However, it is very positive that the channel members see that we have not hidden anything, because we believe that they are trustworthy and we should not fear that they will leave for competitor firms*" (former Agents Manager). "*When we give them information, we give them the decision power, to define how their future will be and how they will negotiate the client portfolio that CMD has given them. Now they depend less on us to work*" (District Director).

Channel members discovered that this tool helped them to acquire new commercial abilities, "*to detect problems; it helps us in our management, allowing us to take quicker decisions and to establish plans. It is information that allows us to have our independence and not to depend on CMD*" (Agent B-3). "*It is very useful, to analyse, to compare, to negotiate*" (Agent A-1). On the other hand, the commercial department used the information to carry out its functions of monitoring and assisting the agents. "*Again, the commercial member helps us to understand this information. He is the teacher, motivating us to use this new information*" (Agent C-2).

(c) CMD developed a database containing the available information about the channel. This database, with access restricted to CMD, was used to compare agents and to analyse the evolution of channel results. "*In this database we register each agent's characteristics, with quantitative and qualitative data. It is a benchmarking database*" (Agents Manager).

(d) As a continuation of the first meeting, CMD began holding regular joint meetings between channel members and its own staff. "*Before, it was not considered proper. That changed; it is necessary to communicate so that everyone receives the same message because not all the commercial staff can or want to transmit things in the same way*" (Commercial Director). "*It created uncertainty, about whether the agents might use the meetings to mount group protests. In fact,*

there were some managers who thought this *way, but now they do not admit it*" (CAC Manager). These meetings were used to communicate results and budgets, commercial and price policies, marketing campaigns, and technical, legal, and logistic issues, as well as administrative matters. Furthermore, the meetings were used to train agents in new activities, and gradually incorporated personnel from other CMD departments (logistics, CAC, and commercial). "*We needed to create a team feeling. There should be total transparency between them and us*" (Agents Manager).

Both parties highlighted the meetings' benefits, as shown by the following comments: "*The channel is part of the family and loyal; the communication should be open*" (former Agents Manager). "*The culture of the firms is changing. We transmit feedback to them and they contribute with their suggestions and complaints, and they know each other*" (former CMD CEO). "*The objective is to make the channel identify with CMD, to unify concepts so that we all give the same image*" (Agent C-3). "*CMD looks for contact, because we conduct its activities. There are always topics to speak about, problems to solve*" (Agent A-2). "*It allows us to be informed of the results, of the future. And it is good to talk about experiences with other*

agents" (Agent B-3). "*In these meetings we approach the thoughts of each party, and more unity is achieved with the CMD staff and among the agents*" (Agent B-2). Through a questionnaire, CMD evaluates satisfaction with the meetings. Both parties consider that "*the global result is very satisfactory, demonstrated by the channel attendance (more than 90%), participation, and valuation*" (E-mail from the Agents Manager).

(e) In that same year, CMD began to carry out channel satisfaction surveys with two objectives: (1) to evaluate the global satisfaction level and (2) to identify those areas in the IOR that caused agent concern.

For the 139 questionnaires returned (response rate of 65%) (see Table 3), CMD highlights that most of the channel members (69%) were satisfied or very satisfied, and only 5% were not satisfied. In the free-comment section of the questionnaire, agents noted that their main concerns were training, stock levels and supplies, and more aggressive marketing. Additionally, CMD began to publish periodicals, such as "*Product News*" for the channel and "*CMD Magazine*" for staff, channel, and clients.

In a marketing plan summary, a former Agents Manager outlined the reasons for this initiative: "*It was a very important channel, and it was not fitting to have so little control*".

Table 3
Channel satisfaction survey results

| Items | | Average[a] | St.d. | % 1–2[b] | No. of agents |
|---|---|---|---|---|---|
| Commercial department support | | 3.99 | 0.95 | 5% | |
| Clarity of the commercial strategy | On new clients | 3.26 | 1.10 | 22% | |
| | On prices | 3.10 | 1.07 | 26% | |
| | On commissions | 2.86 | 1.18 | 38% | |
| CMD personal support | | 3.77 | 1.05 | 10% | |
| Warehouse information satisfaction | | 4.01 | 1.06 | 9% | |
| Computer systems satisfaction | | 3.65 | 1.09 | 14% | |
| …/… | | | | | |
| General degree of satisfaction with CMD | | 3.92 | 0.86 | 5% | |
| Would you want to receive information on…? No. of Yes | | Sales methods | | | 101 |
| | | Service quality | | | 94 |
| | | Client attention | | | 98 |

*Source:* Channel satisfaction survey, 1999, rate of response 65%, 139 questionaries returned.
[a] Likert scale from 1 (not satisfied) to 5 (very satisfied).
[b] Percentage of agents that answer 1 or 2, showing low satisfaction.

– Event 4: 2000 Agents' management manual. To complete the electronic integration, CMD sent an operations manual to all agents, outlining the steps to follow in storage, distribution, administration, and commercialisation. Additionally, CMD established "*a training plan in order to reach the high levels of knowledge that will enable them to provide the level of service that we want to offer to our clients*" (Channel Training Plan report).

– Event 5: 2001 Agents evaluation system. CMD set up an agents evaluation system (AES). "*Before we had sales data, but we could not foresee the appropriate management, the area potentiality. We had data but dispersed. Now we have them together and known by both parties*" (CAC Manager). "*It has provided us information to know objectively how our channel is doing*" (Sales Manager). Completing the former commission systems, the AES achieved two objectives: to reward those agents who obtained the best results, and to identify those who required more assistance. "*The AES allows foreseeing possible conflicts that sooner or later we will have to confront*" (Commercial Director). The AES included 37 performance measures: internal and external, and financial and non-financial items that evaluated all the channel activities (warehousing, delivery, administration, and commercialisation). Eleven items are obtained through surveys of client satisfaction with agent services. The results obtained from 2002 to 2004 show a notable improvement in clients' satisfaction. When the AES was first introduced, more than half its indicators referred to commercial and sales activities and the final market service appraisal; but CMD explained that these objectives and weights would change over time to guide performance priorities. "*It is a system to enhance the strong points and to solve the weak ones. We want to boost those improvements*" (Agents Manager). "*It is a professional view, easier to evaluate, where both parties know what items will be valued, and agree yearly on where to arrive on every item*" (District Director).

CMD perceives a high level of acceptance by the channel members. "*After the first evaluations all their comments have been very satisfactory*" (CMD CEO). "*The information is used for control*

by CMD and it also helps us to improve our work. It is normal for the firm that pays us every month to make certain demands*" (Agent B-3). "*CMD is appreciating the channel. Choosing this system, CMD has increased the trust placed in us*" (Agent B-1). "*CMD now demands more, they want us to visit and assist clients*" (Agent B-2). "*We can see our defects and try to correct them*" (Agent C-3). "*Now we know in what position we are inside CMD. We can compare ourself with other agents. It is a motivation tool*" (Agent A-2).

– Event 6: 2002 Agents' web page. Continuing with the electronic integration, CMD designed a web page that included all of the former tools, as well as some new services (optional low-cost responsibility insurance, a safety advisor, ISO-9000 consulting, and email) and the foundations of future services (a complaint resolution programme, processing of client debts, and ISO-14000 consulting). "*The change is: take information, and tell me what you find. CMD is not afraid to give open information; the channel has to act as CMD, as an autonomous centre. We have to create a community where all feel comfortable, proud of belonging to the channel. To be able to demand more from them you have to give them more*" (District Manager). "*To be able to use the web page and the new applications more efficiently, a specific training program has been elaborated . . . it is an open environment that will incorporate all those contents that are considered of interest to the channel. Please, send me any suggestions*" (Agents Manager letter to the channel). Channel members regarded this as another step forward in the IOR, appreciated the improved communications and assistance supplied by CMD, and considered that the IOR had become more fluent. "*I believe that CMD is valuing us properly*" (Agent B-2). "*Issues are now better managed, there is a better atmosphere, and everything is perfectly under control thanks to the new tools. It is better to solve a 'little problem' now than a 'major problem' later. I think that trust has grown*" (Agent A-2).

– Event 7: 2003 Joint targets and improvement projects. CMD changed its incentives system to an award system based on the AES. It established

the "*commitment award, for those agents who exceeded the average evaluation*" and the "*excellence award, for those who surpassed the level of commitment*". In 2003, 9% of agents obtained the excellence award and 12% the commitment award. The channel members appreciated this award system, albeit of small monetary value, as recognition of their work. The introduction of the AES and control scorecard also led to agreement on annual improvement plans. These projects focused mainly on operations, not on sales targets, allowing agents to eliminate weaknesses that the AES highlighted. Although it is made clear in the annual meetings that CMD seeks only two projects per year from each agent, as an incremental improvement, in 2003 the agents voluntarily established on average 5.3 new projects (see Table 4). The total of 934 improvement projects established by the channel was received by CMD as a signal of the agents' interest and alacrity. As Table 4 summarises, only 311 of these projects were achieved; however, CMD accepted that at the beginning of this process, agents were likely to bite off more than they could chew. The completed projects were distributed evenly across agents, for an average of 1.8 projects per agent, very nearly reaching in the first year the target of two projects per year from each agent; 57% of agents reached or exceeded the standard. These first results were valued positively by both sides. "*In the channel it is important to see the tendency; these tools allow us to set down objectives*" (former CMD CEO). "*Now, the channel gives you solutions, and if it is good for them, it is good for CMD. This is true for most of the agents; there are still some with the older profile*" (Agents Manager). "*A professionalization is expected, to introduce us into the CMD world*" (Agent B-1). "*Each agent knows what it has to do and where it has to act*" (Agent A-2).

As a direct consequence of MCS development, after 1999 there was a gradual fall in the number of agents (see Table 5), mainly in types A and C (see Table 6). MCS development highlighted new challenges and commitments for agents. Although circumstances varied across firms, interviewees argued that most of the discontinued type A agents had shown little interest in the new activities, or had not been pro-active about their CMD business. Regarding type C agents, interviewees argued that those who were discontinued lacked the sales capacities or resources to succeed in the new activities. Through MCS, e.g., with the AES measures or the agents database, CMD and the agents themselves acquired the information they needed to evaluate the situation of each agent firm, analyzing its performance over time and its strong and weak points. As a result, some agents voluntarily left the channel because they lacked interest or resources to engage in the new activities; in other cases CMD initiated agreements (normally friendly) to induce agents to leave the relationship.

Table 4
2003 annual improvement projects of agents

| Agents' categorization by sales volume | A | B | C | Total |
|---|---|---|---|---|
| 1. Number of agents | 46 | 54 | 76 | 176 |
| 2. Annual projects jointly established | 253 | 286 | 395 | 934 |
| 3. Projects established per agent (2/1) | 5.5 | 5.3 | 5.2 | 5.3 |
| 4. Annual projects achieved | 92 | 97 | 122 | 311 |
| 5. Projects achieved per agent (4/1) | 2 | 1.8 | 1.6 | 1.8 |

| | Number of projects achieved per agent | | |
|---|---|---|---|
| | 2 or more | 1 | 0 |
| *Annual improvement projects achieved* | | | |
| Number of agents | 100 | 51 | 25 |
| Percentage of agents | 57% | 29% | 14% |

*Source:* Results extracted from AES, 2003.

Table 5
Number of agents per year

| Year | No. of agents | Reduction | % | Total sales €MM | Increase €MM | % |
|------|---------------|-----------|-----|-----------------|--------------|-----|
| 1999 | 214 | | | 57 | | |
| 2001 | 192 | −22 | −10 | 75 | 18 | 32 |
| 2002 | 185 | −7 | −4 | 78 | 3 | 4 |
| 2003 | 176 | −9 | −5 | 84 | 6 | 8 |
| 2004 | 173 | −3 | −2 | 90 | 6 | 7 |
| Total 5 years | | −41 | −20 | | 33 | 58 |

*Source:* Extracted from agents database.

Table 6
Reduction in number of agents by type, 2001–2003

| Year | Type A | % Var | % Sales | Type B | % Var | % Sales | Type C | % Var | % Sales | No. of agents |
|------|--------|-------|---------|--------|-------|---------|--------|-------|---------|---------------|
| 2001 | 48 | | 59% | 32 | | 20% | 112 | | 21% | 192 |
| 2003 | 44 | −8% | 56% | 56 | 75% | 32% | 76 | −32% | 12% | 176 |

*Source:* Extracted from AES, 2001 and 2003.

According to the new agent profile, CMD was seeking agent firms with proper capabilities and interest, for which CMD activities would constitute 25% of their business, and which would maintain their proximity to end clients. These qualities suggested a better fit with B type agents. "*If we want a certain quality of performance, agents must have a minimum level of size and market*" (CMD CEO). "*Large agents are usually less committed and integrated*" (Logistic director). Surviving agents regarded this concentration positively, as they had increased in size, territory, number of clients, and profits.

In summary, the distribution channel evolved to a more complex IOR, with new administrative and commercial tasks accompanied by sales increases (see Table 5). The new commercial tasks, as well as improving client service, allowed the introduction of new items of billing and the maintenance of premium prices, which provided bigger benefits for both parties. With the introduction of these MCSs, CMD personnel felt that they had obtained sufficient control over the distribution channel.

Likewise, both parties highlight that the development of MCSs increased trust and the sense of partnership. Table 7 presents selected quotations that show various aspects of how the MCSs built trust. CMD managers perceive that MCSs were needed to open up the relationship, let them better understand agents' needs, and clarify their own expectations about agents' abilities. CMD managers recognize that MCS development allows them to see the distribution channel as their *best collaborator*, enclosing the channel in CMD's chain of value and improving performance, which in turn creates more trust. Equally, the interviews show how the channel members freely accept the CMD philosophy and perceive the MCS development as a CMD *bet on* them, feeling that CMD increasingly appreciates them; they feel that CMD makes sacrifices for them beyond what is called for in the contract. Agents highlight that MCSs improved relationship fluency and atmosphere, helping to solve problems and demonstrating CMD's capacity to establish guidelines. Furthermore, from our visits to agents' offices and annual joint meetings, we noted the high degree of integration with CMD in terms of notices, work clothes, and telephone conversations. Additionally, both parties valued highly the role of the commercial department in the IOR, and its importance in creating and maintaining trust.

## Analysis and discussion

Before our study period the distribution channel tasks were simple, so the MCSs used by the manufacturer were basic and commonplace in distribution channel management (Stern et al., 1996): the

Table 7
MCSs effects on trust: empirical evidence

| | MCSs effects on trust: illustrative quotations |
|---|---|
| CMD | • "We have our control systems, the same that we have for our personnel. The work is based on trust, and also on those MCSs necessary to conduct the activity... We want to include them in our chain of value, [for them] to participate in other business of CMD. Our challenge is to see how to involve them in this project. We have communication and information tools; we have tools to reach objectives... The channel is the best collaborator, and it is necessary to treat [members] as if they were employees... Trust has been increased and improved totally. The relationship is open, except for some scattered cases. The future strategy is very clear, to maintain this communication level" (CMD CEO) |
| | • "It is one of our features, to create a network to give service to the clients, as an integrated community. Trust depends on better information for both parties. It is unavoidable that we have to evaluate somehow the performance and results that they obtain. There are some basic norms for all. But obviously some agents are putting out a lot of effort, are getting better results, and others need more help" (former CMD CEO) |
| | • "Through the channel satisfaction surveys, we engaged in self-criticism to establish a trusting relationship. We actively listen to them, and keep their opinion in mind... The system is good, and we are moving in the direction of integrating the channel into CMD, and CMD into the channel... Trust plays an important role. But controls are established to ensure that trust exists" (District Director) |
| | • "Before, information was power. Now, you must give them the information that they need to be able to manage their business... The agents trust CMD. All these changes have varied the trust toward more trust. Now the channel has the same programs, the same databases, and the same access to clients' data, as we do... The channel is our face and eyes; thus we want a win/win relationship. With a total trust in the channel, we should think about what we have to do to make things good for both parties" (Commercial Director) |
| | • "In 1997, we realized that we needed collaborators, and by improving the systems, we began the philosophy of giving to receive, to modernize the relationship. The revolution of the channel began with the cultural change from agents to partners... The channel members have seen our intention to help them. And it has improved the trust in the IOR" (CAC Manager) |
| | • "We see that they are loyal and that they help us in our business... Many contact tools have been developed. The channel is more open and we have better flows of information that allow us to make better decisions... Our channel is different in treatment and identity" (Sales Manager) |
| | • "We have been working together for many years and want to remain loyal to them" (Agents Manager) |
| | • "The great success of CMD was to continue with the channel. And the success is that this channel is so much closer and that it carries out all the tasks, thanks to MCSs" (former Agents Manager) |
| | • "We protect the channel members to avoid losing markets. We have formed, advised and informed them. And tools allow us to speak in the same language" (Logistics Manager) |
| Distribution channel | • "I have other business with other multinationals with different philosophies... and I keep with the CMD philosophy... Now the mechanisms are better, but the control is the same. I think that they help me more and they control me. Control is not a problem for us. It is logical because CMD trusts us. CMD is our adviser" (Agent A-1) |
| | • "More friendship ties. Although CMD has to impose things, we accept them, because we are its collaborators. CMD has given us its client portfolio and a not excessively oppressive norm" (Agent A-2). |
| | • "CMD values us better. There is a better atmosphere... CMD has increased its trust in the channel in that it has chosen this network, this system. In my relationship with CMD I value trust, because a relationship without trust does not mean anything" (Agent B-1) |
| | • "CMD trusts the channel... and we trust CMD. Now the tasks are made better, not because before they were bad, but because it was more complicated to communicate and to solve problems... The new systems allow us to have a better relationship with CMD. These tools allow us to be more integrated" (Agent B-2) |
| | • "Trust has grown... Trust in the system and in CMD people... I believe that CMD has to mark the guidelines clearly. I feel more a friend of CMD. With CMD people, my trust is clear. With the organization, the problem is that CMD is very big, and it is very difficult to say. I have always been supported, and the daily contact makes you to be integrated" (Agent B-3) |

Table 7 (*continued*)

| MCSs effects on trust: illustrative quotations |
| --- |
| • "Trust has grown. I know agents who had been very critical of CMD. And I see that the level of criticism has decreased, because the relationship has improved" (Agent C-1) |
| • "With MCSs, CMD bets on us, protects us, and sacrifices for us; they outline things with transparency and human value... The systems and people have made all concepts very clear, and that gives us confidence" (Agent C-2) |
| • "CMD has marketing, R + D, administration departments, and a department for its relationship with the channel. CMD establishes plans on its own and the channel's behalf... CMD helps us and sacrifices for us. Unquestionably, CMD's employees belong to an organization. However, I think that they have trusted us exceedingly" (Agent C-3) |

contract, the commission system, and direct supervision. At the beginning of our period of study, with different degrees for each agent, CMD had developed a high trust in the channel as a whole, based on its good work in assigned tasks and on CMD's expectations of channel members' continued commitment (with some reservations about whether agents should have meetings). On their part, although with fine distinctions, the channel members shared positive expectations regarding CMD's market and business knowledge and its capacity to make small but significant sacrifices for them. It was in this setting that the manufacturer undertook to introduce MCSs in a homogeneous way to the entire channel. Analysing the common aspects in the relationships between CMD and its agents, in this section, we first discuss how each MCS type influenced the twofold dimensions of trust in this mature stage. Second, we analyse how each MCS function affected trust. Finally, we discuss the general association between MCSs development and already established trust in evolving inter-organizational relationships.

*Analysis of the association between each MCS type and each trust dimension*

Table 8 classifies MCS types (action, results, and personnel-cultural controls) and analyses, from the perspectives of both manufacturer and channel, how each MCS type enhanced the trustor's expectation of the trustee's competence and goodwill.

*MCS types and competence-based trust*

Personnel-cultural controls (e.g., channel satisfaction surveys, meetings, and training plans)

transferred capabilities and enhanced each party's knowledge about the other. The new action controls (e.g., electronic integration and norms) also improved the amount and quality of information available. The channel members received knowledge in order to carry out their tasks effectively and efficiently, and, in turn, CMD increased its expectations that the channel would perform its assigned tasks properly. Additionally, the available information gave the channel members a better understanding of CMD, its market knowledge, its manner of doing business, and its management prowess, which added to their perception of "professionalism" (Doney & Cannon, 1997; Kumar et al., 1995). Action and result controls formalized the IOR by narrowing the domain and severity of risk (Poppo & Zenger, 2002), increasing the predictability of results and behaviours. Results controls also enhanced members' mutual knowledge through the participation they generated, as Langfield-Smith and Smith (2003) have argued. Additionally, the satisfactory results obtained— evaluated by the control scorecard and agents evaluation system—led both parties to perceive that they had chosen a reliable partner who was capable of delivering the new goals established for the IOR (Kumar et al., 1995; Selnes, 1998).

As Sako (1992) claims, MCSs create a frame where information transfers knowledge, and in turn builds competence-based trust. All MCS types—not only informal controls—contribute to building this more objective dimension of trust. In this case formal MCSs provided a common language and evidence with a greater appearance of objectivity, evidence that was needed to reinforce expectations about trustee abilities and competences. The channel members, through MCSs,

Table 8
How all MCS types act as trust builder mechanisms

| Type of control | Events | Control mechanisms | Competence-based trust | | Goodwill-based trust | |
|---|---|---|---|---|---|---|
| | | | Channel towards manufacturer ← | → Manufacturer towards channel | Channel towards manufacturer ← | → Manufacturer towards channel |
| Actions control | 1998: Electronic integration | Mechanisation and homogenization of processes. Norms and procedures to limit actions. Action accountability. Pre-action review | It increases knowledge about the manufacturer's competences (Sako, 1992). Through it, the channel improves market control. The IOR is formalized (Dwyer & Oh, 1987; Poppo & Zenger, 2002) | It qualifies the channel, transferring knowledge and capacities (Sako, 1992). It improves channel and market control, gaining in speed and reliability of data. CMD sees the market through the channel' eyes. The IOR is formalized (Dwyer & Oh, 1987; Poppo & Zenger, 2002) | It builds the perception of integration in the IOR (Dwyer & Oh, 1987). Unilateral investment creates routines towards long-term integration. Assistance and technical support improve communication fluency with more departments. It acts as signal of commitment (Sako & Helper, 1998) | It increases communication between different departments and the channel, allowing better prediction of behaviours. Giving to receive allows reducing uncertainty. Qualifying the channel, CMD feels that is more difficult for agents to leave for competitor firms |
| | 1999: Agents' marketing plan | Agents' control scorecard. Feedback control | It increases knowledge about the manufacturer. It improves their management. It gives feedback information. Communication takes place in a common language (Das & Teng, 2001; Morgan & Hunt, 1994) | It qualifies the channel, transferring knowledge and capacities (Sako, 1992). It improves coordination and results | Shared information formalizes the IOR and enhances participation in target-setting. Assistance and technical support allow a professional treatment | It allows establishing and aligning objectives with each agent (Anderson & Weitz, 1989). Giving to receive makes behaviours more predictable |
| | 2000: Agents' management manual | Homogenisation of tasks. Norms and procedures to limit actions | It increases knowledge about the manufacturer. It improves their management. Communication takes place in a common language (Das & Teng, 2001; Morgan & Hunt, 1994) | It qualifies the channel, transferring knowledge and capacities (Sako, 1992). It improves coordination and results | Assistance and technical support act as signals of commitment (Sako & Helper, 1998) | Giving to receive makes behaviours more predictable |

Table 8 (continued)

| Type of control | Events | Control mechanisms | Competence-based trust | | Goodwill-based trust | |
|---|---|---|---|---|---|---|
| | | | Channel towards manufacturer ← | → Manufacturer towards channel | Channel towards manufacturer ← | → Manufacturer towards channel |
| | 2002: Agents' web page | Norms and procedures to limit actions. Action accountability. Pre-action review | It increases knowledge about the manufacturer. Through it, the channel improves market control. Communication takes place in a common language (Das & Teng, 2001; Morgan & Hunt, 1994) | It qualifies the channel, transferring knowledge and capacities (Sako, 1992). It allows CMD to externalise new activities, and to see the market through the channel's eyes | It builds the perception of integration in the IOR (Dwyer & Oh, 1987). Unilateral investment creates routines towards long-term integration. It offers assistance and technical support (Anderson & Weitz, 1989; Doney & Cannon, 1997) | It increases communication, allowing better prediction of behaviours. Giving to receive reduces uncertainty, and qualifies the channel |
| Results control | 1999: Agents' marketing plan | Agents control scorecard. Feedback control | It increases knowledge about the manufacturer. Through it, the channel improves market control. The results obtained are satisfactory (Kumar et al., 1995; Selnes, 1998) | It qualifies the channel, transferring knowledge and capacities (Sako, 1992). It improves market and channel control. The results obtained are satisfactory. It increases knowledge about the channel's ability to perform | Assistance and technical support allow increases in social contacts, opening a forum for debate (Langfield-Smith & Smith, 2003). It creates equitable and fair treatment (Kumar et al., 1995; Ring & Van de Ven, 1992) | Improving communication, the manufacturer sees the channel members as collaborators. The forum for debate establishes and aligns objectives with each agent, reducing the perception of uncertainty. It allows externalising new activities |
| | | Agents database. Feedback control | | It increases knowledge about the channel, improving market and channel control. The results obtained are satisfactory | | > |
| | 2001: Agent evaluation system | Evaluation system. Feedback control | It increases knowledge about the manufacturer. The results obtained are satisfactory | It qualifies the channel, transferring knowledge and capacities (Sako, 1992). The results obtained are satisfactory. It increases knowledge about the channel's ability to perform, improving market and channel control | Assistance and technical support allow increases in social contacts (Bradach & Eccles, 1989). It creates a perception of equitable and fair treatment, reducing the perception of uncertainty. It creates a common system of values and norms (Sako, 1992). The channel evaluates the manufacturer's ability to appreciate complementarity | It improves communication (Das & Teng, 2001); increasing social contacts (Bradach & Eccles, 1989). Creating a common system of values and norms (Sako, 1992), the manufacturer appreciates that the channel accepts the interdependencies |

| | | | | | |
|---|---|---|---|---|---|
| | 2003: Joint targets and improvement projects | Common objectives. Feedback control | They increase knowledge about the manufacturer. Through them, the channel improves market control. The results obtained are satisfactory | They qualify the channel, transferring knowledge and capacities (Sako, 1992). The results obtained are satisfactory. They increase knowledge about the channel's ability to perform, improving market and channel control | They create a forum for debate that shows interest and sensitivity towards the channel, facilitating the development of mutual interests. They stimulate participation in decision-making, allowing a higher congruence between goals (Anderson & Weitz, 1989). They create a common system of values and norms (Sako, 1992) | Improving two-way communication, they create common interests, increasing social contacts (Bradach & Eccles, 1989). The forum for debate allows better prediction of behaviours. The channel is willing to provide complementary services and investments (Doney & Cannon, 1997) |
| Personnel-cultural control | 1997: Agents' first meeting and marketing plan 1999 | Agents' meetings | They increase knowledge about the manufacturer. They allow the formalization of the IOR and allow an increase in regular contacts (Bradach & Eccles, 1989; Dwyer & Oh, 1987; Sako, 1992) | They qualify the channel, transferring knowledge and capacities (Sako, 1992) | This unilateral investment improves communication with different departments, increasing social contacts. Creating a common system of values and norms, and encouraging participation in decision taking, it reduces uncertainty | Socialization proceeds through the development of social contacts and the active participation of the channel. It creates a common system of values and norms |
| | | Agent profile | | Selection is based on knowledge and abilities (Sako, 1992). The new profile allows the manufacturer to define its expectations about the channel | Channel members perceive the manufacturer's trust in them, and it increases their trust in the manufacturer | Selection is based on reputation (Anderson & Weitz, 1989) |
| | | Satisfaction survey | It allows the formalization of the IOR | Results are good. The manufacturer receives the channel's opinion and concerns | Through this unilateral investment, the channel members perceive the manufacturer's concern for their satisfaction | Increasing information shows good results. The manufacturer receives the channel's opinion and concerns |
| | | Training plans | They increase knowledge about the manufacturer | They qualify the channel, transferring knowledge and capacities (Sako, 1992) | They improve communication, enhance social contacts, and create a common system of values and norms | Socialization proceeds through communication, social contacts, and a common system of values and norms |

could assess CMD competences, increasing their trust in the expertise of the leader firm. For CMD, MCS supplied a track record and an objective evaluation process for the new tasks, which is better for generating trust than a subjective evaluation process (Das & Teng, 1998; Dekker, 2004). This objective information allowed CMD to remove incompetent agents and to concentrate on medium-sized agents that it considered better prepared to fulfill their responsibilities (type B in CMD's classification, see Tables 5 and 6). More directly, MCSs improved CMD's trust by training the survivor channel members. Through the agent profile definition, CMD standardized its processes of agent recruitment and contracting, and therefore guaranteed the required competence in those agents who accepted the new tools and profile changes, and remained in the IOR.

Contravening the opinion expressed by Das and Teng (2001) and Inkpen and Curral (2004) action and result controls, as well as personnel-cultural controls, had favourable effects on competence-based trust. This finding may be due to the good results obtained by both parties, and to the difference in size and business knowledge between CMD and the agents. Channel members recognized CMD's superior judgment and accepted some loss of autonomy as the price of increased abilities to attend to clients and to make better-informed decisions inside the established limits. Furthermore, through the client satisfaction surveys and continual contacts, the channel members still found it possible to demonstrate their levels of service and ability, and at the same time to communicate their needs and areas for improvement.

*MCS types and goodwill-based trust*

As Table 8 shows, using personnel-cultural controls, the manufacturer was able to transmit its values and transfer its image to the channel, and it increased its confidence that channel members would act in the best interests of CMD because they felt integrated into the company. Additionally, because both parties worked with the same systems and information (action and result controls), both parties improved their integration and their perception of each other as trustworthy business partners. In the process of discussing

and establishing joint objectives, CMD showed its sensitivity towards the channel by creating a forum for debate. This action strengthened the channel members' perception that CMD was acting in their best interest, increasing their trust (see Langfield-Smith & Smith, 2003). At the same time, the result controls gave CMD objective evidence about how much each agent wished to progress in the IOR. Furthermore, formal controls reduced channel members' uncertainties about the criteria on which they were evaluated. MCSs allow broader evaluation criteria, which are perceived as more objective, equitable, and fair.

Several authors (Anderson & Weitz, 1989; Doney & Cannon, 1997; Sako & Helper, 1998) have stated that investment in resources dedicated to the partner makes mutual commitment credible and so reinforces trust. The unilateral introduction of computers, software, the evaluation system, rewards, and training constituted a high degree of specific investment in the channel, which encouraged agents to consider themselves as key players and to trust CMD's intentions. Agents considered the sharing of MCS information to be risky behaviour for CMD, and therefore a signal of trustworthiness (cf. Das & Teng, 1998).

In addition, the reduction in the number of agents could be seen as a goodwill-based trust builder. The reduction of bigger agents (type A in CMD's classification, see Tables 5 and 6), who had greater negotiating power, increased CMD's trust in the surviving agents, whom it perceived to be more integrated and committed to CMD and to have less power of negotiation. In return, medium-sized agents regarded CMD as a major manufacturer *"who looks after"* them. The surviving agents were satisfied with the higher level of business delegated and commented that their trust in the manufacturer was increased when they were reselected.

Again, we found that both formal (action and result) and informal (personnel-cultural) controls had favourable effects on this more diffuse trust dimension. According to Das and Teng (2001) and Inkpen and Curral (2004), formal controls establish rules and procedures to limit the potential autonomy of the trustee. However, by accepting information, tools, and more complex tasks, CMD's agents increased their independence in their

geographical areas, their control over their markets, and their involvement in the decision-making process. Barney and Hansen (1994) argue that MCSs, *if accepted*, generate trust. In our case, the absence of resistance, the willingness to accept the gradual implementation of MCSs, and even the channel members' active participation in work groups, where they offered ideas and knowledge, contributed to CMD's favourable perception of their intentions and dispelled any doubts that may have been harboured: "*they are trustworthy and we should not fear that they will leave for competitor firms*".

*Analysis of the association between each MCS function and trust*

Abernethy and Vagnoni (2004) assigned the coordination function to subunits that manage day-to-day activities, and the monitoring function to superiors who use information to control the subunits' behaviour. CMD developed and used MCSs to coordinate and monitor the channel's behaviour, whereas agents used MCSs to coordinate tasks with CMD. That is, both parties used MCSs to coordinate new and more interdependent tasks, a process that encouraged commitment (Anderson & Weitz, 1992) and created an atmosphere of assistance and respect. MCS development creates a frame where information flows to facilitate problem solving, resolve disputes promptly, improve IOR fluency, and manage interdependencies. CMD, "*giving in order to receive*" through new MCSs, improved task coordination, better supported distribution channel management, and, at the same time, kept control of the end market, improving joint results and satisfaction. Our results confirm that MCSs generate trust when they are used to coordinate activities by improving the provision of relevant information (cf. Morgan & Hunt, 1994; Sako, 1992).

Likewise, faced with greater dependency, CMD needed to supervise the channel's activities in its end market in order to confine the scope of the IOR. As Tomkins (2001, p. 171) claimed, one can never dispense completely with the need for some information on the other party's actions unless trust is absolute, blind and unthinking. Hence, CMD used its MCSs to evaluate its channel members' behaviours in their new functions

and to see the end market through their eyes. As the agents' evaluations were satisfactory, the supervision reinforced CMD's trust in the surviving channel members.

Although CMD used every MCS tool both to coordinate and to supervise, because all the tools except the agent database were shared, the channel perceived much more coordination than supervision, and MCS development was considered necessary, thus avoiding possible suspicions (Sitkin, 1995). Importantly, the interviews clearly revealed that commercial employees *sold* the new MCSs to the channel. Some authors have argued that trust between individuals is critical for IOR cooperation, and is key to developing goodwill-based trust between firms (Das & Teng, 2001; Ring & Van de Ven, 1994). The pre-established trust that the channel had in the commercial employees—in some cases, it is even possible to speak of friendship—contributed to a positive attitude towards new MCSs and to their acceptance as systems of assistance rather than of supervision. When monitoring was perceived, surviving agents saw it as a form of protection against unfair reward sharing and as a means of gaining recognition for their work (Ring & Van de Ven, 1992), and for that reason the MCS-trust relationship maintained an additive association.

*Analysis of the association between MCSs development and already established trust in evolving inter-organizational relationships*

Our case study reveals that, in a mature and close IOR, the introduction of new MCSs does not necessarily reduce trust. To explain this from an evolutionary perspective, we explore how these two critical factors favour cooperation and the IOR evolution processes so that they are self-reinforcing in a series of positive loops. We found that, although the relationship between the manufacturer and its distribution channel was longstanding, its objectives, activities, dependencies, and assumed risks evolved over the period of study. These evolutions caused the level of confidence required by the parties to be dynamic and have no zero-sum constraints (Das & Teng, 1998), and this might have been the reason why the MCSs increased trust.

The initial conditions of an IOR are shaped by an assessment of the likelihood that the partner will behave in a trustworthy manner (Inkpen & Curral, 2004), which is in turn based on judgments about the partner's goodwill and/or competence. However, as Ariño and de la Torre (1998) argued, the conditions dictating the form of the IOR will evolve over time, and such developments may also prompt adaptation in the IOR's governance structure. In our case, the pre-existing trust encouraged CMD to externalise tasks in order to create a leaner structure in the context of its losses in 1992, against the advice of the consultant. When, mainly after 1997, CMD intentionally externalised administrative tasks, these tasks altered the required channel capacities. The greater outsourcing also increased CMD's dependence on its channel and the perceived risk of opportunistic behaviours (Van der Meer-Kooistra & Vosselman, 2000). Furthermore, this increased interdependence led the agents to demand more information to allow them to better manage their activities. The level of confidence required in the IOR affected both parties, and they saw the introduction of new MCSs as necessary to facilitate the coordination and monitoring of the IOR's desired evolution.

The MCSs encouraged cooperation in the new conditions and made it visible to both parties. In a series of positive loops, MCSs built trust directly and reinforced it indirectly, in the terms described by Coletti et al. (2005). With the growth of trust, there is an increasing willingness to accept risk and to augment the IOR's scope (Inkpen & Curral, 2004). Thus, increased trust made CMD more willing to expand its externalisation, and encouraged the channel members to accept the new activities. The new and more complex tasks again shifted the required channel capacities and the risks perceived by CMD. The reduction in the number of agents during the study period increased the proximity of the IOR, and thus channel involvement and dependency, in turn requiring new MCSs for coordination and monitoring. Therefore, by facilitating cooperation, the introduction of MCSs increased trust, directly and indirectly.

Our empirical findings concur with the theoretical statements of Inkpen and Curral (2004) that, paradoxically, in an established IOR, increments in trust may lead to a greater need for control. Inkpen and Curral argue that greater control would be carried out through cultural mechanisms. However, the CMD case provides evidence that all three types of MCSs (not only personnel-cultural ones) can develop and maintain the trust that the new IOR conditions demand. According to Dekker's (2004) proposal, in every time moment, trust will be damaged only when the use of formal control exceeds the need for control that the IOR itself generates. Our results seem to verify that the existing trust did not cause the introduction of new MCSs to be interpreted as a lack of trust, but positively influenced the perceptions of both parties.

Fig. 2 modifies Tomkins's figure to show that the association between aggregate MCSs and trust increases over time. As Tomkins (2001) argues, at an early stage of an IOR, the need for either MCSs or trust is lower. However, when the IOR matures and trust reaches higher levels, the success of IOR exchanges encourages the partners to engage in riskier operations and stronger cooperation. In the CMD case, this encouraged constant developments in the IOR itself. These developments, as pinch points (Fig. 2), needed greater confidence in cooperation and, in turn, demanded more MCSs and greater levels of trust to support and maintain cooperation, and so on. Our case study shows that a manufacturer can use MCSs not only to enable the conditions that favour trust to be built, but as a tool to build trust. When the IOR character evolves, the initial conditions also develop, affecting the information needed for control of the IOR and trust, and this explains why the association between MCSs and trust continues to be positive, building trust.

## Conclusions

This case study provides evidence that, even when trust is well established, MCSs enable conditions that favour trust, and directly build trust. In mature, open-ended IORs, high trust and stability provide a platform where the initial conditions evolve. Success encourages the partners to cooperate further, requiring greater confidence and, in turn, demanding more MCSs and greater levels of trust to support cooperation. In this setting,

Information needed for "control" of the relationship



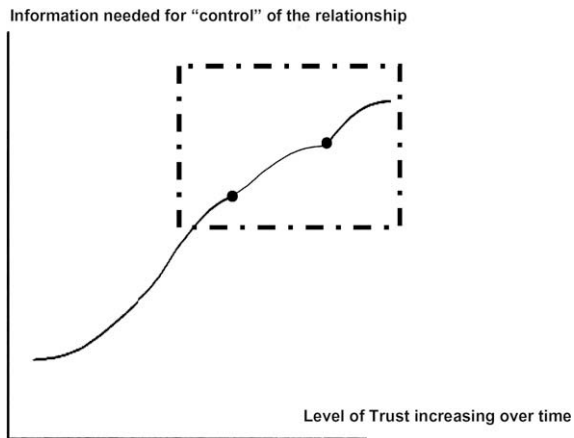Level of Trust increasing over time

Fig. 2. Proposed relationship between MCSs and level of trust increasing over time.

where the level of confidence is dynamic, the leader firm can develop MCSs to reach the new intended stage without damaging the existing trust.

From both sides of the IOR, the findings illustrate that it is not only informal controls that act as trust builders, as claimed by Das and Teng (2001). Action and result controls do not necessarily cause inflexibility, but can improve agents' independence and increase their chances to demonstrate their competences inside the established limits. Action and result controls provide evidence with a greater appearance of objectivity. Furthermore, because both parties work with the same systems (action and result controls), formal MCSs improve their perception of each other's trustworthiness.

We found that both parties used MCSs to coordinate the new complex tasks, which encouraged commitment and created trust. MCSs create a frame to advance the ability to solve problems, and to manage interdependencies. The leader firm, "*giving in order to receive*", at the same time kept control of the end market, improving the joint results and satisfaction. Although the manufacturer used the same MCS tools to coordinate and to supervise, owing to their shared nature, the channel perceived much more coordination than monitoring, and this avoided possible suspicions that could damage trust. Furthermore, the manufacturer's use of non-coercive tactics helped the channel members

to see monitoring as a mechanism for overall improvement, as protection against unfair reward sharing, and as recognition of their work.

The results and the constraints of our study suggest avenues for further research. First, our case study highlights that agents' trust in the commercial employees contributed to their ready acceptance of new MCSs and influenced their perception of these as systems of assistance; it would be interesting to analyse the role of MCSs in facilitating the transmission between interpersonal and inter-organizational trust by developing routines and cultural processes. Second, this paper focuses on how MCSs can create positive expectations about the trustee's characteristics. Future research could use other different constructs of trust, such as system trust (Luhmann, 1979) or institutional based trust, and could observe how MCSs can generate institutional trust and give the trustor confidence in the trustee, over the evolution of the IOR. Finally, the case study results show that MCSs have acted as trust builders even when trust was well-established. The conditions of the case have allowed us to study this association centring on common aspects of the relationships between the manufacturing firm and its 176 distribution channel members. An extension of this work would carry out another research strategy to consider every dyadic relationships in order to analyse different rates of growth in trust provoked by the MCSs development, as well as moderating variables that can explain such differences.

## Appendix

See Tables A.1–A.3.

Table A.1
Documents analysed during the research period

| Documents analysed |
| --- |
| • Agent selection norm |
| • Agents control scorecard. Improvement project report |
| • Agents control scorecard report |
| • Channel Training Plan report |
| • Journals "Product News" for agents, and "CMD Magazine" for staff, agents and clients |
| • Agents control scorecard (fiscal years 1999–2004) |
| • Software "Agents control scorecard" |
| • Software "Gescom", commercial information for commercial department |
| • Channel satisfaction survey results (1999 and 2001) |
| • Report on Agents' Marketing Plan |
| • Report on the presentation of Agents Evaluation System |
| • Agents database |
| • Slides of videoconference from presentation of Agents Evaluation System |
| • Agents Evaluation System results. Years 2002 and 2003 |
| • Slides from Agents' meetings, years 2001, 2002 and 2003 |
| • CMD's Annual Reports from 1989 to 2002 |
| • Every type of contract from the period studied |
| • CMD's earning reports (fiscal years 1997–2002) |
| • Information extracted from CMD's web page |
| • CMD's staff emails and letters |

Table A.2
CMD interviews

| Number | Position | Description | Time |
| --- | --- | --- | --- |
| 1 | District Manager | Head of zone, with 28 agents. Former commercial employee, with 21 years at CMD | 4 h |
| 2 | CAC Manager | Commercial department. Manager of Client Attention Centre, with 55 agents and 29 years at CMD | 3 h |
| 3 | CMD CEO | Director. CMD general manager. Former controller, commercial employee, district manager, and commercial director, with 14 years at CMD | 2 h |
| 4 | Former CMD CEO | Director. Former CMD general manager, in the period 1994–2001, with 16 years at CMD | 3 h |
| 5 | CAC Director | Commercial department. Head of Client Attention Centre and the superior of agents manager. Former commercial employee, with 23 years at CMD | 3 h |
| 6 | Commercial Director | Commercial department. Head of commercial department. Former commercial employee, with 22 years at CMD | 2 h |
| 7 | Former Agents Manager and former Marketing Director | Commercial department. Former manager and designer of agents' marketing plan. Former controller, with eight years at CMD | 3 h |
| 8 | Sales Manager | Commercial department. Former commercial employee, with 16 agents. 21 years at CMD | 3 h |
| 9 | Agents Manager | Commercial department. Former commercial employee, with eight years at CMD | 3 h |
| 10 | Logistics Director | Head of logistics department, with 19 years at CMD | 2 h |
| 11 | Former Agents Manager 2 | Former head of agents management. Former commercial, with 22 years at CMD | 2 h |
| 12 | Former CMD CEO 2 | Former CMD CEO in the period 1986 to 1993, with 39 years at CMD | 3 h |

Table A.3
List of agents interviewed

| Number | Type of agent | Description | Time |
|---|---|---|---|
| 1 | Agent A-1 | Length of relationship 14 years. Principal activity: CMD agent. Share of business with CMD: 50% | 4 h |
| 2 | Agent A-2 | Length of relationship 10 years. Principal activity: Industrial supplies. Share of business with CMD: 40% | 3 h |
| 3 | Agent B-1 | Length of relationship 14 years. Principal activity: CMD agent. Share of business with CMD: 92% | 3 h |
| 4 | Agent B-2 | Length of relationship 10 years. Principal activity: Industrial supplies. Share of business with CMD: 10% | 4 h |
| 5 | Agent B-3 | Length of relationship 13 years. Principal activity: CMD agent. Share of business with CMD: 80% | 3 h |
| 6 | Agent C-1 | Length of relationship 14 years. Principal activity: CMD agent. Share of business with CMD: 40% | 4 h |
| 7 | Agent C-2 | Length of relationship 40 years. Principal activity: Motor repairs. Share of business with CMD: 15% | 3 h |
| 8 | Agent C-3 | Length of relationship 12 years. Principal activity: Industrial supplies. Share of business with CMD: 30% | 3 h |

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