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LUT School of Business and Management

Tietojohtaminen ja johtajuus

Master's thesis

2018

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Impact of digitalization on inter-organizational trust

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ABSTRACT

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Title: Impact of digitalization on inter-organizational trust
Faculty: School of Business and Management
Master's Programme: Tietojohtaminen ja johtajuus
Year: 2018
Master's Thesis: Lappeenranta University of Technology
108 pages, 13 figures, 3 tables and 2 appendices
Examiners: Professor Kirsimarja Blomqvist
Post-doctoral researcher Mika Vanhala
Keywords: trust, inter-organizational trust, trust asymmetry, digitalization

Digitalization changes both organizations and their operating environments in all industries. Digital disruptions provoke digital transformation whose impacts of change reach beyond inter-organizational relationships. To an increasing extent the right kind of partnerships will play a central role in the success of organizations. To succeed in the digitalized world organizations require right partnerships, and constant change increases environmental uncertainty. Therefore, the importance of inter-organizational trust will be emphasized in the context of digitalization.

The purpose in this study is to evaluate the impact of digitalization on inter-organizational trust in the context of relationship asymmetry. Research focuses on how digitalization affects expectations of partner-organizations in an asymmetric relationship, in which mutual trust may be asymmetric in the first place.

According to the results, digitalization changes the expectations of trustworthiness, especially expectations associated with information quality and sharing it. With digitalization, especially requirements for data quality, its origin and traceability are increasing. If the growing requirements are not equally distributed between the two parties in a balanced way, and the other party is unable to meet the expectations of the other, trust asymmetry may deepen.

The image of trustworthiness is increasingly influenced by perceived digital capabilities. On the other hand, digitalization also creates opportunities to deepen partnerships and increase transparency, thus enabling new forms of partnerships where they have not previously been possible.

TIIVISTELMÄ

Tekijä:	Milja Kiviranta
Tutkielman nimi:	Digitalisaation vaikutus organisaatioiden väliseen luottamukseen
Tiedekunta:	School of Business and Management
Maisteriohjelma:	Tietojohtaminen ja johtajuus
Vuosi:	2018
Pro gradu-tutkielma:	Lappeenrannan teknillinen yliopisto 108 sivua, 13 kuvaa, 3 taulukkoa and 2 liitettä
Tarkastajat:	Professori Kirsimarja Blomqvist Tutkijatohtori Mika Vanhala
Avainsanat:	Luottamus, organisaatioiden välinen luottamus, epäsymmetrinen luottamus, digitalisaatio

Digitalisaatio muuttaa organisaatioita ja niiden toimintaympäristöjä kaikilla toimialoilla. Digitaaliset disruptiot aiheuttavat muutoksen syklejä, ja näiden muutosten vaikutukset ulottuvat myös organisaatioiden välisiin suhteisiin. Digitalisoituvassa maailmassa oikeanlaiset kumppanuudet ovat yhä tärkeämpiä organisaatioiden menestyksen kannalta, ja jatkuva muutos lisää epävarmuutta. Siten organisaatioiden välinen luottamus on yhä keskeisempi menestystekijä digitalisaation kontekstissa.

Tutkimuksen tarkoituksena on ymmärtää, miten digitalisaatio vaikuttaa organisaatioiden välisiin luottamussuhteisiin. Organisaatioilla voi olla toisiaan kohtaan hyvinkin erilaisia odotuksia ja keskinäinen suhde voi olla epäsymmetrinen. Tutkimuksessa keskitytään siihen, kuinka digitalisaatio vaikuttaa kumppaniorganisaatioiden luottamusodotuksiin epäsymmetrisessä suhteessa.

Tulosten mukaan digitalisaatio muuttaa tiedon laatuun ja sen jakamiseen liittyviä odotuksia. Digitalisaation myötä datan laatuun, sen alkuperään ja jäljitettävyyteen liittyvät vaatimukset kasvavat. Mikäli kasvavat vaatimukset eivät jakaudu osapuolen välille tasapainoisesti ja toinen osapuoli ei pysty vastaamaan toisen odotuksiin, saattaa luottamuksen epäsymmetria syventyä.

Digitaaliset kyvykkyydet vaikuttavat yhä enemmän mielikuvaan luotettavuudesta. Toisaalta taas digitalisaatio voi luoda myös mahdollisuuksia syventää kumppanuussuhteita ja lisätä läpinäkyvyyttä, ja siten myös mahdollistaa uudenlaisia kumppanuusmuotoja sinne, missä ne eivät aikaisemmin olleet mahdollisia.

ACKNOWLEDGEMENTS

From the very beginning of this project I wanted to challenge myself – in that sense I really achieved my goal. Sometimes finding a shortcut rewards you, sometimes the journey is worth doing long.

Firstly, I would like to thank my first examiner Professor Kirsimarja Blomqvist for guidance and encouragement throughout this research process. Next, I would like to thank tax experts both in Tax Administration and companies for their contribution to this study. Sharing your experiences has been extremely valuable for this research. Special thanks to Viltsu for her truly valuable help. Thanks for Henkka, my family and friends for your support and patience during this project and my studies.

Even though this project has come to an end, new journeys are already to begin.

Milja Kiviranta

Lappeenranta 21.2.2018

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1. INTRODUCTION

1.1 Background of the study

Digitalization is one of the most prominent global trends of our time, as it transforms value chains and industries and changes individuals, communities and society (Collin, 2015, 29; Hagberg, Sundström & Egels-Zandén, 2016; Leviäkangas, 2016; Parviainen et al. 2017). Widespread adoption of digital technologies cause disruptions, from which almost no organization, business or industry is safe (Fitzgerald, Kruschwitz, Bonnet & Welch, 2013; Karimi & Walter, 2015; Kane, Palmer, Phillips, Kiron & Buckley, 2016). Existing rules of competition, orders, beliefs and values are challenged due to digital disruptions (Downes & Nunes, 2013; Ho & Lee, 2014). Digitalization changes the game not only in technological aspects, but also in terms of cultural, social and economic aspects.

To survive and succeed in the era of digitalization, organizations need not only to be aware of these new conditions, but also overcome organizational inertia and embrace the change (How & Lee, 2014). To prepare for the future, organizations need to develop their dynamic capabilities (i.a. Karimi & Walter, 2015; Kane et al. 2016). It is said that value creation shifts from individual firms to larger ecosystems (e.g. Berman & Marshall, 2014). These networks are comprised of firms which complement each other in resources to create the value –therefore the role of inter-organizational trust becomes even more fundamental in terms of value creation. To create value in a network, there's a demand for resource heterogeneity among the network members. In this sense, question of relationship asymmetries may become more essential as well.

In the future, the abilities to attract, assemble, manage and retain partnerships will be increasingly essential, and the most successful organizations partner with the right organizations and people – this, in turn, requires trust and mutuality (Berman & Marshall, 2014). Trust is particularly crucial in settings where there are risks differing from routine experiences (i.a. Chrysochoidis, Strada & Krystallis, 2009). Therefore, the role of trust is emphasized in the context of digitalization, where continuous change provokes uncertainty and inhibits routine experience.

1.2 Research gap of the study

One of the challenges in this study is to build a coherent synthesis of digitalization literature. Despite the well-established position of the word digitalization in everyday speech, it is tricky to find pertinent publications on the topic. Findings of existing literature highlight how to lead digital transformation or take advantage of digitally enabled opportunities, or avoid falling into the pitfall in the middle of digital turbulence. No attention has been paid to how digital transformation changes inter-organizational relations, although it's justified that the role of inter-organizational trust will be emphasized in the digital future.

Digital transformation literature is scattered and focuses mainly on technology or other narrow aspects of digitalization (Parviainen, Tihinen, Kääriäinen & Teppola, 2017) and there is a lack of studies focusing on the *more all-encompassing* impacts of digitalization (Hagberg et al. 2016). Evangelista and his colleagues (2014) suggest that overcoming the traditional technology-based perspective of ICT is required when assessing digitalization's socio-economic impact. According to Nylen (2015), digitalization is a process of transforming sociotechnical structures, therefore it has drastic influence on society. In this respect, digitalization not only changes ways of communicating, value creating and carrying out business – it also has an impact on social structures and relationships. Digitalization clearly has a far-reaching effect on both individual actors and society. Thus, there is a need for broader understanding of the phenomenon (Evangelista et al. 2014; Hagberg et al. 2016).

Needless to say, the generous amount of consultancy literature and other non-scientific publications are not enough to build the basis for studying impacts of digitalization, as those sources mentioned above are usually based on opinions and speculations (Parviainen et al. 2017). Investigating the effects of the phenomenon requires better established conceptualization - therefore there is a need to create a scientific discussion on the definition of the phenomenon.

In addition, concepts of trust and digitalization have only been studied together narrowly,

for instance in research themes of e-commerce and e-government and e-governance. To begin with, e-commerce is only a part of digitalization and its impact extends far beyond e-commerce (Hagberg et al. 2016). Secondly, in these research contexts trust is examined mainly from one perspective – for example Kim, Ferrin and Rao (2007) examined how a customer's trust in online vendors affects his purchase intentions. Nonetheless, trust is reciprocal by nature (Butler, 1983; McAllister, 1995; Schoorman, Mayer & Davis, 2007; Oomsels & Bouckaert, 2014; Vanneste, 2016), yet conceptualizations of trust tend to be one-sided (Koorsgaard, Brower & Lester, 2014) and trust is examined only from one party's perspective (Fulmer & Gelfand, 2012). Therefore, as uni-lateral approach on trust is dominant (De Jong, Kroon & Schilke, 2017), there is a need for studying trust in digital settings from a two-way perspective.

What comes to the subject matter, another shortage on the field is the implicit assumption of trust being symmetric (Zaheer & Harris, 2006; Graebner, 2009). On that account, studies focused on trust asymmetry and its consequences are scarce (Thomas & Skinner, 2010; Koorsgaard et al. 2014). Nonetheless, previous findings in trust research also suggest that trust levels between dyadic members do not necessarily converge into mutual trust (Koorsgaard et al. 2014).

As a relationship fostering phenomenon (Svensson, 2006), trust reduces transactions costs of both parties. It also reduces uncertainty in the settings of digital change. However, previous studies on trust and digitalization do not explain how digital transformation changes the inter-organizational trust in the asymmetric relationship of public administration and its customers. This study strives for more comprehensive understanding on the impact of digitalization on trust in an asymmetric relationship.

1.3 Research objectives and delimitations

The main objective of the study is to understand how digitalization impacts on inter-organizational trust in a partner relationship of public authorities and their customer organizations. Inter-organizational trust is examined particularly from the perspective of relationship asymmetry. The study contributes to the theoretical discussion in the field of trust research by complementing understanding of inter-organizational trust in the context

of relationship asymmetry. The study is to construct an extensive view of inter-organizational trust in an asymmetric relationship under the influence of digitalization. In addition, this study joins discussion on establishing conceptualization of the notion of digitalization.

A pragmatic purpose of the study is to produce practical suggestions for managers and other practitioners in both public and commercial organizations. The study aims to clarify and explain practical implications of digitalization to trust relationships, and to indicate how these implications can be utilized in building partnerships and relationship management. More precisely, the study aims to present suggestions of how trust has to be taken into account when designing and implementing partnership strategies and how to build trusting partnerships within the context of digital transformation.

This study examines inter-organizational trust in an asymmetric relationship context. Even though the empirical data is gathered from two asymmetric dyads which consist of public organization and its customer organization, the focus of the research is *inter-organizational trust in asymmetric relationships*, not the particular features of relationships between a public organization and its customer organization.

Another limitation of this study is its focus on only the positive outcomes of trust. In business sciences, trust is usually seen as a constructive, nurturing and strengthening factor in business relationships though its negative consequences - for example naïve trust and excessive risk-taking - have been noticed. In this study, trust is seen as an efficiency-enhancing building material for inter-organizational co-operation.

1.4 Research question

This study aims to answer the following research question

How does digitalization impact on trust between a public organization and a customer organization?

The main research question can be more precisely analysed through following sub-questions

1. *What kind of trust expectations do parties have and how do these expectations differ from each other?*
2. *How does digitality affect trust?*
3. *How can trust be intentionally built in the context of digitalization?*

1.5 Research method

Research is conducted with qualitative methods, because understanding the phenomenon and discovering possible cause-effect-relationships requires a descriptive and interpretative research approach. As the study aims to clarify and explain complex phenomenon with little support from previous research, the qualitative method is a reasonable choice. Achieving exhaustive understanding of the subject of interest first with qualitative methods opens opportunities and builds foundation to explore the phenomenon with quantitative methods in the future.

The theoretical framework is constructed on literature review. The purpose of the theoretical framework is to guide the next phases of the study: it serves as the basis for focus group interviews and as a frame when analysing the data. The purpose of the literature review is also to demonstrate that the understanding of the phenomenon is incomplete to some extent – that there is something we don't understand well enough (Shank, 2006, 118). Therefore, theoretical framework is a necessary tool both for understanding the phenomenon in the first place, and for planning the empirical implementation to collect a sufficient amount of data and to produce coherent analysis.

The empirical part of the study examines how the trust relationship between Finnish Tax Administration and its customer organization is affected by digitalization. The data is collected by four focus group interviews to reach an inter-organizational level already in

data collection. As the study aims to understand the inter-organizational trust in dyadic relationships, the data is collected by interviewing both representatives of Tax Administration and representatives of two client organizations to gather the double-sided perspective. Further, the research data is transcribed into a written form and analysed in order to answer the research questions.

1.6 Structure of the study

The research manuscript is divided into seven sections. After an introductory section, a literature review is presented to outline the theoretical background of trust research. The theoretical part of the study is covered in sections 2, 3 and 4 and it aims to form an extensive understanding of the subject of interest by explaining related concepts and relations between them. The second section discusses different perspectives on the phenomenon of digitalization and briefly discusses related concepts around the subject of interest. The third section covers trust research in organizational relations.

The research method and research process are described accurately in the fourth chapter to enhance the reader's ability to assess the reliability of the study. The fifth section discusses the empirical findings. In the sixth chapter the study discusses findings in the light of a literature review and answers research questions. Furthermore, the last section also concludes with evaluation of reliability and validity, research limitations and possible further research questions. In addition, managerial implications for practitioners are presented.

1.7 Theoretical framework

Theoretical framework is built by drawing on recent information systems literature, traditional management literature and research on organizational behaviour. Studies selected in the area of IS literature mainly concerns on wide phenomena such as digital transformation, digitalization, and digital ecosystems. In addition, administrative literature

has been utilized as appropriate. Key findings in each research tradition and the most relevant concepts for the topic are integrated as a coherent framework shown in figure 1.

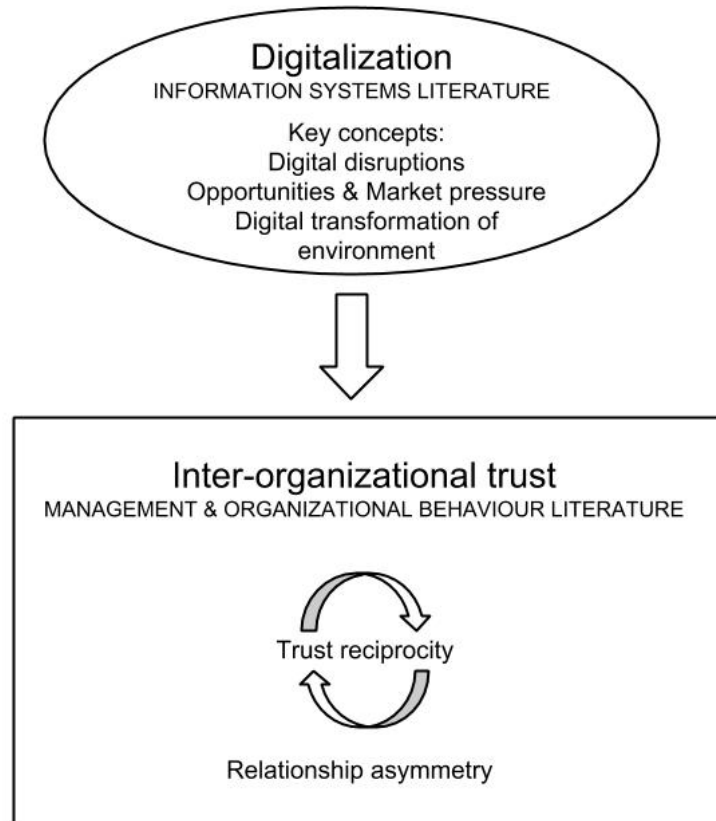


Figure 1. Literature framework

Literature review integrates the literature on digitalization, digital transformation and digital disruptions into the literature on inter-organizational trust in order to understand the impact of digitalization on inter-organizational trust and to gain new insights into trust asymmetry.

1.8 Key concepts

Digitalization and digital transformation: Cyclical change in the organization and its operation environment, driven by digital disruptions. *A cycle where organizations are forced to adapt to external changes, and on the other hand proactively exploit external*

opportunities, which in turn creates new disruptions. External opportunities mean a possibility to exploit knowledge in a more efficient way by utilizing data to create a more valuable form by digital means.

Trust: *Willingness to be vulnerable on the other party's actions which is based on positive expectations of the trustee (Mayer et al. 1995)*

Inter-organizational trust: *Collectively-held trust orientation toward a partner organization, comprising expectations of the partner organization's reliability, predictability and fairness (Zaheer et al. 1998)*

Trustworthiness: *Perceived benevolence, ability and integrity of the trustee (Mayer et al. 1995)*

Trust asymmetry: *Lack of balance or proportionality when parties in a relationship hold different levels of trust, or their trust expectations are different or addressed to a different target (Graebner, 2009; Koorsgaard et al. 2014; Thomas & Skinner, 2010)*

2. DIGITALIZATION

Digitalization is the most significant trend transforming individuals, communities and society (Hagberg et al. 2016; Leviäkangas, 2016; Parviainen et al. 2017). The term *digitalization* is used extensively in media, publications by consulting firms and in everyday speech. It seems to be a hot topic in non-scientific publications such as white papers, reports and blog writings (Parviainen et al. 2017).

Despite the concept's well-established position in everyday speech, an accurate and science-based definition is lacking. Terms such as Mobile Apps, Big Data and Internet of Things are used to refer to the phenomenon (Collin 2015, 29). The meaning of the concept seems to be understood through practical examples and the concept of digitalization is used to describe a several different phenomena, therefore the usage of the word in question is somewhat problematic. It seems as if in different contexts the term digitalization has different meanings. Nevertheless, in some digitalization-titled publications the concept in question is not defined at all, but still it is implicitly assumed that the reader is familiar with the meaning.

2.1 Digitalization and similar phenomena in the literature

The term digitalization is not yet well-established in existing literature, as it is used to refer to different phenomena. Scholars tend to use such terms like *digital innovation*, *digital transformation*, *digital revolution* and *digital ecodynamics* to describe and observe phenomena similar to what is considered to be digitalization. Still, the term digitalization is well-established among leaders.

According to Leviäkangas (2016), concepts such as Big Data, cloud computing, ubiquitous technologies, digital economy *describe* different aspects of digitalization. To provide a more accurate notion than a description, in the following section different views on digitalization are discussed. On the basis of literature, the definition of digitalization is derived to build conceptual foundation for the purposes of this research.

Collin (2015, 29) refers to digitalization as a global megatrend changing value chains across industries and public sectors. He uses the term interchangeably with the term *digital transformation*. Parviainen and her colleagues (2017, 64-65) quote Stolterman and Fors (2004): digitalization, or digital transformation, is seen as “*the changes associated with the application of digital technology in all aspects of human society*” which causes “*a broad spectrum of changes in all human society areas*”. In this sense, rather than just converting existing processes into digital versions, digitalization can be seen as rethinking current operations from new perspectives. To exemplify the difference between digitalization and digitization, Parviainen and her colleagues point out how The Finnish Tax Administration digitalized, not only digitized the process of citizen taxation. The Finnish Tax Administration renewed the whole process instead of just turning the paper into digital form.

On the basis of previous IS literature, Parviainen and her colleagues (2017, 64) define digital transformation as “*changes in ways of working, roles, and business offering caused by adoption of digital technologies in an organization, or in the operation environment of the organization*”. Changes related to digital transformation can be viewed at process, organizational, business domain and society level. To further understanding, levels are visualized in figure 2 and complemented with practical examples.

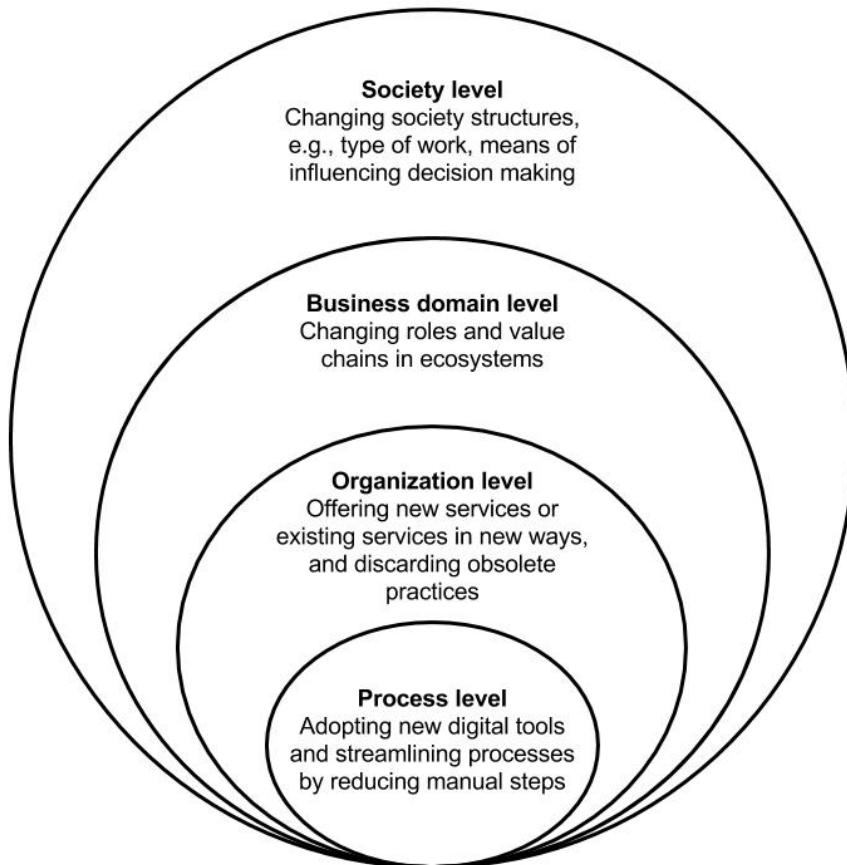


Figure 2. Digital transformation: changes on different levels (Parviainen et al. 2017)

Hendfridsson and Bygstad (2013) examined a similar phenomenon, even though their attention was drawn into structural elements of digitalization. *Digital infrastructure evolution* is referred to as "a gradual process by which a digitally enabled infrastructure [which consists both of technological and human components] changes into a more complex form" (Hendfridsson & Bygstad, 2013, 908). Nambisan and his colleagues' broad definition for *digital innovation* covers similar phenomena as well, as it's extended to refer to both creation of outcomes (products), digital tools, infrastructure and the actual possibility to diffuse them into a specific use context, as well as the consequent change in market offerings, processes and models resulted from the use of digital technology (Nambisan, Lysine, Majchrzak & Song, 2017).

Sawy, Malhotra, Park & Pavlou's (2010) paper aims to understand the complex interdependencies among environmental turbulence, dynamic capabilities and ubiquitous digital technologies. According to them, these three elements are closely fused and

intertwined, forming a messy, complex and chaotic phenomenon. *Digital ecodynamics* is defined as "the holistic confluence among environmental turbulence, dynamic capabilities, and IT systems —and their fused dynamic interactions unfolding as an ecosystem". (Sawy et al. 2010, 837)

The common factor in the concepts and their definitions presented above is that the meaning goes far beyond technological aspects. Digital technologies can be seen as artefacts of digitalization, but the phenomenon as a whole incorporates a human side, organizational capabilities and their relation to the external environment, and a constant change. Previously ICT has been viewed only as a traditional production factor, but an enlarged perspective has emerged in the last decade: the relationship of ICT and economy is viewed not only in a technological context but also in an economic, social and cultural context (Evangelista, Guerreri & Meliciani, 2014). In this sense, considering digitalization purely as a technical phenomenon would be misleading. According to Hagberg and his colleagues (2016), as digitalization is an open and dynamic concept that has not been fully defined, it should be approached with sensitivity and openness to what it might encompass. This in mind, the notion of digitalization is conceived as *a cyclical change in the organization and its operation environment driven by digital disruptions*.

2.2 Digital disruption as an origin of change

It is said that digital technologies give rise to digitalization by disrupting existing assumptions and rules. For example, Bharadwaj, Sawy, Pavlou and Venkatraman (2013) view digital technologies as combinations of information, computing, communication and connectivity technologies. According to them, business strategies, business processes, firm capabilities, products and services, and key interfirm relationships in extended business networks are fundamentally transformed by digital technologies (Bharadwaj et al. 2013). The impact of digital technology on digitalization can be explained and understood more precisely through the concept of digital disruptions.

Karimi and Walter (2015) studied dynamic capabilities in order to understand further the idea of digital ecodynamics. They use disruptive innovation theory to understand why

companies in certain industries succeed or fail to respond to disruptive innovations. It's commonly accepted that almost no organization, business or industry is safe from disruptions caused by a widespread adoption of digital technologies (e.g. Fitzgerald et al. 2013; Karimi & Walter, 2015; Kane et al. 2016).

More open and flexible affordances enabled by digital technology are creating disruptive innovations (Chew, 2015, 16), such as disruptive new approaches and business models or industry's established rules, orders, beliefs, and values can be disrupted by technological changes (Ho & Lee, 2014). These disruptive innovations – or big-bang disrupters – change rules of competition in markets and industries. Often these disruptions are neither planned nor intentional, nor do they follow conventional paths or normal patterns of market adoption – therefore they may wipe off the whole market in one night. (Downes & Nunes, 2013).

Wikham & Knights (2016) explain disruptive technologies by their *alternative other features*: although disruptive technologies are often initially underperforming compared to incumbent technologies, over time customers learn to appreciate alternative features –in which case dominant technologies will be displaced.

Technological innovations are often complex by nature, thus disruptiveness may be difficult to characterize and recognize. Organizations need to be adequately aware of the new conditions, able to overcome organizational inertia and embrace the change to succeed. (Ho & Lee, 2014) Even market incumbents are challenged, as a single actor's innovative business model may turn out to be the impulse for a greater market change. Ilmarinen and Koskela (2015) give a self-explanatory example of major market change caused by single disruption: companies offering a streaming service for music have radically changed the rules in the music industry and record market – simply selling the old product (music) in a new way (in digital format) with a completely new business model compared to the conventional method (Ilmarinen & Koskela, 2015, 26). As Berman and Marshall (2014) point out, these disruptions may rise from both inside and outside their own industry.

2.3 Cycle of digitalization

On the basis of the literature review, digitalization can be understood as a continuous cycle of digital disruptions, innovating (i.e. actively sticking to new opportunities or settling into existing conditions) and new digital innovations. Digital disruptions create new opportunities for organizations to reach, or alternatively cause pressure to adapt to existing market conditions. Opportunities may appear as a chance to create value in a new way through a new product, business model or value chain. Correspondingly, digital disruptions appear as a disturbance to existing markets and businesses, so that market incumbents, such as traditional intermediaries, need to rethink their value creation. And again, this *adapting* or *innovating* may result in a digital disruption, which triggers the cycle of digitalization.

The phenomenon is visualized in figure 3. Digital disruptions are seen as an origin of change causing organizations pressure to adapt or innovate, which continues to launch digital transformation on organizational level and on industry level, too. Digital transformation manifests itself as digital artefacts or innovations, such as a new product, business model, a new kind of value chain or business ecosystem.

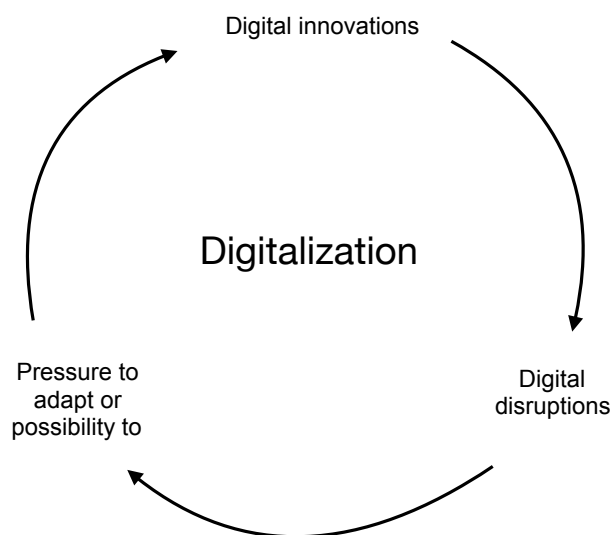


Figure 3. Cyclical change of digitalization

More explicitly expressed, in this study digitalization is defined as *a cyclical change in the organization and its operation environment, driven by digital disruptions. A cycle where organizations are forced to adapt to external changes, and on the other hand proactively exploit external opportunities, which in turn creates new disruptions. External opportunities mean possibility to exploit knowledge in a more efficient way by utilizing data to a more valuable form by digital means.*

2.4 Impact of digitalization

Impacts of digitalization are often discussed from the perspective of efficiency or productivity improvements. For example, Evangelista and his colleagues (2014) conclude in their study, that digitalization may drive productivity and employment growth, and Leviäkangas (2016) suggests that digitalization has been a source of growth and profitability. However, in a broader perspective impacts of digital change on organizational and industry level are more diverse. The potential benefits include not only improvements in productivity, but also innovations in value creation and novel forms of interaction with customers among other manifold implications (Downes & Nunes, 2013).

Parviainen et al. (2017) view impacts of digitalization on organization from three different perspectives: internal efficiency, external opportunities and disruptive change. By better exploitation of data via digital means organizations may eliminate manual steps and gain better accuracy and achieve greater internal efficiency, quality and consistency in business processes. Rapid digitalization brings new opportunities to create value from information (Berman & Marshall, 2014; Bharadwaj et al. 2013; Leviäkangas, 2016). The demand for analysed, contextual data for predictive purposes will become insatiable (Berman & Marshall, 2014). Consistently, Collin (2015, 31) suggests that data will be the oil of future business, as data and capabilities to manage it will play a significant role in future business. Data processing and more intelligent information exploitation appears to be strongly related to the impacts of digitalization.

To name a few, Berman and Marshall (2014) give examples of technological disruptions

and their effects. *Explosion of social media* has enabled digitally mediated collaboration and information sharing, which in turn provokes social value creation. In the same way, *cloud enablement* (cloud platforms) stimulates new models for interaction between individuals and organizations. Data from internal and external sources can be processed further to produce more predictive information and enable deeper business intelligence by *advanced analytics*. Increasing the use of mobile devices, i.e. *mobile revolution*, enables new capabilities to produce consumer experiences. (Berman & Marshall, 2014) In e-commerce and retail, it changes consumer practices and even behaviours in fixed-store settings (Hagberg et al. 2016). Parviainen and her colleagues (2017) suggest that direct access to consumers by mobile devices may renew by removing old intermediaries and creating new ones in the supply chain.

Although the potential benefits of digitalization are abundant, it cannot be assumed that the effects of digitalization are limited just to positive opportunities. As digitalization impacts through *disruptive changes*, it causes changes in the operating environment, resulting in complete changes in the existing business roles, when a company's current business may become more or less obsolete (Parviainen et al. 2017). Human labour, business logics and procedures of businesses and administration are challenged by digitalization (Leviäkangas, 2016), and organizations are stressed to re-imagine their markets, strategy and the very idea of value (Berman & Marshall, 2014).

On a larger scale, digitalization has an impact on whole industries, as it may change roles in value chains, remove traditional steps and create new ones (Parviainen et al. 2017). It particularly changes power in relationships (Hagberg et al. 2016). As organizations will specialize themselves more in specific functions, value chains become more transparent and easier to decompose: even value chain disruptions induce a different kind of competition, as there's no need to replace big chunks of value chains (Berman & Marshall, 2014). New sources of value creation and disruptions of traditional sources of economic profit have even caused dramatic power shifts in market channels (Bharadwaj et al. 2013).

According to Chew (2015, 16) one feature of digital disruption is *convergence*, as previously separate user experiences and even industries are brought together: for example so called "smart" products are created by combining digital technology with physical artefacts. Berman and Marshall (2014) also noted the convergence of separate industries. According to them, *cannibalization across industries*, i.e. competition from a

specific value chain function between specialized companies from other industries, will trigger industry convergence.

Berman and Marshall (2014) anticipate that in the future organizations will operate in completely new ecosystems, where value is created and allocated in a complex web of interdependent actors. They suggest that future interactivity will create symbiotic systems where everyone and everything is mutually interdependent, and therefore trust and mutuality are required. Collin (2015) assumes as well that business is becoming more dynamic and networked: customer value is provided by numerous stakeholders. Bharadwaj and her colleagues (2013) use the term *digital dependency* to describe relations in a digitally intensive world where business ecosystems are intertwined in such a way firms cannot build their digital business strategies independently of the business ecosystem, alliances, partnerships, and competitors.

According to Collin (2015, 41), organizations are forced to adapt to continual change and renewal in an interconnected, complex and dynamic environment. Indeed, Berman and Marshall (2014) have a few suggestions of what kind of abilities are required from organizations in the future. In the first place, organizations need not only to be able to capture, analyse and model data to produce insights, but also share this information with its partners. Openness will replace secrecy to an increasing extent in the context of intellectual property rights. Secondly, the ability to manage organizational partnerships will be a differentiator for success. (Berman & Marshall, 2014)

In this sense, significance of inter-organizational trust and partnership skills will be emphasized with digitalization. Moreover, blurring organizational boundaries and changing roles and relationships by digitalization (Hagberg et al. 2016) cause uncertainty, which in turn increases the need for trust. Trust is particularly crucial in settings where there are risks of differing from routine experiences (i.e. Chrysochoidis et al. 2009). Therefore, the role of trust is emphasized in the context of digitalization where continuous change provokes uncertainty and inhibits routine experience.

On the other hand, it is argued that digitalization as such may add preconditions of trust. For example, Berman and Marshall (2014) suggest that transparency (enabled by digitalization) drives trust and effectiveness. Parviainen and her colleagues (2017) reach the same conclusion, as they claim that at the level of society, digitalization allows

governments to operate with greater transparency and efficiency. As an example in the context of public administration, it is said that digital services, or more precisely e-government, may increase trust both enhancing the interaction between citizen and government (Mossberger & Tolbert, 2006; Im, Cho, Porumbescu & Park, 2014), and narrowing the information gap between the two (Welch et al. 2005)

3. TRUST IN INTER-ORGANIZATIONAL RELATIONS

Even when not deriving from calculative motivations, inter-organizational trust is a powerful mechanism as it can lead to a variety of desirable outcomes and have a significant influence on the very nature and structure of the organizational relationship (Zaheer & Harris, 2006). It may enhance organizational performance in many ways (Sako & Helper, 1998). Trust doesn't only limit transaction costs by restricting opportunistic behaviour (Gulati, 1995), but it also may create unpredictable costs where it's lacking (Oomsels & Bouckaert, 2014).

To name a few positive outcomes of trust, it reduces transaction costs, enables networks to adapt to unforeseen circumstances by reducing uncertainty and promotes willingness to invest in the relationship (Sako & Helper, 1998). Accordingly, Oomsels and Bouckaert (2014) argue that trust is particularly functional in terms of goal-oriented collaboration. Even though trust is something to preserve where it exists and enhance where it lacks, intentional trust building is not a simple task to manage, as it is always formed by a reciprocal process between a trustor and a trustee.

Although trust is reciprocal by nature (i.e. Butler, 1983; Ikonen, 2013; McAllister, 1995; Oomsels & Bouckaert, 2014; Vanneste, 2016), trust relationship in a dyad may be asymmetric. Trust asymmetry may complicate the mutual trust building, when trusting behaviour of parties, such as communication and feedback, differs causing misinterpretations of the other's intentions (Wang, Peverelli & Bossink, 2015).

This chapter reviews the literature of inter-organizational trust. To fully understand inter-organizational trust and the mechanisms of its emergence, the following sections take the interpersonal level into account as well. The following chapter moves from the definition of the concept to reviewing the origins of inter-organizational trust. To avoid the illusion of trust being static rather than dynamic, trust reciprocity and asymmetry are discussed in the following sections.

3.1 Concept of trust

Trust research is based on several more or less distinct research disciplines (Gefen, 2003), therefore trust researchers have viewed and understood trust in different ways and given it different and even complementary definitions. According to Oomsels and Bouckaert (2014), trust is referred to as an expectation, attitude and behaviour. Regardless of the research stream, it is widely agreed to reckon trust as a psychological state comprising of several components, the most important being some sort of positive expectation of the other actor's behaviour. (Kramer & Lewicki, 2010) As Järvenpää, Knoll and Leidner (2008, 31) briefly put it "*trust is based on the expectation that others will behave as expected.*"

One of the most cited conceptualization of trust is the definition by Mayer, Davis and Schoorman. According to their definition, trust is "*the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform as particular action important to the trustor, irrespective of the ability to monitor or control that other party*" (Mayer et al. 1995, 712). More practically explained, trust can be seen as "*an expectation held by an agent that its trading partner will behave in a mutually acceptable manner, including an expectation that neither party will exploit the other's vulnerabilities*" (Sako & Helper, 1998, 388).

Mayer and his colleagues' definition of trust is the most unanimously used definition also in a trust-themed special issue of *Academy of Management Review* journal published in 1998 (Rousseau, Sitkin, Burt & Camerer, 1998). Later trust research in management studies has extensively employed other definitions and conceptualizations of trust first introduced in the issue mentioned above, and therefore those conceptualizations are used to form the conceptual basis of this study also. For example, Lewicki, McAllister and Bies (1998, 439) view trust as "*confident positive expectations regarding another's conduct, and distrust in terms of negative expectations regarding another's conduct*". The introduction article of the issue by Rousseau et al. (1998, 395) provides a more comprehensive definition encompassing all the other approaches to trust used in the issue: "*Trust is a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behaviour of another*".

Trust is always in the eye of the beholder, as it is based on subjective assessment of the other party (Blomqvist, 1997), therefore it is rather a subjective attitude indicator than an objective performance indicator (Welch, Hinnant & Moon, 2005). Willingness to be vulnerable depends on the perceived trustworthiness of a trustee whose personal characteristics are assessed by a trustor (Koorsgaard et al. 2014). Mayer et al. (1995) name three characteristics which are often used to refer to the trustworthiness of a trustee. *Ability* refers to a trustee's perceived competence or skills in a specific area. To be trusted in a particular case, a trustee may have to possess certain capabilities in a specific domain. The extent to which a trustee is believed to be willing to do good without egocentric motives is referred to as *benevolence*. *Integrity* means a trustor's perception of a trustee having acceptable principles. (Mayer et al. 1995)

The distinction between concepts of trust and trustworthiness must be noted – perceived trustworthiness and actual trust appear to be different things. As *trustworthiness* refers more to perceiving features of a trustee in a certain way, whereas *trust* includes, to some extent, actions of trusting. McKnight, Cummings and Chervany (1998) view trust as a construct comprising *trusting expectations* and *trusting intentions*. An actor's willingness to be vulnerable is viewed as a trusting intention which is based on trusting expectations, i.e. perceived ability, benevolence and integrity of the trustee or predictability of the trustee's behaviour in a certain situation. Trusting behaviour, actually setting oneself into a vulnerable position, originates from trusting intentions which in turn require trusting expectations. (McKnight et al. 1998). Similarly, Kim, Dirks and Cooper (2009) presume that trust is composed of both beliefs and intentions, whereas Gefen (2003) makes a distinction between trusting beliefs and trusting behaviour.

3.2 Trust, distrust and risk

Trust seems to be particularly relevant in situations that involve uncertainty. It is actually said that the need for trust only emerges when risk is actually present (Mayer et al. 1995). To put it more precisely, Blomqvist, (1997) names uncertainty, vulnerability, risk avoiding and making a choice based on judgement as necessary conditions for the existence of trust. For example, Hagen and Choe (1998) have defined trust as an expectation of the

other actor's cooperative behaviour in unforeseen circumstances. In situations where actors make decisions and where there is a high degree of environmental uncertainty, the risk is present (Dyer & Chu, 2003).

As such, even the uncertainty of the other party's future actions is a source of a risk (Rousseau et al. 1998), and *the possibility of betrayal* is said to be an inherent feature of trust (Poppo, Zhou & Rouy, 2008). Willingness to be vulnerable (Mayer et al. 1995) or placing a confidence in a trustee without absolute certainty of the trustee's future actions (Zaheer, McEvily & Perrone, 1998) is taking a risk – thereby the concept of trust is highly related to the concept of risk. Chrysochoidis et al. (2009) noticed that public trust in institutions works differently depending on how a particular risk is managed or communicated, thus they stated that *perception of risk* is a component of trust.

According to Rousseau et al. (1998) there is a path-dependent relationship between trust and risk: the presence of a risk in a certain situation creates a possibility to trust, which in turn leads into risk taking. For example, in the context of public administration, a public official's trust in a citizen entails a risk that the citizen will not behave in accordance of the public official's expectations (Moyson, Van de Walle & Groeneveld, 2016). In turn, the citizen's trust in the public official entails a risk that the official will not behave in accordance with the citizen's expectations. On inter-organizational level, organization's trust in its partner organization entails a risk of unpleasant future behaviour.

Trust is particularly crucial when socio-political systems create risks that differ from routine experiences (Chrysochoidis et al. 2009). Trust reduces social complexity (Gefen, 2003; Chrysochoidis et al. 2009). The significance of trust is emphasized in uncertain settings – it is a way of coping when there is not enough information for a basis of decision making. Trust as a positive expectation narrows the set of possible actions thus reducing the uncertainty surrounding the partner's actions (Sako & Helper, 1998).

Lewicki et al. (1998) defines distrust through the definition of trust: if trust means trusting expectations of the other's behaviour, distrust means negative expectations of the other's behaviour. Lewicki and his colleagues see trust and distrust as separate but linked dimensions, and they argue that trust and distrust are not opposite points of the same continuum as there might be trust and distrust between parties at the same time. An actor

may trust a partner in a specific matter but have distrust when another thing is in question (Oomsels & Bouckaert, 2014).

3.3 Dimensions of trust

On inter-personal level, personality is one of the many antecedents of trust (Gefen, 2003). *Propensity to trust* is a personality based factor which refers to the general willingness to trust others (Mayer et al. 1995). It is often referred as *disposition to trust* or *personality-based trust*. According to McKnight et al. (1998) disposition to trust is particularly important at the beginning of a relationship when there's not yet enough information available to assess the other party's personal traits and hence no perception of trustworthiness. At the initial stages of relationship, the origin of trusting beliefs might be the tendency to believe in other people in general. Gefen (2003) calls these beliefs as *trust credit*, as it is given before previous experience and more rational interpretation. People differ in their inherent propensity to trust (Mayer et al 1995).

Gefen's (2003) "more rational interpretation" is probably a reference to *cognition-based trust*. McAllister's (1995) classical distinction between two forms of interpersonal trust is based on sociological and socio-psychological literature. According to him, cognition-based trust is "grounded in individual beliefs about peer reliability and dependability" and *affect-based trust* is "grounded in reciprocated interpersonal care and concern" (McAllister, 1995, 24). Cognition-based trust is explained to be a product of cognitive processes, categorization and illusions of control (Gefen, 2003).

What McAllister defines as affect-based trust, is close to *relational-based trust*. Continuous interaction between a trustor and a trustee provides information to the trustor about the ongoing relationship forming the basis for relational trust (Rousseau et al. 1998). According to Gulati (1995), trust is created through repeated interactions over time. Trust relationships are viewed to develop gradually and trust is usually seen as the outcome of a process (Blomqvist, 1997). As interaction history appears to have impact on trust, accordingly, routines may also affect as an antecedent, consequence and moderator of trust relationships (Zaheer & Harris, 2006).

Routines may provide familiarity and predictability in a relationship. According to Gefen (2003), trust is more likely to occur when interaction takes place in line with what is considered to be typical and anticipated. Trust deriving from such impersonal structures is called as *institution-based trust* (Gefen, 2003). It is often referred as *institutional trust* or *system trust*, and it can act as a substitute when interpersonal trust is not present (Blomqvist 1997) being especially crucial at the initial phase of a relationship (McKnight et al. 1998).

Perception of *situational normality* helps a person feel comfortable and therefore facilitates the emergence of trusting intention (McKnight et al. 1998). Predictability of the other's behaviour is part of the social context of a relationship. Both explicit and implicit norms function as guidelines for what is considered desirable behaviour. Assumptions based on the role make it easier to predict a trustee's behaviour and reduce uncertainty - therefore trust may be grounded in an expectation of the other's role. (Koorsgaard et al. 2014)

In addition to situational normality, institution-based trust is also explained by other contextual conditions present in a certain situation. McKnight et al. (1998) pointed out that *structural assurances*, such as promises, contracts, regulations and guarantees may enhance trust through the belief that the situation is guaranteed or secured to a certain extent. It is also argued whether contracts, control and supervision actually constitute or consolidate the actual trust. However, reducing expectations of opportunistic behaviour by contracts may not necessarily enhance trust (Sako & Helper 1998).

From a game-theoretic perspective, trust is also explained by purely rational decision-making. In accordance, rational choice is the origin of *calculus-based trust* which requires perception of a trustee's intention to perform beneficial action (Rousseau et al. 1998). From this perspective, actors are rational rather than benevolent, and act in their own best self-interest avoiding any harm to themselves. Thereby the recognition that the trustee does not benefit from violating mutually agreed rules builds trust. (Gefen, 2003).

Deterrence-based trust is similar to calculus-based trust. Trust is based on the presence of sanctions or penalties: a trustor's perception that the trusted party will have to play by the rules reduces the fear of opportunistic behaviour (Gulati, 1995). The threat of sanctions and penalties will prevent opportunistic behaviour, thereby a rational actor will not violate

the trust. One example of deterrence-based trust is switching costs in asset specific partnerships (Rousseau et al. 1998): replacing an existing partner with another supplier might cause too high transaction costs, therefore the supplier does not need to worry that much about being replaced.

3.4 Trust as an inter-organizational phenomenon

In accordance with Mayer and his colleagues' typology of inter-personal trust, Zaheer et al. (1998) define inter-organizational trust as an expectation of the other party's reliable, predictable and fair behaviour. This definition involves an assumption of trust being relational and the possibility of betrayal being an essential feature of trust (Poppo et al. 2008), and captures the unilateral perspective on trust, distinctly noticing organizations as trustee-party in a particular relationship. There's no disagreement whether an organization can be trusted (act as a trustee), but it is argued whether an organization can trust (be a trustor itself). Trust is an interpersonal phenomenon (Gulati 1995), but still it is said that "organizations can *have* trust" (Hagen & Choe, 1998, 590).

As Zaheer and his colleagues (1998) state, inter-organizational trust has its basis in individuals, and inter-organizational trust rather describes *a collectively held trust orientation* toward the partner organization, rather than saying that organizations trust each other. According to Graebner's (2009) view, this definition indicates that organizations as well as individuals can both trust and be trusted. Referring to the same definition of inter-organizational trust, Vanneste (2016, 7) has an explicitly different view, according to which "it's individuals who trust, not organizations", and the presence of trust between two organizations implies that individuals of both organizations trust each other. Dyer and Chu (2003) shared a similar view, as they stated that it's conceptually impossible for organizations to trust, because trust is a micro level phenomenon and has its basis in individuals.

In accordance with these notions, in this study inter-organizational trust is defined as follows: inter-organizational trust is *collectively-held trust orientation towards partner organization*, comprising expectations of partner organization's reliability, predictability and

fairness. Trust is seen both as an interpersonal and inter-organizational phenomenon with perception that it is people in the organizations who trust, not organizations themselves (Vanneste, 2016).

3.5 Trust formation and reciprocity

As interpersonal trust is seen substantially associated with inter-organizational trust, examining inter-organizational trust formation requires understanding of interpersonal trust formation. Trust relationships are usually seen to develop gradually as an outcome of a certain process (Blomqvist, 1997). Probably the best-known model of trust process is Rousseau's and his colleagues (1998) three-phase model of trust development. The first phase is *building* where trust emerges in a new relationship or re-emerges in an existing one. In the *stability* phase trust already exists under stable conditions, and in the *dissolution* phase trust declines after a betrayal event.

Söllner and Pavlou (2016) have further supplemented the model mentioned above into a trust lifecycle model by adding two stages into the previous model. According to them, the very first phase, before the actual *trust building* is *initial trust building*. Initial trust expresses the trust in a situation where the trustee is not familiar, therefore trust cannot be based on prior knowledge or experience on the trustor (McKnight et al. 1998). After the first interaction, initial trust building turns into trust building, followed by stability and dissolution of trust. The fifth phase is trust repair after violation. (Söllner & Pavlou, 2016)

Söllner and Pavlou's model includes an assumption of trust reciprocity, as the actual trust building phase requires some sort of experience of the trusted object. Instead of being a linear process with a beginning and an end, trust development may also be seen as an ongoing process (Ikonen, 2013, 129), in which individuals learn about each other's trustworthiness in different situations (Six, Nooteboom & Hoogendoorn, 2010). Trust reciprocity approach has its roots in social exchange theory which suggests that when social exchange between individuals is mutually beneficial and balanced, individuals will develop trust and engage in and even expand and deepen the exchange. Through repeated interactions actors are able to assess the extent to which their partner reciprocates and adjust their trust and trusting behaviour accordingly. (Koorsgaard et al.

2014) A positive signal of trust evokes positive feelings in the recipient, and when this positive signal is reciprocated again, it creates a spiral of trust (Butler, 1983).

Ikonen (2013) studied interpersonal trust in leader- follower-relationships in her doctoral dissertation. Her work gives qualitative evidence of trust being highly dynamic, episodic, and contextual in nature. In her qualitative data she noticed that the dyadic trust between leaders and followers developed as a continually forming and developing process through reciprocal interaction. The process of trust development consists of "specific moments, or episodes, when dyadic trust increases unexpectedly or suddenly breaks down and becomes a vicious cycle". (Ikonen, 2013, 94, 107, 129-130)

Trust reciprocity has been noted in empirical studies as well. For example Gangl et al. (2014), Kim (2005), Moyson et al. (2016) and Yang (2006) studied trust in the context of public administration, and their findings suggest that public officials' trust in citizens enhances citizens' trust in public officials. Trust appears to self-reinforcing and self-enforcing as well, as trust tends to create trust and distrust creates distrust (Blomqvist, 1997; Mayer et al. 1995).

3.6 Emergence of inter-organizational trust

According to Zaheer et al. (1998) inter-organizational trust is rooted in its members: individuals are seen as both the recipient and the origin of the trust. Individuals in an organization may share an orientation towards individuals within another organization (Dyer & Chu, 2003). But how does this *collectively-held trust orientation* (Zaheer et al. 1998) or *shared orientation* (Dyer & Chu, 2003) emerge? In the following section different perspectives on inter-organizational trust building are discussed.

Zaheer and his colleagues (1998) examined the effects of inter-organizational and interpersonal trust on performance in dyadic exchange relationships of electrical equipment manufacturers and their component suppliers. According to Zaheer and his colleagues, the connection between interpersonal and inter-organizational trust emerges from institutionalizing processes, such as institutionalized practices and routines. Each inter-organizational relationship has its own modes of operation, and these norms affect boundary spanners' personal trust orientations on an interpersonal level when conducting

the exchange. Even though an individual member of the organization may hold different orientations and motivations than those of the organization as a whole, Zaheer and his colleagues' findings suggest that institutionalized practices and routines transcend the influence of an individual boundary spanner. (Zaheer et al. 1998)

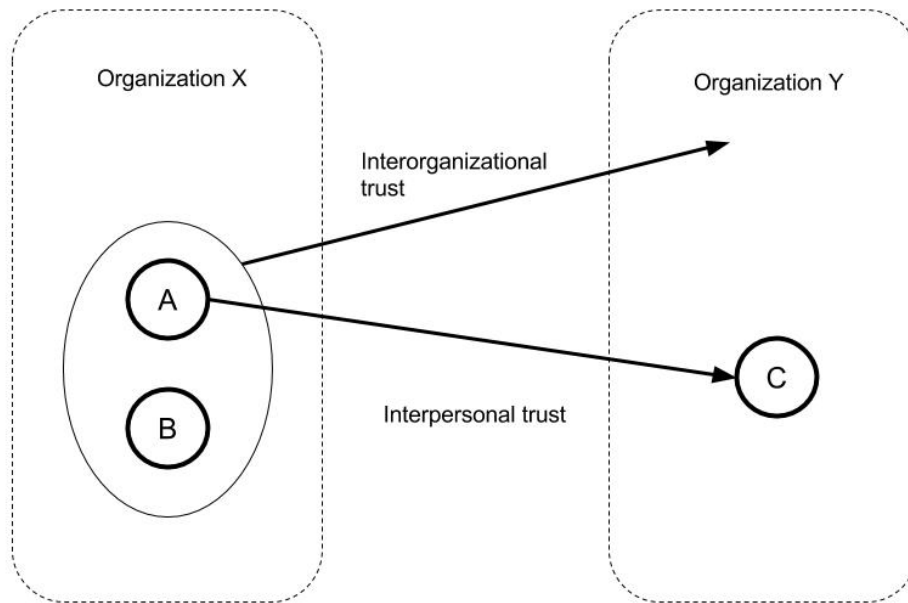


Figure 4. Interpersonal and inter-organizational trust (Zaheer et al. 1998)

Inter-organizational trust and its relation to interpersonal trust is visualized in figure 4 by Zaheer et al. (1998). Interpersonal trust is orientation that individual organization member A holds to another individual C. Inter-organizational trust in turn is collective orientation shared by both individuals A and B directed to the whole organization Y.

Oomsels and Bouckaert (2014) explicated the emergence of inter-organizational trust by reciprocal interactions between *boundary spanners* of organizations. Boundary spanners (Perrone, Zaheer & McEvily, 2003; Zaheer et al. 1998) are certain mandated individuals who act on behalf of the organization in a certain interaction. As trust (and distrust) is seen as a reciprocal phenomenon (Oomsels & Bouckaert, 2014), it emerges through repeated and reciprocated interactions between actors (Koorsgaard et al. 2014).

Boundary spanners' trust orientation is dualistic, consisting of their private personality and organizational personality, as professional decisions made by them may be different from

decisions they would make in their personal lives. When boundary spanners act on behalf of their organization in a certain interaction, trust can be considered “organizational”: the personal, institutional, and interaction-specific characteristics affect their subjective evaluations constituting the organizational nature of inter-organizational trust. (Oomsels & Bouckaert, 2014).

Accordingly, Vanneste (2016) suggests that inter-organizational trust emerges from interpersonal trust: trusting acts between individuals from different organizations lead to trust between organizations. According to him, the relationship between interpersonal and inter-organizational trust can be explained by *indirect reciprocity*, in which trusting acts between individuals are reciprocated by multiple people. In the context of inter-organizational trust, the trustee is not a single individual. Therefore, the trusting act from a partner organization’s member is not needed to be reciprocated by a particular person but could instead be returned by her colleagues. (Vanneste, 2016) Indirect reciprocity is illustrated in figure 5.

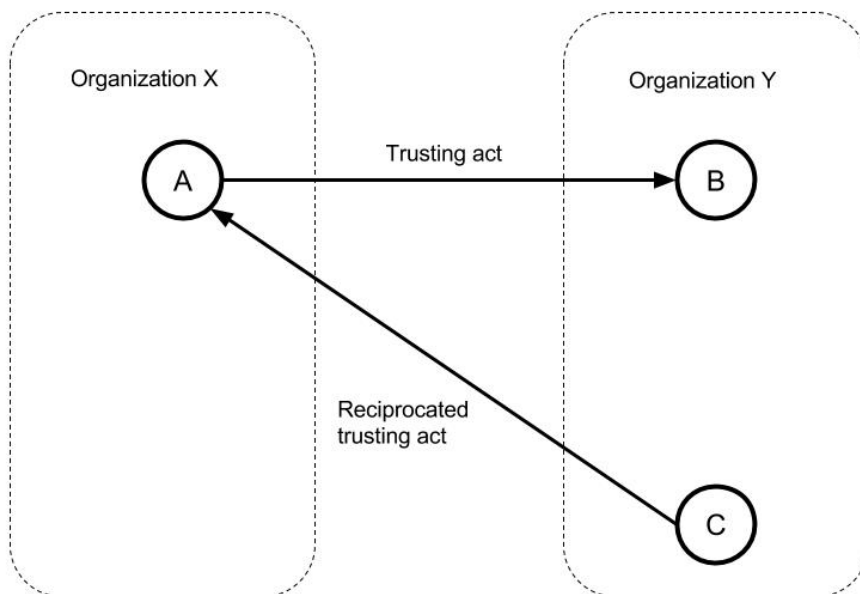


Figure 5. Indirect reciprocity (Vanneste, 2016)

The basis of indirect reciprocity lies in the idea of trusting acts being reciprocated by multiple people. Trusting act from A to B motivates C to reciprocate trusting act back to A.

Inter-organizational relationship consists of several interpersonal relationships across organizations. (Vanneste, 2016)

Trust emerges between organizations over time through repeated ties (Gulati, 1995). Although, the role of interaction history in the emergence of inter-organizational trust has been challenged by Poppo and her colleagues. According to Poppo et al. (2008) prior history and expectations of future are intertwined as origins of trust. They argue that prior history has no direct effects on trust, but routines and norms developed by past exchange may support the development of trust. Instead, expectations of future and continuity of mutual relationship play a central role in trust development. From this perspective, common experiences create shared learning between partners, thereby parties may develop greater expectations of continuity and trust. (Poppo et al. 2008). Six and her colleagues (2010) noted as well that on interpersonal level trust requires perceived willingness to maintain and continue the relationship.

3.7 Relationship asymmetry & trust asymmetry

Although trust research has implicitly assumed trust to be symmetric (Zaheer & Harris, 2006, Graebner, 2009), the prevailing assumption has been challenged. Parties are often interdependent on each other, whereby the interaction and coordination of joint activities is mandatory regardless of the actual willingness to cooperate (Lewicki et al. 1998). Mutual trust may also be asymmetric, so that the parties' trust in each other is not at the same level: one party trusts while the other doesn't (Graebner, 2009; Thomas & Skinner, 2010; Koorsgaard et al. 2014; Svensson, 2006).

Trust levels may not only differ in the level or amount of trust, but also in direction of trust. As parties may have different expectations towards each other, they may also have different trust targets – one party's trust may be based on the belief of the other's effective processes, whereas expertise of a partner is more important to the other. Trust asymmetry may be detrimental to collaboration, as a fear of opportunistic behaviour may cause protectionism, which further may mess up costs and benefits of relationship and reciprocate a correspondingly lower collaboration from the other party (Thomas & Skinner, 2010).

Because of the complexity and diversity of relationships, the parties may hold different, possibly correct, but inconsistent perceptions of each other simultaneously (Lewicki et al. 1998). For example, there may be a mismatch between the public's expectations and government's actual performance, if demands go beyond real competence (Kim, 2005).

Trust asymmetry appears to originate in different and dissonant perceptions of trustworthiness, which in turn originates in differing (personal) dispositions to trust and interaction history and familiarity. Viewing and experiencing trust in different ways may increase trust asymmetry. A certain way of social interaction and information sharing may be perceived as trust building behaviour by the trustor, whereas a non-trusting party may perceive the same behaviour as ingratiation and strategic reconnaissance. (Graebner, 2009) Thus trust asymmetry can manifest itself also as asymmetric perceptions of what is considered to be trustworthy. Moyson and his colleagues (2016) handle determinants of trustworthiness and trust as separate constructs as well. Parties may perceive determinants of trustworthiness in a different way, hereby trust asymmetry may not be only an either or – matter.

Wang and his colleagues' research (2015) examined development and transformation of asymmetric trust in cooperation between large firms and SMEs in China. Their research context provided clear conditions to study trust asymmetry as the significant feature in their research context there was an unbalanced distribution of power between large firms and SMEs. According to their findings, partners' differing trusting behaviours, such as communication and feedback, may cause misinterpretations of the other's intentions, and therefore complicate the mutual trust building (Wang et al. 2015). Trust asymmetry and its possible outcomes are visualized in figure 6.

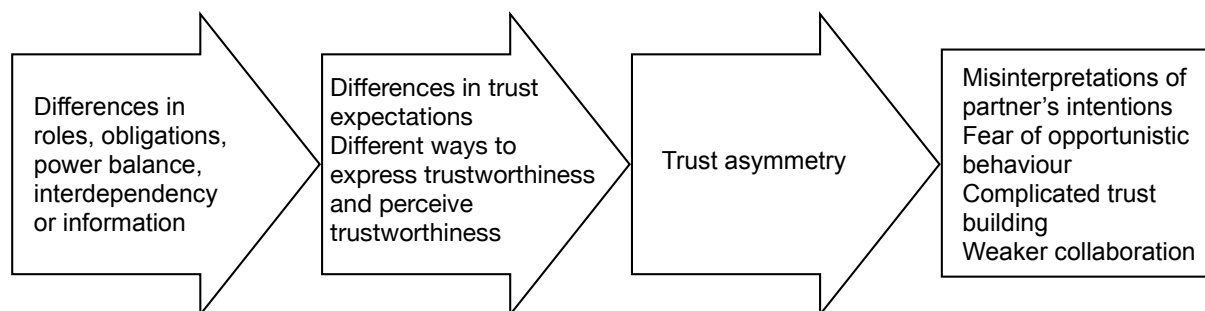


Figure 6. Trust asymmetry and its possible consequences

Differences in information, power and interdependency between parties and differing obligations towards one another may lead to relationship asymmetry and trust asymmetries (Thomas & Skinner, 2010). According to Koorsgaard and her colleagues, trust is likely to be asymmetric especially when the parties differ in power balance or in other essential factors affecting emergence of trust. Thus, trust asymmetry can be explained by the formation of an individual level trust. More precisely, when trust antecedents (individual characteristics) on an individual level differ from each other, trust is likely to be asymmetric also on a dyadic level. On the basis of preliminary qualitative evidence, such factors influencing trust asymmetry may be roles, power balance, and information asymmetry of a dyad. (Koorsgaard et al. 2014)

Gangl, Hofmann and Kirchler (2014,) examined the dynamics between power and trust in the relationship of taxpayers and tax authorities. Within their research context, parties' different objectives and power balance is articulated through *tax compliance*, which "represents a social dilemma in which short-term self-interest to minimize tax payments is at odds with the collective long-term interest to provide sufficient tax funds for public goods". Despite their research context, they also make predictions on general interaction climates and motivations to cooperate. Their findings suggest that as application of coercive power by authorities fosters uncooperative climate, high trust is the prerequisite of cooperative climate. (Gangl et al. 2014, 13) In this sense, despite asymmetries in a relationship, cooperative climate may be achieved in case trust is present.

Accordingly, studies have shown that public officials' trust in citizens increases administrative performance as it reduces the need to control the behaviour of citizens

(Moyson et al. 2016) Im and his colleagues (2014) found a positive correlation between citizens' trust in government and citizen compliance. In their study compliance is referred to as behaviour and trust is referred to as dispositions or attitudes behind it – therefore trust is suggested to be a crucial factor in the emergence of compliance (compliant behaviour). (Im et al. 2014)

Welch and his colleagues (2005) give another example of an asymmetric relationship: for instance, as a citizen's knowledge about officials' actions is limited, the relationship between government and citizen is asymmetric. As Sako and Helper (1998) note, one-way flow of information may undermine trust, for example when a party is asked to provide more information to its partner without reciprocal information sharing from another party. This *information asymmetry* may cause opportunistic behaviour (Sako & Helper, 1998). When party A makes itself vulnerable by sharing confidential information to B, and B doesn't reciprocate this gesture of trust by setting itself likewise vulnerable (i.e. share information), information asymmetry prevails in their relationship. (Sako & Helper, 1998). This is the case what comes to a public administrative organization and its customer organization: the company is obligated to share personal and confidential bookkeeping information for tax administration without tax administration's obligation to set itself in a vulnerable position.

Koorsgaard and her colleagues (2014) note that as a result of repeated interaction, mutual trust either converges or diverges in asymmetric interpersonal relationships, so that the relationship is either strengthened or ended as either party exits. An actor's fear of being exploited by the other party of the dyad may weaken the collaborative behaviours in a relationship. As a contrast, in a symmetric relationship where both parties share levels of trust and offer a similar level of collaboration, mutual reciprocity may be achieved. (Thomas & Skinner, 2010)

4. RESEARCH METHODS

The empirical implementation of the study is presented in this chapter. In the first section the research context and organizations participated in the study are introduced. Only minor details of the companies and interviewees involved are provided to conceal their identity. Instead, co-operation context is described as its objectives and practical content are necessary for understanding research results, especially trust expectations. After that, the research methods, data collection and analysis methods are presented as accurately as possible to ensure the reliability of the research. In the last part of the chapter reliability and limitations of the study are discussed.

4.1 Cooperation context of the study

To study inter-organizational trust and the impact of digitalization on it, the empirical part of the study examines an *enhanced relationship* between Finnish Tax Administration and two of its listed company customers. An enhanced relationship is a co-operation approach recommended by OECD. The aim of the cooperation approach is to achieve the most efficient and effective way of managing tax matters between the Tax Administration and the taxpayer by shifting the focus from ex-post tax controls to proactive activities. Cooperation aims to increase real-time dealing of tax issues to improve predictability and legal certainty of taxation. The enhanced relationship approach is in use with some of large corporates which are customers of Large Taxpayers' office. (Verohallinto, 2016)

In traditional tax audits matters are handled from a perspective of distrust, and these practices can be viewed as deterrence strategies (Van der Hel & Siglé, 2015). The enhanced relationship in turn is striving for efficiency through mutual trust and openness. In general, companies have certain law- imposed obligations towards tax authorities, and tax authorities are in turn obligated to control companies – therefore there is a certain mandatory relationship between Tax Administration and companies. Nonetheless, participation in the enhanced relationship is voluntary, as both parties have the choice whether to engage in the cooperation.

Compared to regular, compulsory reporting to the tax authorities, the enhanced relationship is based on voluntary two-way information sharing between partners. The enhanced relationship does not decrease tax payers' or tax authorities' legal rights or obligations, but rather it is a novel way of proceeding tax matters (Verohallinto, 2016). Thereby case enhanced relationship offers the opportunity to study trust within cooperation context in which parties hold asymmetric obligations towards each other.

Finnish Tax Administration

According to the first and second paragraph of the Law of Tax Administration (11.6.2010/503), Finnish Tax Administration (later referred as Tax Administration) is an organization operating under the Ministry of Finance in Finland. Tax Administration is responsible for taxation referring to the calculation and collection of taxes and tax control (Verohallinto, 2017a). Tax Administration's activities are regulated by taxation legislation, and Tax Administration carries out its task under the law. Tax Administration business idea is to *"collect the right tax at the right time to enable society to function"*. According to its strategy, the aim is to have taxpayers pay their taxes on their own initiative in real time through proactive guidance, which in turn helps taxpayers anticipate their final tax liabilities and reduce mistakes. (Verohallinto, 2015)

Finnish Tax Administration includes four different units handling with taxation. The Corporate Taxation Unit is responsible for offering service and guidance, assessing taxes and carrying out tax control of limited liability companies and other corporate entities. Taxation of the largest companies in Finland is carried out by Large Taxpayers' Office working under The Corporate Taxation Unit. (Finnish Tax Administration, 2017b) More precisely, Large Taxpayers' Office handles tax matters of large companies, such as publicly listed companies, banks and insurance companies and separately named companies whose annual turnover is over 50 million euros (Verohallinto, 2017c).

Interviewees from Tax administration hold different backgrounds in taxation. Some have their back ground in different tax types, and in both tax controlling and tax audits. In each CRM team there is one person responsible for each tax type, such as income tax, transfer pricing, transfer taxation, withholding taxation and value added taxation.

Company X

Company X is a publicly listed company, actually a group of companies whose head office is in Finland. Company X's subsidiaries operate in different business areas and in different countries. Interviewees work in different tax and accounting expert positions, and they have different backgrounds in areas of accounting or other financial tasks in the company. Tax experts' scope of work comprises handling tax matters both in Finland and on an international level. The taxation team handles tax matters in all different tax types.

Company Y

Company Y is a listed company operating globally in several different countries. Its head office is located in Finland, and Finnish taxation team is responsible for managing global tax matters. The taxation team's area of responsibility extends from tax reporting, tax planning and risk management to all tax matters excluding personal taxation and payroll matters. The team also manages tax audits in all operating countries. The interviewed tax experts each work in a different tax type: value added taxation, income tax and transfer pricing.

4.2 Research methods

As understanding complex phenomena and discovering possible cause-effect-relationships requires a descriptive and interpretative research approach, this research is conducted with qualitative methods. The qualitative research approach aims to describe the reality as comprehensively as possible, and to find or reveal truth, rather than to prove existing trust claims right (Hirsjärvi, Remes & Sajavaara, 2009, 161). As this study aims to clarify and explain complex phenomenon with little support from previous research, a qualitative method is a reasonable choice. Achieving exhaustive understanding of the subject of interest with qualitative methods opens opportunities and builds foundation to explore the phenomenon with quantitative methods in the future.

The first phase of the research process was orientating into relevant literature and finding out what is the purpose of the study. Researcher has to know the purpose of the study and be familiar with main concepts before considering the suitable research method (Siekkinen, 2001, 49). Being familiar with the topic helps researcher to prepare better the research design (Shank, 2006, 117-118). On that account, the key findings of existing studies were compiled into coherent literature review to simplify the research design and method choice.

Data collection

Research data of the study is collected from focus group interviews. To avoid one-sided conceptualizations of trust (Koorsgaard et al. 2014) the data was gathered by interviewing both parties of dyad to gather a dyadic perspective. As trust is often examined only from one party's perspective (Fulmer & Gelfand, 2012), the two-party approach rather than one-sided view serves the objectives of the current study better. When studying the impact of digitalization on trust relationships, the assumption of trust being symmetrical must be abandoned and the reciprocal nature of trust has to be taken into account by choosing a double-sided research setting.

As the purpose of the current study is to examine trust at an inter-organizational level, interviews were carried out as focus group interviews each involving 3-5 persons. In accordance with the previously discussed view of *inter-organizational trust being a collective, shared orientation towards partner organization held by organizational boundary spanners* (Dyer & Chu, 2003; Zaheer et al. 1998), group interview is a suitable method to capture the group's opinion on a particular phenomenon (Valtonen, 2005, 226), reveal shared ideals or norms (Eskola & Suoranta, 1998, 94-95) or generate new ideas originating from a social context (Breen, 2006).

In the focus group method, the role of the interviewer is to create discussion between the participants without participating herself – the data is produced through interaction among participants (Valtonen, 2005, 224). All interviews were conducted as face-to-face group discussions that followed a theme frame, which was divided into three following topics: cooperation with a partner organization, trust within the cooperation and digitalization. The

theme frame was built on the basis of research questions and key concepts related to research questions. In a sense, discussion can be seen as half-structured interviews, as all themes included questions to stimulate dialogue among participants. The purpose of the questions was merely to stimulate discussion and not to be answered explicitly. The theme list was sent to the participants before the actual interview to ensure their understanding of the subject matter. Reading the theme list before the interview was optional, and the purpose of sending it before the actual interview was to reduce uncertainty among the interviewees. The interview themes are presented in appendices 1 and 2.

The research data was collected in four separate focus group discussions (shown in figure 7). The participants were selected on the basis of their role in the organization. The focus groups consisted of organizational members whose work is essentially related to cooperation with partner organizations. The first focus group consisted of Company X's employees who work as tax experts. The second interview group also consisted of tax experts from Company Y. The third and the fourth focus group's participants were members of customer relationship teams of Tax Administration. All CMR team members work as tax controllers or tax auditors. The selected interviewees were seen as key members or boundary spanners (Perrone et al. 2003; Zaheer et al. 1998) in a current organizational relationship. The participants in each focus group work in the same team, so they knew each other beforehand and it was possible to catch a shared view (if one existed). The theme frame was the same for both Tax Administration representatives and company representatives, yet some questions were modified according to the interviewee group.

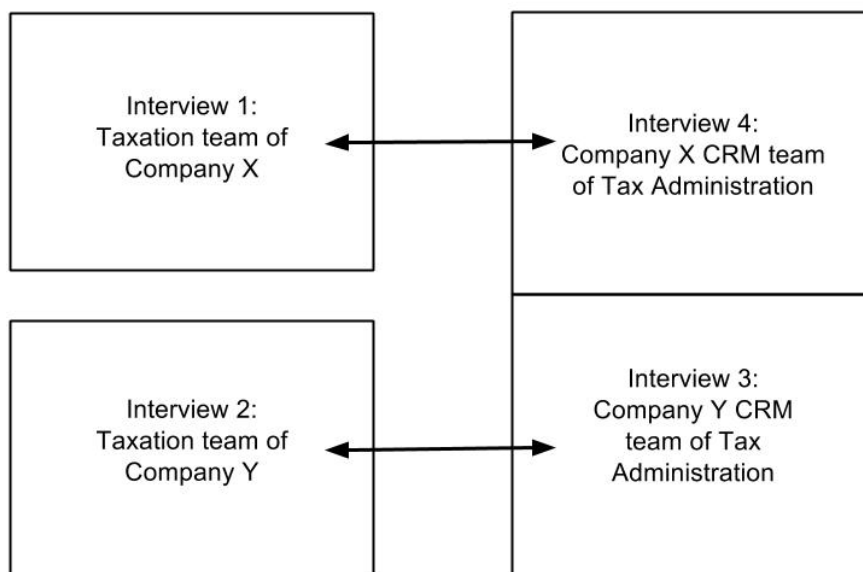


Figure 7. Focus group interview set-up

As visualized in figure 7, research data was collected from three organizations: Finnish Tax Administration and two of its customer companies. To ensure confidentiality, the identity of participating companies will not be revealed in this research report. The purpose is to protect the interviewees in both organizations. As the related topic distinctly involves sensitive issues related to both taxation conduct and business, it's justified to hide the identity of the organizations. If the company is recognizable, also the identity of the interviewees could be revealed. Moreover, the characteristics of the industry are framed out of the focus of this research. Therefore, only minor information of companies is presented.

At its best, the focus group method provides an opportunity to gain more information, as multiple participants may encourage, support and stimulate each other to remember things that might not have been revealed in individual interviews (Eskola & Suoranta, 1998, 94, 96). The presence of a group may in turn constrain knowledge sharing, if norms quiet down the voice of individuals. If the interviewer – or rather a *moderator* in a focus-group method - succeeds as a leader of the debate, she creates an atmosphere in which everyone feels comfortable to share his or her personal opinion (Valtonen, 2005, 226). On that account, at the beginning of each interview the importance of personal thoughts and ideas was emphasized by the interviewer. To make sure that different focus-groups are

treated consistently in a same way (Breen, 2006), the moderator used a schedule including a presentation of the topic and key concepts, overview of focus-group method used and an assurance of confidentiality at the beginning of each interview.

Analysis

Discussions were recorded and retrospectively transcribed. All in all, the interview manuscripts included 72 pages of transcribed text. Often the amount of research material accumulates so much that the final analysis consists of only browsing-based separate interpretations (Mäkelä, 1990, 53). To avoid this pitfall and to get the research data into a manageable and processable form, the manuscripts of each interview were read carefully through and the contents were coded according to the research questions. Research questions were used as general level themes in order to organize the data according to different topics in the first phase of analysing process. Full analysing process is shown and illustrated through empirical example in table 1.

After coding the data accordingly to research questions (which were used as general level themes), each theme was examined in more detail in coding phase 2. The used method is what Breen (2006) calls as extracting themes: the most important themes, the most noteworthy quotes and any unexpected findings were classified further and used as a sub-themes. Coded citations for each theme were classified in the table and the answers were arranged according to similarity and possible cause-effect relationships. During phase 3 data from all four focus-group discussions was combined into same table. The frequency of similar findings, agreement or disagreement among interviewees was taken into account to arrange findings. Thereafter the answers in the table were "translated" into research language, i.e. what each answer means in the research context.

Table 1: Analysing process

Phase 1: Coding	Phase 2: Coding	Phase 3: Classification	Phase 4: "Translation and generalization"
Colour- coding research data according to sub-questions	Extracting findings by coding repeated and most important themes, noteworthy quotations and unexpected findings	Classification of findings into table Arranging quotations according to similarity and possible cause-effect relationships Combining data from all focus-group interviews	Translation of quotations into research language Raising findings on more general level, ie. <i>what does it tell in the research context</i>
<p>Empirical example <i>How trust can be intentionally built in the context of digitalization?</i> Highlighting parts of the data script associated to themes of trust building or trust strengthening</p>	<p><i>"It will certainly increase the trustworthiness of Tax Administration or any other partner, when they do as they say."</i></p>	<p>Predictable behaviour <i>"Do as they say."</i> <i>"Flapping decisions would weaken the trust."</i></p>	<p>Predictability, ie. behaviour according to trust expectations may strengthen the trust</p>

The findings of trust asymmetry were classified into two separate tables of each dyad according to *trust expectations* and *assumed trust expectations* to facilitate the comparison. The classification of observations not only increases evaluability and repeatability (Mäkelä, 1990, 54), but also helps the analysing phase. Furthermore, findings of trust expectations in section 6.2 were written using comparison tables as a basis. Simplified versions of comparison tables are presented in section 6.2 (see tables 2 and 3) to facilitate the presentation of results.

Correspondingly, answers related to *how digitalization affects trust* and *how trust can be intentionally built in the context of digitalization* were classified into their own tables. Meanings behind the quotations were summarized, i.e. translated into a shorter verbal form (Hirsjärvi & Hurme 2001, 137). As an example, when an interviewee tells what would weaken or strengthen inter-organizational trust, the meaning behind his or her answer was summarized into a shorter form. The meaning from quotation *"it will certainly increase the trustworthiness of Tax Administration or any other partner, when they do as they say"* is summarized as predictability or predictable behaviour. After arranging research data and translating them into the research language, findings were viewed with regard to literature

framework to draw conclusions. Findings are further discussed with previous findings in discussion chapter 6.

4.3 The reliability and limitations of the study

The selected methods and research setting have their limitations. In the chosen focus group method, all the team members participated in the interview at the same time. Despite the opportunity to catch the collective opinion of a group, the presence of colleagues may limit individual interviewees from expressing their personal opinions and thoughts. The group's norms and power relationship arrangements affect what individuals are supposed to say out loud (Valtonen, 2005, 236). Therefore, opinions that diverge from the group's norms may not be discovered in the interview, even if they were fruitful in terms of study. This is because the group has a controlling effect on its members (Eskola & Suoranta, 1998, 95). It would be ideal to interview participants both in a focus group and individually, but this wasn't possible within this study.

What comes to research setting and interviews, another challenge in data collection is the fact that tax officials are bound by the obligation of confidentiality towards taxpayers. According to the law they can not disclose information of tax payers, and therefore the interviewees in CRM teams had to think carefully what they could say to avoid exposing too excessive tax-information. Even though the discussion concerned mutual cooperation more than confidential tax-information, tax experts from Tax Administration are not used to talking about their customers, which obviously affects the answers. In this sense, conditions in which the research data is produced must be taken into account when evaluating the reliability of the study (Mäkelä, 1990, 48).

The role of trust is crucial also in research interviews – the success of the interview is conditional on the fact that the interviewer obtains the trust of the interviewee. Socially dictated factors of the interview situation affect what the interviewee is willing to tell the interviewer (Eskola & Suoranta, 1998, 93). In this sense, the researcher's role must be taken into consideration. Even though the interviewer doing the research strives for objectivity and represents only herself as a researcher, she as a Tax Administration employee inevitably represents also the organization in question. Therefore, the

researcher's bond with the Tax Administration may have an effect on the interviewees' answers and thereby the reliability of the study.

As such, repeatability of qualitative research can not be considered as a problem of reliability, and the qualitative interpretation can not be equated with the relevance or explanatory power of a quantitative model (Mäkelä, 1990, 47). Thereby evaluation of reliability in qualitative research can't be done by using the same criteria as in quantitative research. Instead of evaluating the reliability and validity of this study, it appears to be more relevant to evaluate the significance, adequacy and coverage of the research data, and assess the evaluability and repeatability of the analysis (Mäkelä, 1990, 47-48).

What comes to used research data and its adequacy and coverage, interviewing participants both as a taxation team and individually one at a time would have produced data that allows even deeper analysis and understanding of research phenomena. Nonetheless, the scope of this study requires delimitations also with respect to the amount of research data. With regard to the use of the data, dissemination and analysis of the data should be started as soon as possible after the collection phase (Hirsjärvi & Hurme, 2001, 135). In this research, the research data was transcribed and coded right after the interviews, but the further classification was done when all the interviews were done, so that findings were viewed as a whole.

The evaluability of analysis is easier to assess when the reader is able to follow the researcher's reasoning (Hirsjärvi et al. 2009, 232; Mäkelä, 1990, 35). On that account, the research methods are described as accurately as possible. In addition, the reader has to know what the interpretations are based on (Hirsjärvi et al. 2009, 233). Therefore, direct quotations are used to support the presentation of results.

5. FINDINGS

In the following chapter, research results are presented. To structure research results more systematically and to deepen the presentation from simple lists towards the actual analysis, results are reflected to previous literature. Further conclusions and discussion are presented in chapter 6. In the first section of this chapter the role of trust in current trust contexts is displayed. The second section deals with the different trust expectations and in the third section the results of trust and digitality are presented.

To distinguish the answers from different organizations and teams, respondents are referred to as visualized in figure 8.

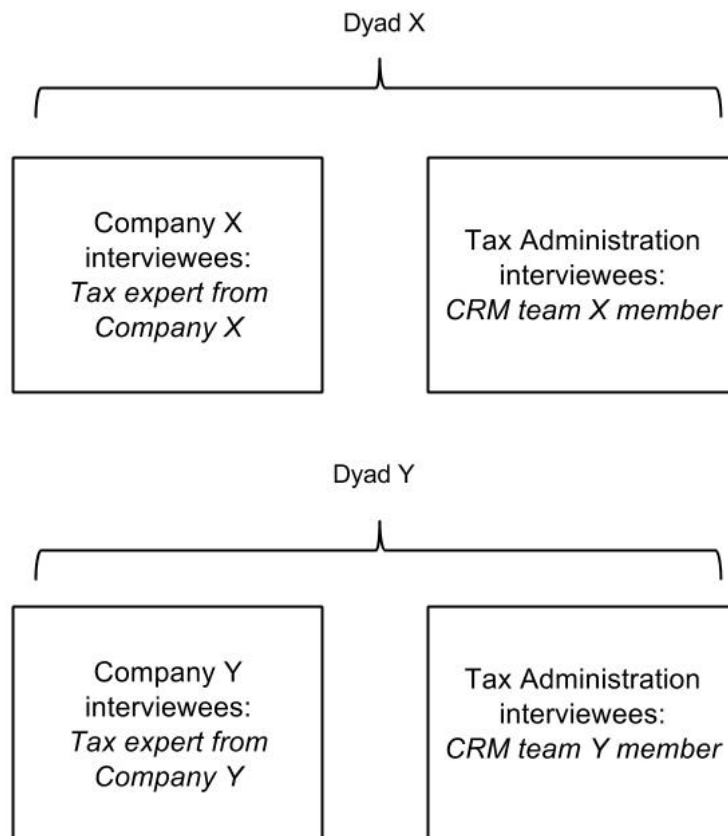


Figure 8. Referring to the interviewees

Company interviewees from both Companies X and Y are referred to as *tax experts*. Although Tax Administration's interviewees also do work requiring taxation expertise, for clarity they are referred as *CRM team members*. The term *dyad* is used when referring to both the company and Tax Administration at an organizational level.

6.1 Trust within enhanced relationship

In the focus group the respondents were asked to describe co-operation in practice and to discuss its objectives. According to research results, above all, co-operation is mutual information sharing to the end that there would not be need for tax inspections afterwards. Tax Administration aims to give anticipatory guidance, advice and education in real time to create prerequisites for correct tax practice. Companies, in turn, give information about their business in real time and ask for advice when problems arise. The aim is to get things right at once, so that there would not be need for ex-post inspections, because ex-post tax controls and tax inspections are time consuming and expensive for both Tax Administration and audited companies.

At the beginning of an enhanced relationship, every company goes through a compliance scan phase, in which its internal tax processes are mapped. The purpose is to get a picture of the current situation, how tax matters are handled. According to respondents from Tax Administration, the compliance scan phase is quite similar to all companies participating in an enhanced relationship. After that, the cooperation is modified according to the company's needs.

Trust within dyad X

Tax experts from Company X named four objectives for co-operation: predictability, real-time processing, cost efficiency and easy issue solving. The basic principles to achieve these objectives are transparency and predictability. The interviewees from CRM team X held a similar opinion, as they named openness, trust, communication, expertise and information sharing as basic principles of co-operation.

According to CRM team, Company X's tax personnel has a high level of expertise. Despite that, Tax Administration recommends a company to ask and ensure issues already in the planning phase in any even slightly uncertain situation. On the basis of preliminary business plans tax administration can give a perspective on how tax matters should be dealt with in each business situation. In the interview respondents were asked if something within the cooperation has changed from the beginning of the enhanced relationship. With enhanced relationship a company has its own contact person in Tax Administration, and therefore the threshold to ask questions has lowered and information sharing between the parties has become easier. According to both Company X's tax experts and CRM team members, it is important to have a familiar contact person.

"There are people in Tax Administration who know the company from the past, so there is no need to clarify the basics of the company." Tax expert from Company X

Based on the answers of the respondents, personnel changes may endanger benefits of familiarity in the co-operation. Nonetheless, one member of CRM team noted that in case of personnel changes, the organizational culture may be so powerful that good old habits overcome new ones brought by new organizational members. This suggestion gets support from previous findings by Zaheer et al. (1998), according to them, institutionalized organizational practices and routines transcend the influence of an individual person.

Nonetheless, one of the tax experts mentioned that Company X doesn't always agree with CRM team about taxation matters, but they always get a reasoned answer from tax authorities. An interviewee from CRM team X mentioned that their co-operation with Company X is in a mature phase, as the company knows how to proceed by themselves, and the company hopes that co-operation continues as it is.

In terms of co-operation, inter-organizational trust is noted as an important factor by both respondents from Company X and Tax Administration's CRM team. Both Company X and CRM team describe trust as a basis of the cooperation.

*"Well, it is one of the fundamental pillars of course that we trust each other."
Tax expert from Company X*

"It is the basis of the whole cooperation." Tax expert from Company X

"Trust is a key thing." CRM team X member

"Trust is a big deal. Obviously, without trust this couldn't work." Tax expert from Company X

"It is the basis of co-operation. Naturally, we can't check out all of the things whether they are right. We have to trust what they say." CRM team X member

According to respondents, they *have to trust* if they want cooperation to work. Without mutual trust the objectives of the cooperation cannot be fulfilled. From the perspective of a company, the benefits of co-operation, such as speed and predictability, will not be achieved if one could not trust in Tax Administration's guidance. Tax Administration in turn can't verify everything – CRM team members have to trust the information received. Moreover, as one of interviewees pointed out, the partner should feel *comfortable* to share information in the first place.

Trust within dyad Y

Tax experts from Company Y told that they are seeking to anticipate their own business changes in terms of taxation, so they ask Tax Administration's view in advance. In practice, cooperation in an enhanced relationship is data gathering and sharing on both sides. The company keeps CRM team up to date about its current business and Tax Administration arranges customized guidance. Compared to previous communication before an enhanced relationship, co-operation is more solution-oriented and dialogical. According to a CRM team member, in a way Tax Administration's relationship with Company Y has shifted from customer relationship to partnership. As an objective of co-operation both tax experts and tax team members name reduction of ex-post controls as a way to achieve cost and time savings.

Respondents from dyad Y also recognized trust as a fundamental prerequisite for cooperation.

"It is like other stone foundation for this whole cooperation, the trust – or let's say, mutual trust." Tax expert from Company Y

"Definitely, definitely it is a fundamental thing" Tax expert from Company Y

"Well, that is all a and o [= extremely important, crucial] in this mode of operation, that we can trust each other." CRM Team Y member

"It is just that cooperation is based on trust. If there is no trust, then it could not be called enhanced relationship any more. Then it is some other mode of tax controlling." CRM Team Y member

In the same way as respondents from dyad X, trust is seen as a foundation of the whole cooperation approach. On the whole, trust is seen as an important prerequisite for the success of the cooperation, i.e. achieving efficiency for both participants.

Based on the research data, the notion of inter-organizational trust seems to be perceived as an efficiency enabler within mutual cooperation. This suggestion is consistent with previous findings on trust as an efficiency-enabler: trust may act as a substitute for control, and therefore reduce control and monitoring costs (Rousseau et al. 1998), and in turn the decreasing need for control increases administrative performance (Moyson et al. 2016).

6.2 Trust asymmetry within enhanced relationship

Based on literature, trust is seen to be grounded in expectations of one another (Järvenpää et al. 2008; Koorsgaard et al. 2014; Kramer & Lewicki, 2010; Lewicki et al. 1998; Mayer et al. 1995; Rousseau et al. 1998; Sako & Helper, 1998). To explore trust asymmetry within enhanced relationship, the aim in focus group discussion was to discover similarities and differences in organizational trust expectations. The participants were asked to discuss the expectations they hold for a partner organization and what kind

of factors they must trust in their partner organization. In addition, the interviewees were asked to discuss what factors their partner organization should be able to trust in their own organization. Distinction between trust expectations and assumed trust expectations of partner organization is illustrated in figure 9.

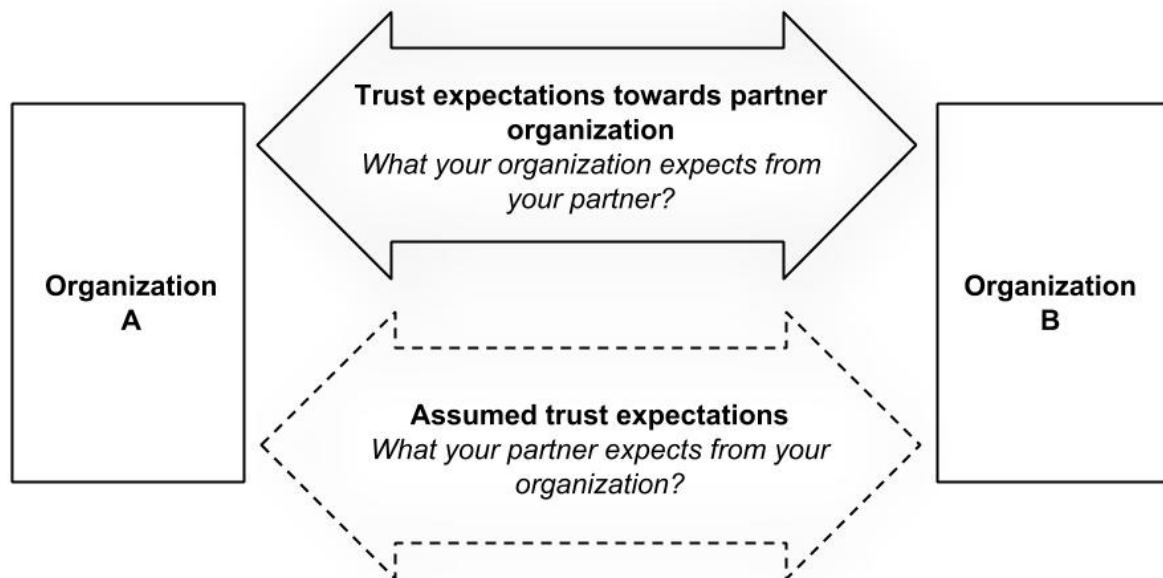


Figure 9. Distinction between trust expectations and assumed trust expectations

Trust expectations towards partner organization are referred simply as *trust expectations*, and assumptions of partner's trust expectations (i.e. what one believes their partner expects) are referred as *assumed trust expectations*. Findings on the trust expectations of each organization are presented in tables 2 and 3.

Trust expectations within dyad X

Tax experts were unanimous in the fact that they have to be able to trust the statements and instructions given by Tax Administration when they ask for tax authorities' view or advice for a certain business situation. As a tax expert from Company X stated, Tax Administration's behaviour must be *predictable*: they have to trust that the answer or statement is correct, and that the legal interpretation of a certain tax question will not change over time.

"If we ask something, the answer is predictable in a sense that there are no strange legal interpretations or something else, because we trust their rationality." Tax expert from Company X

Another essential trust expectation appeared to be trust in the *expertise and know-how* of the partner organization. So that the instructions can be trusted, the company expects tax expertise from the partner organization. According to the interviewees, expertise from both is needed to have a dialogue between partners. As one of the tax experts stated, they expect to get expertise, guidance and training from Tax Administration when needed, and that they're also told about changes in taxation procedure or tax legislation. Expectation of sharing this kind of relevant information typifies expectations of *openness and transparency*.

"Gives well justified reasons for what the decision is based on." Tax expert from Company X

"In particular, we must be able to trust Tax Administration's expertise" Tax expert from Company X

In my opinion it is important that we have expertise in both parties, that we can engage in dialogue - - and that Tax Administration also has experts, so that we can get the answers to the questions we are posing." Tax expert from Company X

"And also transparency, that Tax Administration gives you all material that is related to the subject matter. Tax expert from Company X

When compared to the Tax Administration's answers, it turns out that CRM team holds similar expectations towards Company X. Tax officials emphasized expertise and open information sharing as well. From Tax Administration's perspective, officials' trust means expecting to receive correct and adequate information from a taxpayer to make right decisions or statements. Providing the correct information is mutually agreed on, it presents *reliability* and, in turn, it requires *expertise and openness*.

"We have to rely more on just that we get the sufficient information." CRM team X member

"We have to trust the open information flow." CRM team X member

According to research results, parties of dyad hold yet different, or at least differently articulated expectations as well. A certain level of *fairness* is an important quality in a partner for Company X: the partner's approach shouldn't be too self-oriented and the partner has real willingness to take a stand to the other party's role.

"Tax Administration does not have too self-oriented an approach, but fair." Tax expert from Company X

"Real willingness to understand the role of a questioner." Tax expert from Company X

According to tax experts from Company X, they expect *continuity and commitment* from Tax Administration. The partner is expected to be willing to cooperate and continue cooperation as well. Moreover, willingness to understand the partner's business environment is important, for example the company's international operating environment.

"And all in all, continuity, that Tax Administration is committed to continue cooperation" Tax expert from Company X

"Continuity not only with regard to persons, but also continuity with advice on the issues discussed, to keep their view in substantive matters." Tax expert from Company X

In turn, Tax Administration expects *continuity of the good practice* and *willingness to proceed correctly*. Also, *information systems* and capability to control and monitor own processes have to be trusted, as they produce data for the basis of taxation.

"Trust in their information systems and in open information flow, and that they will continue to raise those issues they are now raising." CRM team X member

Another difference in expectations is the emphasis of expertise. As tax experts emphasized expertise, CRM team members did not explicitly mention that they expect

expertise or know-how. Nonetheless, they expected tax experts to provide sufficient information and proceed correctly – which requires at least a certain level of expertise. It might be because expertise can be seen as a built-in, obvious expectation that it is not mentioned separately. After all, CRM team noted that expertise is probably expected from Tax Administration.

It can be concluded that both actors of the dyad seem to know what the other expects from them. In this sense, CRM team X and Company X appeared to hold mainly symmetrical trust expectations.

Assumed trust expectations within dyad X

Both Company X and CRM team were asked to discuss what kind of trust expectations they believe their partner holds. Tax experts supposed that Tax Administration expects them to be open in information sharing and possess sufficient expertise. Based on research results, the company's information systems must be trusted as well.

"In my opinion, it is important that our company has tax expertise as well." Tax expert from Company X

"Tax Administration probably has to trust our processes... and that they will be maintained at least at the same level as in the beginning of enhanced relationship." Tax expert from Company X

"If new processes or systems are introduced, tax authorities are informed about these changes" Tax expert from Company X

These assumed trust *expectations of expertise, transparency and openness* were in line with what is actually expected. In this sense, tax experts seem to know what Tax Administration expects from Company X.

Correspondingly, Tax Administration's CRM team named exactly the same trust expectations as Company X's tax experts told they expect from Tax Administration. As

previously mentioned, the company expects that they can trust instructions and statements given by Tax Administration, this *expectation of predictability* occurred also when asked from CRM team:

"That they are able to trust our instructions" CRM team X member

"That we react and consider the question, and give our opinion after consideration, and that the given alignment and guidelines do not change over time" CRM team X member

"They expect speed, and correct decisions." CRM team X member

CRM team recognised the fact that Company X has to trust their alignment what comes to statements and given instructions. Expectations of correct, stable statements also include the assumption of *reliability*, i.e. Tax Administration truly considers the question and gives their opinion after consideration, which is a commonly agreed practice in the cooperation. This, in turn, requires expertise as well. One interviewee from Tax Administration mentioned that Company X expects quick responses, but not at the expense of expertise. Speed in responding is linked to the expectation of fairness and ability to understand the partner's needs as well. As an example, tax officers mention that Company X's representatives wish to reach the contact person easily and get statements as quickly as possible because in business situations may change rapidly.

*"They are expecting a quick response from us, but not at the expense of expertise."
CRM team X member*

Both the tax experts and interviewees from Tax Administration supposed that their partner has to trust internal processes and information systems. However, only CRM team mentioned the proper condition of information systems as a trust expectation, whereas Company X referred to those only indirectly by emphasizing the importance of internal information flow. By internal information flow a tax expert referred to internal communication, which obviously does not solely depend on information systems. Nonetheless, the organization's internal communication affects its partnerships, because knowledge must pass between all persons handling a certain partner's matters.

*"It is also important for us that internal communication in Tax Administration works".
Tax expert from Company X*

*"Because Tax Administration trusts our systems, of course by checking them from
time to time." Tax expert from Company X*

*"Of course they must also trust that our systems work properly." CMR team X
member*

"Here at least the systems should work." CRM team X member

Trust expectations addressed to information systems are linked to expectations of reliability – according to the interviewees, processes and systems must work *properly* and remain at the same quality level also in the future. What comes to information systems, expectations expose asymmetry of relationship: to some extent, Tax Administration has the authority to carry out inspections of the company's systems, whereas the company has no such option.

Table 2: Trust expectations within dyad X

	Company X Data from interview 1	Tax Administration Data from interview 2
Trust expectations towards Tax Administration	<p><i>What Company X expects from Tax Administration</i></p> <ul style="list-style-type: none"> • Reliability Behaving according to what is commonly agreed • Predictability Legal interpretation of a certain tax question will not change over time • Expertise and know-how • Fairness Approach to cooperation is not too self-oriented and there is willingness to take a stand to the other party's role • Internal information flow Internal communication in the partner organization works • Commitment and willingness to cooperate Continuity of cooperation and common alignment • Willingness to understand the partner's business environment • Openness and transparency Sharing relevant information beforehand, self-imposed 	<p><i>What Tax Administration believes Company X to expect</i></p> <ul style="list-style-type: none"> • Reliability Behaving according to what is commonly agreed • Predictability Legal interpretation of a certain tax question will not change over time • Expertise Taxation expertise: ability to give correct statements and instructions • Fairness Understanding of the partner's needs and willingness to behave accordingly • Properly working processes and information systems Processes and information systems work properly
Trust expectations towards Company X	<p><i>What Company X believes Tax Administration to expect</i></p> <ul style="list-style-type: none"> • Reliability Behaving according to what is commonly agreed • Expertise and know-how Taxation expertise: ability to proceed correctly • Processes and systems Processes work properly and remain on an appropriate quality level • Openness and transparency Open information sharing 	<p><i>What Tax Administration expects from Company X</i></p> <ul style="list-style-type: none"> • Reliability Behaving according to what is commonly agreed • Expertise Ability to proceed correctly • Information systems and processes Information systems produce correct data for the basis of taxation Processes are managed and controlled • Openness Open information sharing • Willingness to proceed correctly and continuity of good practice

Trust expectations within dyad Y

According to the research results, Company Y expects to get a quick response whenever Tax Administration's opinion is needed. As getting real-time answers to taxation issues is commonly agreed practice, the expectation of getting quick answers actually typifies *expectation of reliability*, i.e. the partner does what is commonly agreed.

"Another expectation is that if we have something we need to know, if we have questions, we can get a quick answer which we can rely on." Tax expert from Company Y

Correspondingly with Company X, also tax experts from Company Y expect that instructions and statements by Tax Administration can be trusted and what is mutually agreed is complied with. Trust in instructions and statements incorporates an assumption of permanent interpretation of the law that the instructions will not change over time causing problems in the future. In this sense, Company Y expects *predictability* from Tax Administration.

"It is the reliability of the knowledge and guidance that we'll be able to proceed in a certain way in the future". Tax expert from Company Y

"Maybe the first objective is that when things are jointly decided and agreed upon, the decisions will apply." Tax expert from Company Y

"We have to trust their guidance, that the given instructions will apply as long as the law or the interpretation of law is valid, and when we conduct accordingly, then no problems will arise later." Tax expert from Company Y

According to one of the tax experts, tax administrators seem to have willingness to gain deeper understanding of a company's business, which actually is one expectation the company holds. Tax experts were unanimous about the fact that tax administrators genuinely want to understand the business and make their decisions on the basis of facts.

More broadly put, these kinds of expectations typify the *expectation of fairness and willingness to cooperate*.

"At least they have a desire to understand better our business, and that is what we also expect." Tax expert from Company Y

*"They genuinely want to understand and make a decision in the light of the facts."
Tax expert from Company Y*

Open information sharing and initiative in communication are expected as well. *Openness and initiative* by Tax Administration are actually seen as prerequisites for successful cooperation. Open and initiative behaviour of a partner may be perceived as a manifestation of commitment. Perceived commitment of a partner may enhance expectations of continuity – which in turn, according to Poppo et al. (2008) plays a central role in trust development.

"Initiative and openness are very important for cooperation to be successful" Tax expert from Company Y

"Communication and initiative from their side." Tax expert from Company Y

Expectation of commitment arises as an important factor also for CRM team of Tax Administration. The interviewees told that in the enhanced relationship the cooperation always begins by scanning the current state in the company. This so-called *compliance scan phase* takes a lot of time and effort from both organizations, and therefore partners must be committed to cooperation from the very beginning.

"They are committed to the cooperation well." CRM team Y member

"Commitment, since we are asking for a lot in the beginning, causing a lot of work for them." CRM team Y member

The interviewees told that the compliance scan phase takes a lot of effort from companies, because plenty of information about current taxation processes is required. Another trust

expectation affiliates with this: according to the interviewees, they must trust the information provided by the customer organization. Not only information itself must be sufficient, but also it must come from the rightful source. As an example one of the tax officials points out that they have to trust the audit trail of value-added tax. In other words, they not only have to rely on the exact numbers, but also processes and people behind the numbers. Providing sufficient information is a commonly agreed objective, so in this sense tax administrators are expecting *reliability* from Company Y.

"From where everything starts and how it ends up in the tax return, so we can count on it." CRM team Y member

"We can trust that they will give the rightful returns for us." CRM team Y member

"And It is just that they give right information to us, and also that we need to inform them about certain things." CRM team Y member

Demand for a traceable source of information implies expectation or a need for transparency of information. Based on the research data, trust expectations are also being addressed on impersonal organizational competence, such as the origin and the creation process of the information. One of the interviewees mentions that in addition to personnel's competence, they expect that *information systems* are at a sufficient level.

"We expect that the customer's information systems and their personnel's competence is at a sufficient level." CRM team Y member

As reciprocal information sharing is a linchpin of the enhanced relationship, CRM teams expect openness and initiative from Company Y as well. One interviewee told that although there have not been any problems with Company Y, it's important that changes are announced in advance to avoid solving mistakes afterwards. As mentioned before in the case of Company X, the partner's proactive way of communication and showing initiative may indicate commitment in cooperation.

"That is what we expect as well, that they would inform us in advance about changes in their business, if it's related to some tax issues. So that we don't need to intervene in them afterwards." CRM team Y member

Another trust expectation is related to the expertise of personnel in the partner organization. As one CRM team member points out, a person providing information on a certain business event to another person makes a decision what is essential to know about the issue at hand. In this sense, information sharing is also associated with the expectation of the partner's sufficient level of knowledge and expertise. Consistently, a tax expert from Company Y noted that Tax Administration expects expertise from the company, especially the ability to share essential information.

"When a customer tells us something, does he really tell you everything related to the matter, or only what matters most to himself? That is, he makes a decision of what matters and what does not on our behalf." CRM team Y member

"They assume that we can gather relevant matters which we are then communicating with them." Tax expert from Company Y

Based on the research results, the notion of the partner's good expertise may arouse pressures on oneself – in this sense, the partner's excellence raises expectations directed to oneself. One respondent praised Company Y's tax experts' know-how and expertise: according to him, it adds performance pressure on Tax Administration as well. This notion indicates an expectation of the relationship being reciprocal.

"When they do quality work themselves, we have to answer it with it with at least as good quality." CRM team Y member

"In general, we expect that the customer's information systems and their personnel's competence is at a sufficient level, so that we can trust they are producing right data for us. This is the expectation with all companies in the enhanced relationship." CRM team Y member

Alongside the taxation expertise, the partner's relationship skills are appreciated by CRM team. Another interviewee mentioned that dealing with Company Y's representatives has been easy. The notion suggests that expectations of the partner organization's competence are not only limited to taxation expertise, but also to practical relationship skills.

Assumed trust expectations within dyad Y

When discussing what kind of expectations parties suppose their partner holds, both parties from dyad Y mentioned reliability, openness and predictability. Tax experts from Company Y supposed that they are expected to share correct information both in personal discussions and correct data in tax returns, i.e. be reliable and open in information sharing. CRM team holds parallel expected or assumed trust expectations about reliability and open information sharing. In their case, expectations of reliability meet when they share information for their part. One interviewee mentioned that even if they can't respond immediately, they're supposed to take the case under clarification as fast as they can.

"That we are trustworthy and talk with facts, and on the other hand tell everything that is related to the matter." Tax expert from Company Y

"And also that we need to inform them about certain things". CRM team Y member

Related to reliable behaviour and the accuracy of the data, Tax Administration has to trust Company Y's processes on transactional level. According to one of the tax experts, sales transactions must be handled correctly to produce correct returns in value added taxation. Handling transactions correctly and providing correct tax returns are seen just as basic principles which are followed in the taxation procedure.

*"Tax Administration must be able to trust our processes at transactional level."
Tax expert from Company Y*

In this sense, trust expectations are addressed also in impersonal capabilities, such as organizational processes. This expectation overlaps the expectation of reliability in information sharing.

As tax experts told that they expect predictability from Tax Administration, i.e. given instructions and commonly agreed decisions will apply, Tax Administration's CRM team also recognized the need for predictability. According to the interviewees, whenever they issue a statement or give advice, the taxpayer has to rely on the accuracy of the information given.

"If we take a stand on something in writing, it will constitute a legitimate expectation towards taxpayers." CRM team Y member

Accuracy of information is linked to expertise and know-how. According to a respondent from CRM team Y, customer organizations can already trust the expertise of Tax Administration, even if they were handling the matter with a more inexperienced tax official because expertise and assistance are available in the background. Alongside with expertise in taxation, understanding of the partner's business is needed as well. Another interviewee noted that Tax Administration has to have industry specific knowledge and know-how. This notion is consistent with Company Y's expectation of willingness to understand business.

"It requires industry specific knowledge and know-how from us, that we understand how a certain market works, for example." CRM team Y member

"Things are not left on the inexperience of one person." CRM team Y member

Parallel with Tax Administration's expectation of expertise, a tax expert noted that Company Y is supposed to be able to recognise tax-wise relevant matters which need to be discussed with CRM team. In this sense, Company Y expects that a certain level of expertise is expected from them.

"They expect that we are able to recognise relevant matters we need to discuss with them." Tax expert from Company Y

In the discussion with CRM team Y, expectation of confidentiality rises. According to respondents, they need to be worthy of trust, as they receive confidential and sensitive information. Confidentiality means being worthy of trust in a legal sense (as it is required by law in tax matters) and in business sense (as business secrets must be safe). Expectation of confidentiality wasn't explicitly expressed in the discussion with Company Y tax experts. This obviously does not mean that confidentiality is not expected – on the contrary, perhaps it is a self-evident, yet implicit assumption.

“We have to be worthy of trust.” CRM team Y member

Company Y and CRM team Y held similar trust expectations what comes to openness, initiative and reliability. On the other hand, Company Y expected predictability as well as fairness and willingness to cooperate. Tax Administration, instead, expected commitment, transparency, expertise and relationship skills.

What comes to trust expectations, one difference occurred: Company Y did not emphasize trust in Tax Administration's information systems as much as CRM team themselves. One tax expert mentioned that she doesn't worry about Tax Administration's technical capabilities, but rather appreciates communication and initiative from their partner. On the other hand, respondents assumed that Tax Administration expects that the Company's processes can be trusted on a transactional level and that the information produced is correct.

Table 3: Trust expectations within Dyad Y

	Tax experts from Company Y Data from interview 2	CRM team Y members from Tax Administration Data from interview 3
Trust expectations towards Tax Administration	<p><i>What Company Y expects from Tax Administration</i></p> <ul style="list-style-type: none"> • Reliability Behaving according to what is commonly agreed • Initiative and openness Initiative and openness in communication and information sharing • Predictability Given instructions and commonly decided and agreed decisions will apply • Fairness and willingness to cooperate Genuine willingness to understand the business and make decisions on the basis of facts 	<p><i>What Tax Administration believes Company Y to expect</i></p> <ul style="list-style-type: none"> • Reliability Behaving according to what is commonly agreed • Openness Openness in communication and information sharing • Predictability Given instructions and commonly decided and agreed decisions will apply • Expertise Sufficient level of organizational expertise • Understanding of partner's business Industry specific knowledge and know-how • Being worthy of trust Confidentiality with sensitive information • Reciprocity
Trust expectations towards Company Y	<p><i>What Company Y believes Tax Administration to expect</i></p> <ul style="list-style-type: none"> • Reliability Behaving according to what is commonly agreed • Openness Open information sharing • Expertise Ability to recognise and share tax-wise relevant matters • Information systems and processes Transactions are handled correctly 	<p><i>What Tax Administration expects from Company Y</i></p> <ul style="list-style-type: none"> • Reliability Behaving according to what is commonly agreed • Openness and initiative Sharing relevant information in advance Relationship skills • Expertise Sufficient level of knowledge and expertise Excellent expertise arouses pressures on one's own expertise • Information systems and processes Competence to produce sufficient information • Commitment • Reciprocity • Transparency Source of information is traceable

According to research results, partners held both similar and different trust expectations. Trust asymmetry appeared in expectations of continuity and expectations of information systems and capability to monitor them. Both companies expected continuity, commitment

and willingness to cooperate from Tax Administration, whereas Tax Administration expected commitment, continuity of the good practice and willingness to proceed correctly also in the future. The findings on trust symmetry and asymmetry are illustrated in aggregation figure 10. Symmetrical trust expectations are shown in in the symmetric object of the figure, and trust asymmetries are shown below in asymmetrical objects.

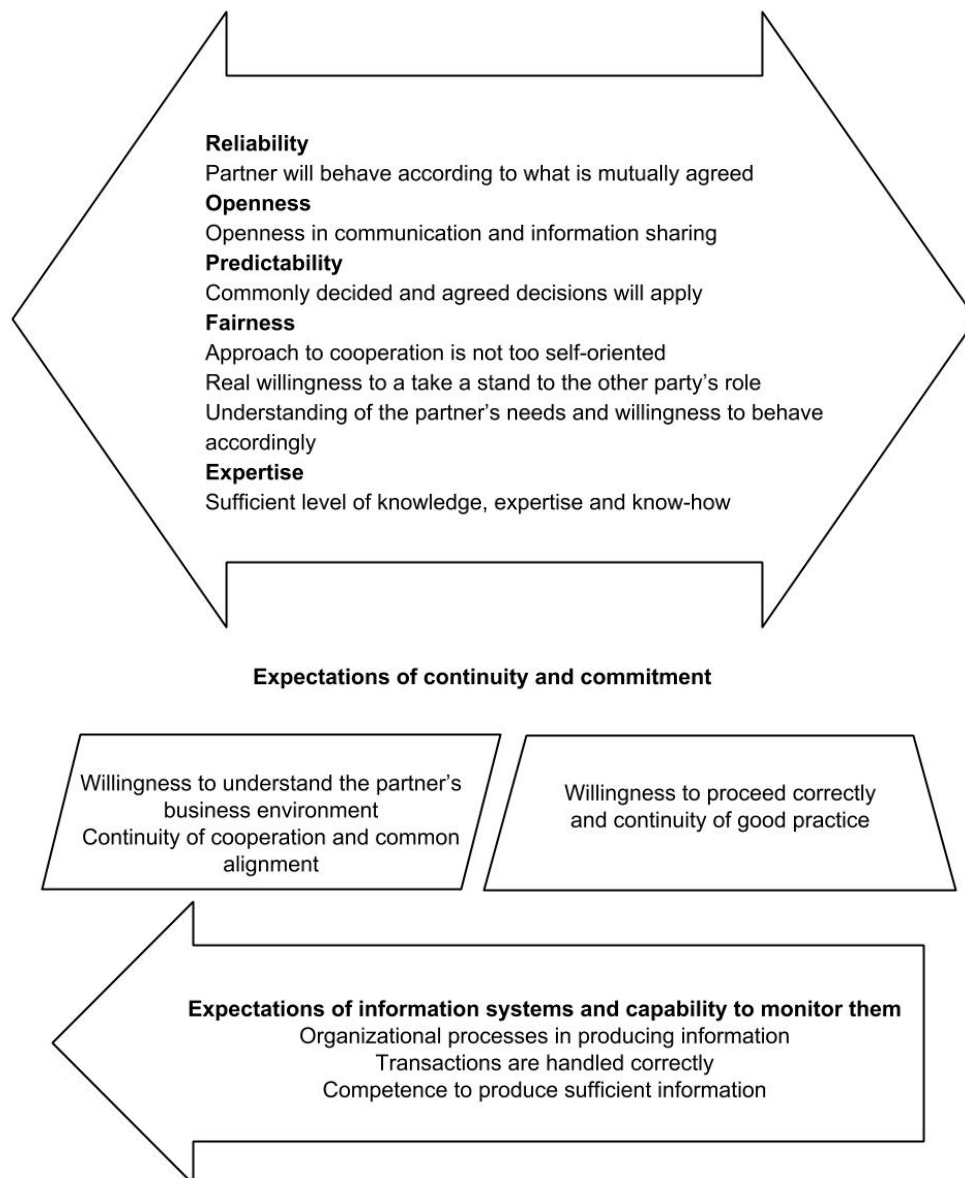


Figure 10. Aggregation of trust symmetry and trust asymmetry

It can be concluded that differences were not contradictory but actually differently articulated: both were related to continuity of cooperation. Another asymmetry appeared to

be the emphasis on expectations towards information systems and capability to control those. Tax Administration emphasized quality of both their own and their partner's information systems, whereas companies did not hold this expectation similarly, yet both companies noted the importance of their own internal information systems. The matter was about the emphasis of expectations, not the issue if the partner is capable of monitoring their own systems or not. One of the company respondents even mentioned that she's not concerned about Tax Administration's systems, but rather expects communication and initiative from Tax Administration.

6.3 Trust and digitality

In the focus group discussion respondents were asked to discuss how digitalization is visible on a practical level in the taxation process. Some respondents found it difficult to think only from the point of view of taxation, so the impact of digitalization was discussed in a wider context as well. In addition, respondents were asked to discuss whether digitalization has affected their attitude towards their partner, or if they have noticed that their partner's attitude has changed. In the following section, research results on digitalization's impact on inter-organizational trust are presented. Findings of this section are summarized in figure 11.

Digital opportunities in taxation context and image of trustworthiness

According to the tax experts of Company X, data transfer has become more digital. From the perspective of a taxpayer, digitalization is reflected on increased amounts of online transactions and e-government. For example, tax returns are given in a digital form. Even though accounting data is in a digital form, the whole taxation processes are still not digitalized. However, respondents from Company X suppose that in the future digitalization will appear more clearly in taxation processes. Accordingly, the respondents from Company Y mentioned that they don't see digitalization appear in any other form than that of data transmission: instead of giving a paper tax return, it is reported electronically. According to research results, digitalization within Tax Administration is more visible in other countries than in Finland.

When discussing how digitalization appears in taxation processes, Tax Administration's interviewees from CRM team Y stated first that accounting data has been in an electrical form a long time, already fifteen to twenty years. At least in tax audit processes, digital form data shortens the lead time. Respondents told that they can't even imagine that the data would be in a manual form in large companies.

According to another respondent group from Tax administration, CRM team X, in taxation work digitalization is not necessarily as visible as in actual business. Although tax returns are given in a digital form, the taxation process includes manual phases. One of interviewees gave an example of income taxation, in which attachments of tax return are still often given in a paper form, because handling of attachments is easier as they are printed on real paper. According to the respondents, another implication of digitality is that more detailed information may be asked by secure mail, which is more efficient compared to traditional mail, but that is the only quicker phase so far. With the new taxation software, this may be changed in the future.

"Income register will change quite a lot" CRM team X member

Respondents from Company X see potential in digital analysis tools: the amount of mass data is huge, hence analysing tools may be useful in taxation context. Another implication of digitality is robotics, but it is not yet used in taxation processes.

"It would save costs if the data was more efficiently collected and analysed."

Tax expert from Company X

According to another tax expert from Company X, the more effective data collection and use of information, for example in VAT-chain would help to achieve cost savings. Currently the only benefit of digitalization is saving time when there's no need to send that much information by paper. Respondents also supposed that digitalization has potential to increase efficiency in Tax Administration's operations, as elimination of routine tasks saves time to deal with the actual substantive tax issues. They suppose that in the future resources will be released to the more important tasks, and getting correct information should be facilitated by analysing tools.

In this sense, research results suggest that the biggest digital changes in taxation context are yet to come. Data transfer and communication are facilitated by digital means, yet the taxation process includes many manual phases. Single phases are already digitalized, full digital transformation is yet to come. According to research results, there is a need to make use of existing possibilities enabled by digitalization, although so far digitalization displays itself more as positive expectations of future. Some of these expectations are expected to be realized in the (near) future.

With regard to inter-organizational trust, changing expectations of future may alter the expectations directed towards partner organizations. As an example, positive expectations of benefits of digitalization may have an effect on expectations towards the partner. In this sense, changing expectations have an impact over trust - if changing expectations and reality do not meet, trust may be harmed or more difficult to build. This suggestion is in line with findings by Kim (2005): if demands go beyond actual competence, there is a mismatch between expectations and the actual performance.

*"Making tax returns is greatly facilitated and that is really a positive signal."
Tax expert from Company X*

"Information about unsuccessful acts spreads easily, and influence perceptions." Tax expert from Company X

Respondents from Company X also noted that digitalization of an organization may have a double-sided effect on the image of trustworthiness. According to them, if efforts on digital transformation, digitization of activities and services succeed, the impact may be positive and if failed, it may worsen the image of trustworthiness.

Increasing uncertainty

Digitalization is expected to bring benefits in mass data analysing in the future and thus benefit both Tax Administration and companies. Nonetheless, as tax expert from Company X pointed out, during the transition phase it is impossible to see the net effect of

digitalization, as transaction costs are still big. Investments in digital technology contain risks, as they require a lot of resources, still, legislation may change and additional investments in improvements are needed.

"When you do not know how long-term investment it is, if the legislation changes." Tax expert from Company X

In this sense, possibilities brought by digitalization increase uncertainty as well. Increasing uncertainty appears also in the results from the interview with Company Y's tax experts. According to them, Company Y's own business is going digital, and it brings new kinds of tax issues on their desk as well. A new range of business models and products are coming to markets – on that account, new types of taxation issues and practices of managing tax matters emerge as well. New taxation matters should be dealt with already when new business models are planned, as information systems are sluggish to change later. According to another tax expert, that is the reason why Company Y is proactively informing Tax Administration about changes in their own business. The company wants to give "an early warning", because changes in business models and products may cause questions that might be new for Tax authorities as well. As an example, trade of new digital services may cause interpretative questions about VAT taxation for tax administration.

"When the world around is changing, even tax matters are different than in traditional business" Tax expert from Company Y

Due to digitalization, new types of business models and products rapidly enter markets, while there is not necessarily a taxation policy suitable for the new situation. Thereby the operating environment is uncertain to some extent: as an example, related to what will be the taxation policy in transfer pricing or value added taxation. In this sense, digitalization may pose new kinds of risks. A tax expert from Company X mentioned that in addition to the possibilities, digitalization comes with new kind of threats, such as evolving digital crime.

Uncertainty of future policies makes it harder to anticipate and prepare for the future. Tax experts from Company X noted that in terms of digitalization, change is permanent. If

digital transformation progresses faster in a certain business, it may cause asymmetries between different industries and administration. Industrial asymmetries - e.g. when business is changing faster compared to legislation or taxation policy – may cause ambiguity and tension between organizations.

”A crystal ball would be nice, as we are constantly trying to anticipate where the world is going to go, what it looks like after 5 years, what the different scenarios are, how this can end. What are the different outcomes?” Tax expert from Company Y

However, research results suggest that inter-organizational trust may reduce uncertainty caused by digitalization. According to CRM team X, Company X is so conscientious that uncertainty brought by digitalization will not weaken the trust in the Company. As a general notion, respondents mentioned that digital development of systems and overall changes might raise small concerns. However, Tax Administration trusts that the Company makes its systems work and everything goes well in digital transformation. Also, digitalization and digital information transfer may have simplified ensuring the facts. In this sense, existing inter-organizational trust may inhibit uncertainty caused by digitalization, or, more precisely, inhibit transaction costs caused by certification of new systems.

Digitally enabled transparency and openness

Based on research results, another potential impact on trust is digitally enabled transparency and openness in cooperation dyads. Transparency and openness may be enhanced by using digital tools, because information and its source may become more traceable by digital means, and therefore add conditions on transparency and openness. Respondents from Company X supposed that global cooperation and transparency will increase because of digitalization. Transparency, in turn, may have positive outcomes on inter-organizational trust, as increased transparency may enable conditions of trust via better understanding of what the partner is doing (Im et al. 2014).

"Global transparency will certainly be enhanced through digitalization" Tax expert from Company X

"But it is evident that this kind of cooperation would not be possible without digitalization. In a way, this goes hand in hand because digitalization increases transparency." Tax expert from Company X

According to another tax expert from Company X, cooperation in the form of enhanced relationship wouldn't be possible without digitalization. As such, digitally enabled transparency may evoke new forms of cooperation. With regard to literature framework, the notion of digitalization enabling transparency gets support from Berman and Marshall (2014) and Parviainen and her colleagues (2014), who suggested that transparency enabled by digitalization drives both trust and effectiveness.

Changing requirements of information sharing

Research results indicate that the impact of digitalization appears as changing requirements of information sharing and the quality of data. The theme of information sharing was repeated in all four focus group discussions, and in all of them the importance of data quality, information sharing and timing were emphasized.

Tax experts from Company X noted that due to digitalization more information is collected from companies by authorities. As information sharing is easier by digital means, companies are also required to deliver more and more information about their activities. According to respondents, these increased demands in information sharing and reporting appear on the international side, but not yet in the reporting standards of Finnish tax authorities.

"No paper prints by mail would ever have been asked for." Tax expert from Company X

Accordingly, tax experts from Company Y mentioned that tax authorities of other countries are becoming more digital. Digitalization within Tax Administration creates new challenges to companies, as information must be provided in increasing amounts in real time. Real-time information reporting sets serious challenges for the quality of data, as transaction-specific adjustments are difficult or impossible to do.

Research results indicate that the accuracy of data is becoming more and more important. A tax expert from Company Y stated that certainty of data quality is also what Finnish Tax Administration is seeking by making sure that processes, invoice and VAT-processing are working as expected. According to respondents, transparency is pursued to avoid tax evasions. For example, in Spain tax authorities use Big Data to certify the validity of VAT deductions. Respondents noted that a new kind of digital controlling tools used by authorities creates pressure and demands also for tax payers.

"That is a real challenge and requires resources." Tax expert from Company Y

"It is not just an IT challenge, but it is also source accuracy, the source data must be correct." Tax expert Company Y

Correspondingly with companies' answers, both CRM teams emphasized data accuracy. Interviewees noted that as tax officers they have to know how certain data is provided to assess its reliability. In practice it means being familiar with companies' information systems. If some company implements for example a new kind of invoice system, tax authorities have to check how control works in it, because it affects the quality of data produced.

"And after all, one aspect of this cooperation is to know how their information systems work, how they produce the data and how reliable it is." CRM team Y member

"Of course we want very detailed information about taxables that have been paid, how they end up to the annual information reports and what steps it contains." CRM team X member

According to company respondents, some European countries have implemented real-time reporting standards. A tax expert from Company Y noted that in some cases the authorities should give more time for companies to prepare in changing demands during a transition phase. If requirements change in a short time, it might be impossible to make changes in information systems during one night.

“Demand of transparency requires a real effort from a single company, even from honest companies that strive to act properly.” Tax expert from Company Y

In addition to changing requirements on information sharing, company respondents supposed that digitalization will change work content and work roles. According to a Tax expert from Company X, digitalization changes taxation more than any other change before – it not only changes taxation procedure, but also the content of work and work roles.

“In my opinion digitalization changes taxation more than any change so far. It changes people’s job descriptions, taxation procedures like tax reporting, payments and tax audits and all these areas significantly in quite a short period of time.” Tax expert from Company X

A respondent from Company Y brought up changing work roles as well. According to her, a national income register project will change job descriptions, because some tasks will be lost and replaced with new ones.

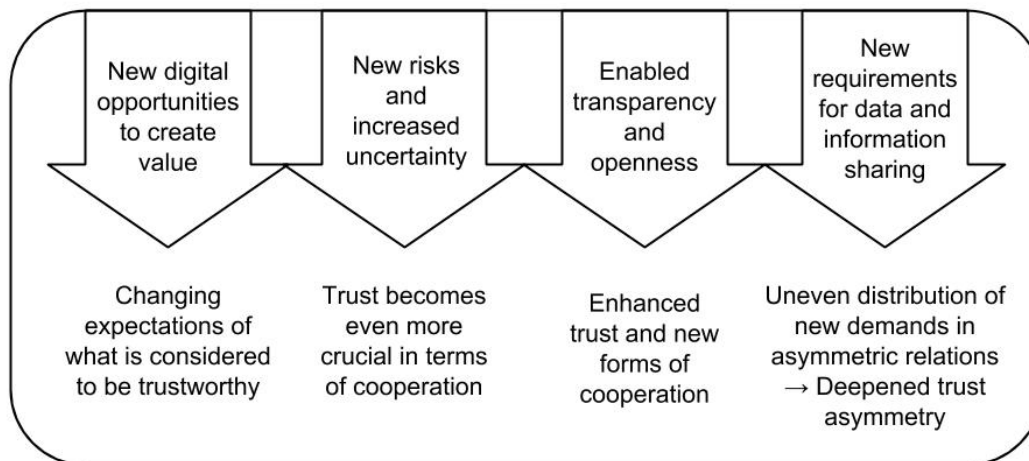


Figure 11. Summary of findings on digitality and trust

Findings on trust and digitality indicated, that digitalization not only brings forth new opportunities, but also changes requirements what comes to data quality and information sharing. As an example, authorities or large companies may possess one-sided negotiation power over their partner to dictate the rules of information exchange. Within asymmetric cooperation dyads these requirements and demands can be distributed in an unbalanced way, which in turn is likely to increase trust asymmetry.

6.4 Intentional trust building

Both Companies and CRM teams were asked to discuss factors that would strengthen or weaken trust, and what kind of factors would affect the perceived trustworthiness. During discussion respondents needed to extend the debate beyond actual trust weakening or strengthening events to hypothetical events, as their prior history with this partner in question did not have any significantly trust undermining events. Therefore, results present partly what *possibly would or might* weaken the trust, while the strengthening factors are both actual and potential - what actually *have strengthened the trust*, and what *would strengthen the trust*. Summary of findings on intentional trust building is presented in figure 12 at the end of following section.

Behaviour according to trust expectations

In the discussion with Company X, the clearest trust strengthening factor appeared to be *predictability* of both partners' and their own behaviour. According to tax experts from Company X, Tax Administration's perceived trustworthiness is strongly affected by how predictable its behaviour is, i.e. the organization behaves according to what is commonly agreed. Trust is strengthened when strategic intentions are communicated beforehand and when both retain in those intentions. However, the need for predictable behaviour is not unilateral as respondents reckon the company needs to act as they have promised, and there has to be a common approach across their own organization. A common approach in their own organization in turn requires efficient internal communication.

"Do as they say." Tax expert from Company X

The importance of predictability occurred in other discussions as well. Tax experts from Company Y mentioned that flapping decisions would weaken their trust in their partner organization. Correspondingly, tax officers from CRM team Y noted the need for consistency in Tax Administration's instructions and statements. In this sense, lack of predictability and consistency of the partner's behaviour were seen as potential trust weakening factors.

According to the research data, fulfilling mandated obligations accurately strengthens the trust. Fulfilling mutually agreed expectations can be perceived as a signal of reliability, which in turn enhances trust. According to a respondent from CRM team X, Company X has proved that it is proceeding correctly, and, above all, they have willingness to do things correctly and carefully. As an example, asking for advice in any uncertain situation is seen as striving for reliability. In turn, showing willingness to conduct correctly enhances Tax administrators' trust in the partner company.

Respondents from CRM team Y mentioned that a taxpayer respecting due dates and giving tax returns in time, in which information provided is high quality, builds the trust in the company in question. Again, as companies may tell sensitive information to Tax Administration, there's a need to keep the confidential information in secrecy. Fulfilling the

expectation of confidentiality, proceeding tax matters right and giving "correct" statements builds the company's trust in Tax Administration.

Respondents from Company Y and CRM team Y also noted that lack of reliability would weaken the trust. According to them, if the company was unable to provide relevant information, or if its processes were wrong and tax returns were full of mistakes, it would arouse suspicion. In turn, contradictory statements from Tax Administration would weaken trust too. They can be seen as signals of reliability violation: the partner actually does not do what is expected. Behaving according to the partner's trust expectations strengthens the trust, whereas behaviour diverge from those expectations seems to weaken the trust. Lack of reliability works both ways.

Tax experts from company X emphasized the role of expertise when discussing trust strengthening and weakening factors. Without expertise Tax Administration could not be able to fulfil expectations Company X has placed on it. Corresponding to trust expectations mentioned in the previous section, expertise is one of trust expectations – therefore lack of it may weaken the trust. In addition, tax experts mentioned that if the Company's personnel did not follow their own code of conduct in tax matters, it might arouse suspicion in Tax Administration. This notion refers to the expectation of the partner's integrity, or consistency of internal operations.

The importance of commitment appeared in all four discussions. According to the research data, indications of partner's commitment were seen as trust building factors. In the discussion with CRM team Y, Company Y's commitment to cooperation, for example the company's tax expert's willingness to participate in trainings organized by Tax Administration, is seen as a trust strengthening factor. Again, both Company X and CRM team X noted that signs of the partner's lacking commitment would probably weaken trust, even though both organizations felt that their partner in the enhanced relationship is highly committed.

"If the customer company was not quite active, it would feel that we are the giving party in the relationship." CRM team X member

"If there was no willingness to resolve issues." Tax expert from Company X

Predictability, reliability, expertise and commitment of a partner were mentioned as trust expectations: in this sense, behaving according to the partner's expectations strengthens the trust, whereas behaviour that does not meet trust expectations, may weaken the trust. As an example, if predictability is expected from the partner, the partner's behaviour according to what is commonly agreed enhances trust, whereas behaviour deviating from expectations would be considered as a violation of trust.

Utilization of data

Based on the research data, utilization of data by digital means may be considered a trust building factor. Both companies mentioned that validating the data provided to Tax Administration may strengthen the trust. A tax expert from Company Y proposed that by doing self-analysis and spot checks and by presenting their results to tax authorities they possibly can *create trust*. In a sense, *giving proof* may be perceived as an act of trust. Certification of information by data analyses can be seen as what McKnight et al. (1998) called structural assurances, which may enhance trust belief that the situation is somewhat guaranteed.

*"Proving the Big Data right, so you just have to do analysis from time to time."
Tax expert from Company Y*

A similar view occurred in discussions with both CRM teams. Tax officers referred a few times to *showing proof* or *opportunity to check with their own eyes*, when discussing trust-strengthening factors. This kind of proof-showing of the company's own initiative may be perceived as a signal of fairness and willingness to conduct correctly by Tax Administration. When compared to CRM team's trust expectations in the previous section, they specifically expected their partner to be willing to cooperate and be willing to conduct as mandated. Secondly, extra reporting and showing analyses of their own initiative may also strengthen the image of the partner's fairness (wants to help partners as well), capability (capability to control internal processes) and willingness to proceed correctly.

"We have received a lot of such impulses from the company side, that even of their own initiative the Company informs us about these things almost in real time." CRM team Y member

In a certain way, digitalization may offer tools to *show proof* in such cases where the trustor's expectations are related to given information. As digitalization changes the requirements of information quality, digitally enabled ability to prove the data rightful can be considered an ability to build preconditions on trust.

Familiarity and shared context

Research results suggest that familiarity and interpersonal relationship appear to be trust-enhancing forces in inter-organizational trust relations. Both Company Y and CRM team Y from Tax Administration discussed not only familiarity of contact persons in the partner organization, but also familiarity with the partner as an organization. According to respondents, it is easier to contact the partner organization when they know the contact persons.

"In particular, familiar persons, with whom we discuss things." Tax expert from Company Y

"Discussing face-to-face and consider solutions." CRM team Y member

"The more we are involved in their activities, the more we also learn to know the business environment of a particular company." CRM team Y member

In this sense, interpersonal trust between company representatives of partner organizations has an enforcing impact on trust on an inter-organizational level. According to another respondent from CRM team X, it might be even impossible to name what are the factors affecting perceived trustworthiness of another person are. Also tacit signals of trustworthiness may partly affect the perceived trustworthiness of the partner.

“When you are in personal interaction, you may not be even able to name the things that make you feel in some way.” CRM team X member

“It is tacit knowledge itself.” CRM team X member

According to one CRM team member, unfamiliarity of a partner organization might appear as a lack of understanding of the business. CRM team has received criticism that Tax Administration does not necessarily understand properly the activities of certain companies and businesses, and therefore CRM team does not understand why companies are doing certain activities and what the business-based reason for conducting a certain act is. Lack of understanding in certain company’s business may be frustrating for company representatives. According to another CRM team member, certain industries may require more learning from tax authorities to understand business logics and to make correct questions.

“There are industry sectors whose understanding demands more studying from us to understand what the company does and how everything works. It also frustrates company representatives if we ask too stupid questions.” CRM team Y member

One respondent from Tax Administration noted that some partners are active in asking for advice whereas others are more passive. Because customer companies have different habits of interaction, it is sometimes hard to know whether it means that everything is okay within a certain company or if the company is unconcerned with what comes to tax matters. What comes to trust weakening factors, a tax expert from Company X brings up the meaning of common language: if there were no shared language and understanding, trust might be weak, even if it is not a problem currently.

“If a certain company is passive, does it indicate that they are able to do things by themselves, or is it that they won’t ensure facts properly?” CRM team X member

“If the parties do not speak the same language.” Tax expert from Company X

It can be concluded that the interpretation of signals is relative to the context of each dyad, and a certain act can be interpreted in many ways. But without adequate level of knowledge of the other (lack of context to reflect on) or, with different perception, signals may be interpreted wrongly. In a sense, lack of understanding and shared language may actually appear as a lack of shared context in which signals could be interpreted. According to the opinion of the respondents and the previous suggestions by Gulati (1995), trust builds over time: this notion supports the idea of trust building being easier with a familiar partner.

According to research data, change of personnel in the partner organization might endanger the trust. Company Y tax experts noted that in case of personnel changes in CRM team, they wish that the change would be controlled. In a way, personnel changes can discharge trust building factors, such as the familiarity, shared context and language. Nonetheless, one interviewee from CMR team X suggests that a strong organizational culture may inhibit the effects of personnel change. Change of responsible persons does not necessarily change the way of proceeding, if strong organizational culture overpowers the individual. What comes to Company X, he found that a strong organizational culture might guarantee a certain way of tax proceeding in case of personnel change.

Communication, openness and transparency

To build shared context, communication and interaction over time is needed. Research results point out that all respondents found communication, openness and transparency trust building factors. One tax expert from Company Y noted that cooperation climate in the enhanced relationship should be open, so everyone would feel free to ask if there's something unclear. According to her, open and bold asking in an unclear situation can dispel suspicion and distrust. Another respondent from CRM team Y mentioned that even experienced and talented tax experts may not be able to guess what tax authorities want to know.

"It is important to achieve that kind of atmosphere where we can both ask questions." Tax expert from Company Y

Overall, in all discussions respondents emphasized the importance of communication. According to one tax expert from Company Y, it is communication that builds trust. Through communication partners can learn about each other, what is expected from the partner and what the partner expects. Learning through communication and interaction increases shared understanding (what the mutual objectives are), i.e. it builds shared context.

“Tax administration’s initiative and communication is important.” Tax expert from Company Y

“In general, the fact that these companies keep in touch.” CRM team Y member

Also, openness was mentioned to be a trust enforcing factor. A tax expert from Company Y noted that openness towards Tax Administration probably enforces trust in the company, and they have been seeking more real-time communication towards Tax Administration. Correspondingly, inactive communication or withholding information might raise concern or suspicion. It might also be frustrating if communication was ineffective or slow due to tools. As an example, communication via traditional mail may be slow and therefore things do not go forward, whereas simply the possibility to communicate via email is much more effective. This suggests that lack of interaction or weak communication due to inappropriate communication tools may weaken the trust.

Trust reciprocity

According to Company Y, lack of suspicion can be interpreted as a signal of trust. One of the tax experts mentioned that Tax Administration seems to be truly willing to understand the business of Company Y, and does not suspect that the Company is up to something. Absence of prejudice and suspicion are seen as a trust enforcing factor.

Research data suggests that trust enforcing factors may work in a reciprocal way. As previously mentioned in section 6.2, according to CRM team Y member, their partner's excellence in tax matters and their performance stimulates them to strive for producing better service. Correspondingly, when the Company shares confidential information with CRM team, it can be perceived as an act of trust. In this sense, trusting behaviour works in a reciprocal way and trusting acts strengthen the trust.'

"It is just a sign that we can be trusted as well." CRM team Y member

Correspondingly to reciprocity, suspicion may feed distrust – or weaken the actual trust. According to one respondent from the company side, re-raising issues from the past is uncomfortable and raises questions. Going back to tax matters that have already been processed years ago may be perceived as a signal of distrust or suspicion by the tax payer.

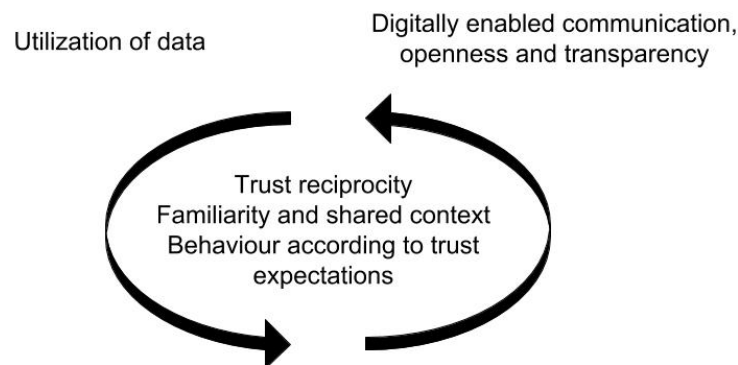


Figure 12. Summary of findings on intentional trust building

Overall research findings suggest that inter-organizational trust building requires behaviour according to partner's trust expectations in a reciprocal way. Reciprocity in turn necessitates familiarity and shared context to a certain extent. What comes to intentional trust building in the context of digitalization, findings suggest that utilization of data and digitally enabled transparency and communication can promote inter-organizational trust building.

6. DISCUSSION AND CONCLUSIONS

This chapter provides an overview of findings of the research and discusses them in consideration of the literature review. Based on the research results and theoretical framework, research questions are answered. For further understanding and towards more practical approach, managerial implications are presented as well. Moreover, limitations of research and suggestions for further research are presented at the end of this chapter.

7.1 Discussion

Based on research results, inter-organizational trust is a crucial factor within an enhanced relationship: it is a prerequisite for achieving the objectives, i.e. efficient and proactive way of managing tax matters. In a traditional relationship between tax authorities and their customer the role of trust is not that fundamental, as traditional, coercive mechanisms of tax controls are the basis of exchange. Instead, in the enhanced relationship trust is needed to enable mutual information sharing and collaboration to achieve the objectives in the first place.

The notion of trust acting as an efficiency-enhancing factor in inter-organizational relations is consistent with the literature review: even though co-operation may exist without trust due to external control mechanisms, such as coercive power of the other party or possibility to impose sanctions (Mayer et al. 1995; Rousseau et al. 1998), mutual trust is needed to achieve genuine, goal-oriented collaboration (Oomsels & Bouckaert, 2014; Thomas & Skinner, 2010). On the whole, it is a relationship-fostering phenomenon (Svensson, 2006). High trust is prerequisite of cooperative climate in a relationship between tax authorities and the taxpayer, whereas use of coercive power by tax authorities enhances uncooperative climate (Gangl et al. 2014).

Trust asymmetry

One of the theoretical assumptions of this research is that inter-organizational trust should not be implicitly assumed to be symmetric (Zaheer & Harris, 2006; Graebner, 2009). As

trust is seen to be grounded in expectations of the other (Järvenpää et al. 2008; Koorsgaard et al. 2014; Kramer & Lewicki, 2010; Lewicki et al.1998; Mayer et al. 1995; Rousseau et al.1998; Sako & Helper, 1998), trust asymmetry was assessed through trust expectations.

According to research results, partners held both similar and different trust expectations. What comes to expectations of the partner's reliability, predictability, openness, fairness and expertise, both dyads held symmetrical trust expectations towards each other. A symmetrical part of trust expectations was in line with previous studies on trustworthiness: the partner was expected to be reliable and behave in a predictable manner, i.e. behave according to what is mutually accepted (Sako & Helper, 1998), and possess expertise or ability, i.e. have competence or skills in a specific domain, and be fair or benevolent, i.e. to do good without selfish motives (Mayer et al. 1995).

Trust asymmetries appeared in expectations of continuity and expectations of information systems and capability to monitor them. The expectation of continuity was actually differently articulated by parties of each dyad, as both companies and Tax Administration expected commitment and willingness to continue cooperation. A greater difference in trust expectations appeared to be trust in information systems and capability to control them. Respondents from Tax Administration expressed more explicitly concern on the quality of information systems (both systems of their own and those of the partner organization), whereas respondents from companies did not hold a similar expectation.

Differences in trust expectations can be explained through organizations' different objectives. Despite the shared objective in the co-operation, both parties still hold their own strategic objectives – which doubtlessly are different with public authorities and in a commercial company. In a sense, Tax Administration's *expectation of willingness to continue the good practice and to proceed correctly*, can be expressed as a demand for compliance. As Tax Administration's purpose is to collect tax, it benefits from compliance of taxpayers. On the other hand, companies expected fairness from Tax Administration – authorities with power are expected to use their power with fair judgement.

Previous suggestions of asymmetric trust research reveal that trust is more likely to be asymmetric when there are differences in information, power balance and

interdependency (Koorsgaard et al. 2014; Thomas & Skinner, 2010). With regard to that, research results may be somewhat surprising: despite Tax Administration and both of the companies being quite different from each other, their trust expectations appeared to be quite symmetric.

The similarity may be due to the cooperation context parties are operating in: although organizations are asymmetrical in general, the context of cooperation is symmetrical. Symmetry of expectations can possibly be explained by a shared cooperation context: despite the asymmetries in general, the enhanced relationship creates a cooperation context in which the parties are in a more symmetric position. When viewed in the enhanced relationship context, the parties' power relationship is more balanced and symmetrical as participation is voluntary, compared to traditional taxation contexts, in which companies are control mechanisms, i.e. what Van der Hel and Siglé (2015) call deterrence strategies.

Also, the reciprocal nature of cooperation may contribute to the trust building in asymmetric settings. In the enhanced relationship cooperation between parties is reciprocal, as both parties give something to one another and information exchange is two-way. As reciprocity builds trust (Butler, 1983; Koorsgaard et al. 2014), perhaps it helps to overcome trust-challenges caused by power asymmetry. Moreover, organizations' objectives are different, yet parallel and not contradictory: Tax Administration aims to collect taxes in an efficient way, and companies aim to fulfil their mandatory obligations (i.e. pay taxes) while optimizing their business expenses (taxation is an expense). Consequently, mutual cooperation approach has potential to benefit both. This notion is consistent with findings of Gangl et al. (2015), which suggest that trust enables cooperative climate, whereas coercive mechanisms by the other party foster only the uncooperative climate.

Another explanation may be symmetry in individual level trust antecedents, as inter-organizational trust has its roots in an individual level (Zaheer et al. 1998). Although partners have relationship asymmetries on an organizational level, symmetry in interpersonal relations may overtake these organizational asymmetries. According to Koorsgaard et al. (2014) trust asymmetries may be due to different individual characteristics. Perhaps the tax expert's and tax official's interpersonal relationships play

a significant role in building inter-organizational trust: both the respondents from Tax Administration and companies emphasized the importance of familiarity. This suggestion is aligned with the explanation by Oomsels and Bouckaert (2014), who explained the emergence of inter-organizational trust by reciprocal interactions between *boundary spanners* of organizations.

Research results show that trust asymmetries may manifest themselves also as small differences in trust expectations in a situation where parties share mutual trust. It can be concluded that trust asymmetries may appear in other ways than just in a black and white division into trust and its absence. This notion may not be brand new, yet trust asymmetry has mainly been seen as a setting, in which the other party trusts whereas the other does not (Graebner, 2009; Thomas & Skinner, 2010; Koorsgaard et al. 2014; Svensson, 2006).

Within this research context mutual trust was present at an adequate level in terms of cooperation within both dyads, and parties seemed to know what their partner expects from them, despite the slight diversity of expectations. At the worst, trust asymmetries may complicate trust building by different trusting behaviour, which in turn causes misinterpretations (Graebner, 2009; Wang et al. 2015). Perhaps, if parties' objectives are parallel and not contradictory, and trust asymmetries are consistent with what is mutually agreed, trust asymmetries may not be harmful to the cooperation.

Digitalization and trust

According to research results, ongoing digitalization brings forth positive expectations of future opportunities. Since digital transformation raises expectations, in a way it may have an impact on the perceived trustworthiness of the partner as well. When assumptions and expectations towards the partner are changing, settings of reciprocal trust building change too. In a situation where the trustee organization's actual performance does not meet the expectations shaped by digitalization, the actual trust may be harmed. This notion is based on the view that perceived trustworthiness of a trustee affects the trustor's willingness to be vulnerable (Koorsgaard and his colleagues, 2014). For example, an unsuccessful launch of a digital service can have a negative impact on perceived digital competence of a service provider by a service user, i.e. affect the perceived *ability* (Mayer et al. 1995) in

service delivery. Again, if successful and corresponding to the user's expectations, the impact can be positive what comes to perceived trustworthiness by the service user.

Based on research results, another implication caused by digitalization is the increasing uncertainty of the environment. In terms of inter-organizational trust building, the uncertainty brought by digitalization can pose challenges and new kinds of risks. According to previous studies, situational normality facilitates the emergence of trusting intention (McKnight et al. 1998) and trust is more likely to occur in typical and anticipated conditions (Gefen, 2003). Due to digitalization more and new types of risks may be present and future conditions are harder to anticipate. From the basis of research results and with regard to previous findings, it can be concluded that digitalization may complicate the conditions of inter-organizational trust.

On the other hand, relevance of trust is emphasized in risky and uncertain conditions: risk is present in situations that involve a high degree of environmental uncertainty (Dyer & Chu, 2003). Increased uncertainty caused by digitalization increases the importance of inter-organizational trust, as it reduces social complexity (Gefen, 2003; Chrysochoidis et al. 2009). Trust's role in the digitalization context seems to be to reduce transaction costs in an uncertain environment. The notion of trust acting as an inhibitor of uncertainty and transaction costs is aligned with previous findings by Sako and Helper (1998) and Rousseau et al. (1998).

According to research results, nonetheless digitalization may as well enable conditions of trust retaining or building. In line with previous suggestions, digitalization enables transparency in inter-organizational relations, which in turn has positive impact of trust and efficiency (Berman & Marshall, 2014; Parviainen et al. 2017). Better understanding of partner's behaviour by transparency increases conditions for trust (Im et al. 2014). In a way digitalization may enable new forms of inter-organizational cooperation: if greater transparency and openness leads to more robust trust between potential partners with lower control costs, new forms of co-operation may be stimulated.

According to research results and previous literature, the importance of information sharing and quality of data is emphasized because of digitalization. Within this research context, many of trust expectations were articulated through information sharing: as an

example, reliability appeared as a capability to share adequate information and provide correct data. As digital transformation enables new possibilities for information sharing, mining and analysing, related requirements are changing as well. Accuracy of data is becoming more important, and more data and data with a higher quality is demanded. Information exchange is becoming from static to more dynamic information, and this sets pressure to change control mechanisms to ensure data quality. This notion is consistent with previous findings: as digitalization provokes opportunities to create value from information in a new ways (Berman & Marshall, 2014; Bharadwaj et al. 2013; Leviäkangas, 2016), the role of data and managing it will play a major role in future business Collin (2015, 31).

Research results indicate that digitalization not only provides new possibilities, but also creates new demands and requirements. Changing requirements and demands in turn can set challenges to actors to respond to expectations of their partner. In a certain way, even though digitalization increases transparency, it sets the bar higher – while it improves ability to produce and share right information, it also raises demands on doing so. Digitalization may bring transparency that has a positive impact on inter-organizational trust, but only if the dyad acts in the spirit of cooperation. Continuous certification of data and demands of “proof” may trigger suspicion and distrust.

What comes to trust, the changing demands may be unequally distributed within asymmetric dyads, if requirements apply only to the other half of the dyad. As shown in the results, for example authorities may have unilateral power to impose requirements to their partners. Utilization of information technology changes power relationships (Hagberg et al. 2016) and increases digital dependency (Bharadwaj et al. 2013) - in this sense, balance of power may be even more unevenly distributed. Asymmetry may be increased as well in a situation in which opportunities brought by digitalization benefit only one party at the other's expense. For example, by digital tools it is possible to check and have better control on processes. In an asymmetric relationship, in which obligations towards each other are different and the other party possesses one-sided power over the other, increased demands of information and transparency may accumulate to the other end of the dyad.

In conclusion, changing demands on mutual information sharing and evolved possibilities to exploit information can change power balance within dyads and increase transparency, thus enabling new forms of cooperation. In accordance with both research results and previous suggestions in literature, digitalization changes roles and work content (Hagberg et al. 2016; Parviainen et al. 2017). All in all, enhanced relationship as an approach is an indication of changing roles: from being a supervising authority, Finnish Tax Administration undergoes changes into a service organization that advises and cooperates with its partners.

Trust building in the context of digitalization

As this research also aimed to understand how to build trust within the context of digitalization, the most significant factors to build trust appeared to be perceived predictability, reliability, expertise and commitment of the partner. They are the factors named as the major trust expectations as well. With regard to suggestions from previous findings, trust is grounded in expectations (Järvenpää et al. 2008; Koorsgaard et al. 2014; Kramer & Lewicki, 2010; Lewicki et al. 1998; Mayer et al. 1995; Rousseau et al. 1998; Sako & Helper, 1998). In conclusion, behaving according to the partner's trust expectations strengthens trust also in the context of digitalization.

In a digital era utilization of data can be harnessed to trust enhancing: according to research results, *showing proof* by digital means enhances trust. In the light of previous research, it can be concluded that actually digital analysis tools may only build preconditions of trust. Actual trust always results from a subjective evaluation (Blomqvist, 1997; Welch et al. 2005), and showing proof as a *trusting act* may (or may not) be subjectively perceived as a signal of trustworthiness (Butler, 1983). In addition to that, advanced analytics can be used to gain deeper business intelligence (Berman & Marshall, 2014), it can also be thought as a transparency-enabler within partnerships.

In addition, showing proof may be considered structural assurances (McKnight et al. 1998), which may reduce fear of opportunistic behaviour, yet not necessarily enhance trust (Sako & Helper, 1998). Perhaps the trust building force lies in voluntary openness, rather than obligatory proof showing: information sharing voluntarily may be considered to be

setting oneself in a vulnerable position (Mayer et al. 1995), which is a signal of trust. According to research results, openness in information sharing was seen as a trust enforcing factor, whereas lack of communication or withholding information may weaken the trust.

Correspondingly, research results indicated that absence of suspicion or distrust are trust enforcing factors: respondents noted that trust is strengthened when they feel to be trusted themselves. This notion is consistent with previous literature, which suggests that trust is built through reciprocity (Butler, 1983; Ikonen, 2013; McAllister, 1995; Oomsels & Bouckaert, 2014; Vanneste, 2016; Gangl et al. 2014; Kim 2005; Moyson et al. 2016; Yang, 2006; Koorsgaard et al. 2014). In other words, mutual sharing of trusting acts can strengthen the trust. In other words, if a given signal meets the expectations that the trustee holds, trust may be strengthened. Moreover, the view of future continuity affects trust development (Poppo et al. 2008). Research results suggest that also expressing continuity and commitment, investing in time and effort can be perceived as signals of trust and indication of willingness to continue the relationship.

When adding trust asymmetry into consideration, parties may hold different trust expectations and therefore interpret the trusting acts differently. This notion can be understood in the light of previous findings: parties can hold different perceptions of each other simultaneously (Thomas & Skidders, 2010) and there can be a mismatch between expectations and actual competence (Kim, 2005). Research results indicated that interpretation of trusting acts appears to be relative to the context of each dyad. These suggestions get support from previous studies that suggest that shared learning (Poppo et al. 2008), shared routines (Zaheer & Harris, 2006), interaction history (Gulati, 1995) and perception of situational normality (McKnight et al. 1998) help enhance trust, as trust is more likely to occur when interaction happens in a typical and anticipated way (Gefen, 2003).

Because trust is always based on a subjective evaluation of a trustor (Blomqvist, 1997; Welch et al. 2005) and inter-organizational trust originates from subjective evaluations of several individuals (Oomsels & Bouckaert, 2014; Vanneste, 2016; Zaheer et al. 1998) and evolves through reciprocated interactions (Butler, 1983; Koorsgaard et al. 2014), it raises the question whether such complicated construction can be built through intentional acts.

Rather than build trust intentionally, it is possible to build enabling conditions to trust. In this sense, in the asymmetric relationship, trust asymmetries may be overcome by building a shared trust context.

In conclusion, trust is built through repeated and reciprocated interactions, which include behaviour in accordance with the partner's expectations. To build trust conditions, partners must be familiar on a certain level. Research results suggested that familiarity of both contact persons and the partner's business act as a trust building factor, whereas lack of familiarity, shared language or understanding of the partner's behaviour may complicate trust building. Being familiar with each other's objectives and expectations makes it possible to reciprocate those actions and avoid misunderstandings and decrease suspicion.

Moreover, the role of interpersonal trust in inter-organizational trust building must be noted: being familiar with the persons working in partner organizations may help enhance trust on an organizational level as well. This suggestion is consistent with previous literature, as inter-organizational trust has its roots in interpersonal trust (Oomsels & Bouckaert, 2014; Vanneste, 2016; Zaheer et al. 1998).

7.2 Conclusions

The purpose of this research was to explore how digitalization impacts on trust in inter-organizational relationships. To answer the research questions of this study, following conclusions are made based on both the literature review in chapters 2 and 3 and the empirical research in chapter 6.

The research problem was explicitly articulated through a research question and three sub-questions. The conclusion to the main research question is derived through findings on sub-questions. The first sub-question aims to understand ***what kind of trust expectations parties have and how these expectations differ from each other.***

Parties have symmetrical trust expectations of the partner's reliability, predictability, fairness and expertise. The partner organization is expected behave according to what is

mutually accepted and in a predictable manner, and possess expertise in a specific domain, and be benevolent without selfish motives to a certain extent.

Trust expectations of commitment and continuity are differently articulated, yet both parties expected their partner to be committed and willing to continue mutual cooperation or a certain way of acting. Nonetheless, parties have different expectations related to information systems and organizational capabilities to monitor them.

The second sub-question aims to find out ***how digitality affects trust***. In conclusion, digital change affects trust through changing expectations of trustworthiness and demands of information sharing, increasing uncertainty, enabling transparency. Digitalization brings forth positive expectations of future opportunities, and it may agitate what is perceived as trustworthy - in case of digital transformation being asymmetric between parties, the development of trust expectations may be asymmetric as well. Trust asymmetry may in turn complicate the mutual trust building. Asymmetric or uneven digitalization can in turn increase asymmetry in inter-organizational relations and trust, and therefore complicate trust building.

Digitalization impacts on inter-organizational trust through uncertainty: it can increase uncertainty of the environment by posing new kinds of risks, which in turn may complicate the trust building yet making inter-organizational trust even more essential in uncertain circumstances. On the contrary, existing trust may inhibit uncertainty caused by digital change, and digital tools as such may be helpful in inhibiting transaction costs caused by data confirmation. Digitalization has also potential to enable transparency and openness in mutual interaction, and therefore enable new forms of inter-organizational cooperation. If it is possible to achieve greater trust with lower costs, more robust trust and new forms of cooperation may be stimulated.

Digitalization not only provides new possibilities, but also creates new demands and requirements for the accuracy of data produced by the partner. The importance of information sharing and quality of data becomes more emphasized. Changing requirements and demands set challenges to actors to respond to the expectations of their partner. In terms of inter-organizational trust, changing demands may be unequally distributed within asymmetric dyads. If opportunities brought by digitalization benefit only

one party at the other's expense, such imbalance is likely to create more asymmetry to the partnership.

The third sub-question aims to clarify on ***how the trust can be intentionally built in the context of digitalization***. Based on both the research results and the literature review, trust building necessitates behaving according to the partner's expectations and reciprocating trusting acts both sides. Because trust is based on subjective perception, it's is rather possible to *build conditions for trust* than actually *build trust* intentionally. When partners are familiar with each other's objectives and expectations and therefore have shared context to interpret the other's trusting behaviour, it is possible for trust to build itself. Familiarity, two-way communication and expressing continuity of relationship build the conditions for inter-organizational trust.

In a context where mutual understanding is present, the key to strengthen trust is reciprocity. Behaving according to the partner's trust expectations consolidates the trust, whereas behaviour diverge from those expectations weakens the trust. Reciprocity acts two-way, as avoiding suspicion can encourage mutual trust development. Digital tools can be utilized when trust expectations include data accuracy: showing proof and increasing transparency, for example giving analysis can be used as a trusting act. Voluntary information sharing, openness and initiative in communication can act as trust building factors, which indicates setting oneself in a vulnerable position. To illustrate the conclusions of the study, key findings and key concepts of the study are presented in figure 13.

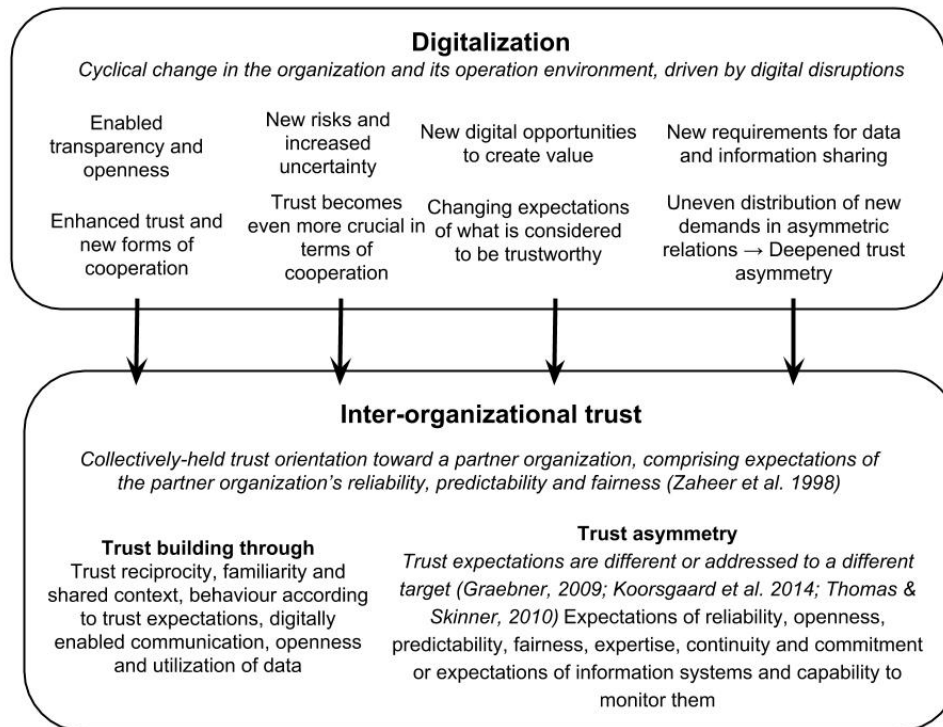


Figure 13. Key findings and key concepts

The main research question aimed to understand **how digitalization affects trust between a public organization and a customer organization**. Nonetheless, the basis of trust remains the same (i.e. people and organizations tend to trust when their expectations of the trustee's behaviour are positive), digitalization changes the game by altering what we consider important in our partner organization. Hence, where digitalization appears as asymmetric change, the development of trust expectations may be asymmetric as well. Digitalization may be in a different phase in different industries, or in a different phase in different organizations. This may create challenges to trust building with stakeholders or in larger networks.

Information itself becomes central in trust expectations. As data and information are becoming even more valuable in inter-organizational exchange and value creation, also research results indicated that many trust expectations seem to deal with information and sharing: data quality and accuracy, traceability of its source, transparency and openness. In conclusion, changing demands for mutual information sharing and evolved possibilities to exploit information can change the power balance within dyads, increase transparency,

thus enabling new forms of cooperation. Digitalization may bring transparency that has a positive impact on inter-organizational trust, but only if the dyad acts in the spirit of cooperation.

7.3 Managerial implications

On the basis of research results and in the light of the literature review, a few suggestions for practitioners struggling with inter-organizational relations are presented. Yet, inter-organizational trust barely is the only basis for decision making, its importance in inter-organizational partnerships is immediate. Because in the future the most successful organizations are the ones that are united in the right partnerships and are capable to make use of their networks (Berman & Marshall, 2014), the ability to build lasting trust-relationships will play an even bigger role in the success. These suggestions are presented in the light of inter-organizational trust building, and are suggested to be taken into consideration in decision making. The context of each partnership must be taken into account, as suggestions may not be applicable as such.

Know your partner organization and know people in your partner organization

First of all, articulation of what is expected from each other would help to overcome potential asymmetries in trusting behaviour. More explicitly, open sharing of objectives through discussion makes it easier what comes to trust. Through two-sided interaction and discussion partners become familiar with each other's objectives and expectations, which leads to a greater symmetry of trust.

Research results suggest that familiarity both in interpersonal relations and on an organizational level plays a significant role in inter-organizational trust formulation. Make sure that your partner organization is familiar with the contact persons in your organization and know how to reach them, and find out the contact persons in your partner organization as well. Familiarity lowers the threshold to communicate, even in difficult situations. In case of personnel changes in your own organization, make sure that internal knowledge

from partnerships (for example mutually accepted ways of working together) transfers to the successors, and your partner knows about these changes beforehand if possible.

Reciprocate in trusting acts

Above all, be patient – trust cannot be forced with a few individual actions. Trust develops gradually (Blomqvist, 1997) and repeated interactions form the basis for trust (Gulati, 1995; Rousseau et al. 1998; Zaheer & Harris, 2006). Through reciprocal organizational actions it is possible to build *basis* for trust formulation. Be open and initiative what comes to information sharing and take advantage of digital analysis tools to show proof voluntarily, if accuracy of data is what your partner seeks: give analyses, statistics or let your partner do that. Make it as easy as possible to communicate with your organization.

Be interested when your partner gives information to your organization. Do not, however, show suspicion towards your partner – remember that suspicion may add distrust towards your organization. Be open with your motives, thus making it easier for your partner to evaluate your organization's actions, and interpret trusting acts.

If there appears to be changes in your own ways of working or information systems, take your partner's perspective into account. During the transition phase in digital transformation, it is important to give time to re-adjust, especially if your organization has power to dictate the rules or changes in your organization result in a need of change in your partner organization. Taking your partner's perspective into consideration expresses fairness, whereas seeking only your own interest may raise suspicion or increase partial optimization.

Invest in the partnership

Investing in the partnership builds trust enabling conditions. Consistently with Poppo and her colleagues' (2008) view of shadow of the future playing a significant role in trust development, research results suggest that expressing continuity is one trust building act. Investments do not necessarily have to be large financial efforts (such as building digital

infrastructure in accordance with the partner's needs), but rather showing willingness and interest in the partner's business and information systems. Investing in time and effort to understand better the partner's business, environment or information systems (whatever is relevant) has both a symbolic and a practical meaning: not only willingness to do something for the partner without pursuing only self-interest, but also gaining better understanding of the partner's business, which in turn may benefit both parties.

7.4 Limitations and suggestions for further research

This research has some limitations concerning both the conceptual base and the results, as well as methodological choices. The methodological limitations were already discussed in chapter 4.3, but limitations concerning the conceptual base and the results are worth discussing with suggestions for further research.

First of all, the empirical evidence on relationship asymmetry is limited to relationships within public authorities and private companies, in which mutual exchange mainly consists of information exchange. This defines significantly what kind of trust expectations emerge. This may narrow the potential outcomes of trust and therefore further research on trust within the context of digitalization could reveal whether this kind of development appears also in physical products exchange. Is the role of information emphasized as strongly in relationships where exchange also contains physical products or services among the information?

Another limitation concerns the scope of digitalization within this study. Within this research, the notion of digitalization is comprehensive, concerning both digital transformation of organization and its operating environment. This is a justified choice, as digital change happens both inside and outside of the organization. Secondly, the exact information of industries would have made companies recognizable within this study, which was not desirable in the view of research needs. In terms of digitalization, the industry of each company is definitely an essential background factor. To gain more extensive view of digitalization and its implications, future research is suggested to focus on a closer scope of digitalization, for instance to study a few artefacts of digitalization in a certain industry. To provide a more all-encompassing concept to digitalization, more

industry-specific understanding is needed. Yet, concentration on one of these aspects would produce more specific information.

As digitalization shifts the value creation into networks (Berman & Marshall, 2014), the need for research of *ecosystem trust* emerges. The perspective in this research is dyadic, but if future organizations create value to an increasing extent within larger networks, more multidimensional trust research is needed. When organizations within an ecosystem complement each other in value creation (resource heterogeneity), also the effect of asymmetry is immediate. What comes to the impact of digitalization on trust, how does a different phase of digital transformation (digital maturity) impact the ecosystem trust? What kind of tensions does the asymmetry of digitalization cause?

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Legislation

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APPENDICES

Appendix 1: Interview themes for Company X

Taustatiedot

Kerrotko lyhyesti itsestäsi ja työtehtävistäsi Company X:llä?

Teema 1. Yhteistyö Verohallinnon kanssa

Miten kuvailisitte yhteistyötä Verohallinnon kanssa?

- Mitä yhteistyössä konkreettisesti tehdään?

Onko yhteistyö muuttunut sen alkuajoista?

- Jos, mikä on muuttunut?

Mitä tavoitteita ja odotuksia teillä on? Mitä odotatte erityisesti Verohallinnolta?

- Ovatko odotuksenne Verohallintoa kohtaan muuttuneet yhteistyön aikana?

Mitkä ovat näkemyksenne mukaan edellytyksiä onnistuneelle yhteistyölle?

Teema 2. Digitalisaatio

Miten digitalisaatio näkyy käytännössä veroprosesseissa?

- Onko tapahtunut jo muutoksia?
- Mihin näillä muutoksilla on ollut vaikutusta? Esim. onko veroasioiden hoitaminen helpottunut tai ovatko kustannukset laskeneet?

Miten digitalisaatio on vaikuttanut mielikuvaanne ja odotuksiinne Verohallintoa kohtaan?

Oletteko huomanneet digitalisaation vaikuttaneen Verohallinnon suhtautumiseen tai odotuksiin Company X:n toimintaa kohtaan?

Teema 3. Luottamuksen merkitys yhteistyössä Verohallinnon kanssa

Mikä merkitys luottamuksella on Company X:n ja Verohallinnon yhteistyön sujumisen kannalta?

Mitkä asiat ovat teille luottamuksen kannalta tärkeitä?

- Mihin asioihin teidän pitää voida luottaa Verohallinnossa?
- Mihin asioihin Verohallinnon pitää voida luottaa Company X:n toiminnassa?

Onko Verohallinnon ja Company X: n suhde mielestänne symmetrinen vai epäsymmetrinen? Eli onko esim. luottamuksen määrässä tai luottamuksen kohteissa eroavaisuuksia?

Mitkä asiat vahvistavat luottamustanne Verohallintoa kohtaan?

Mitkä asiat heikentävät luottamustanne Verohallintoa kohtaan?

Mikä parantaisi Verohallinnon luotettavuutta?

Voisiko Company X:n luotettavuutta jollakin keinoin parantaa?

Millaisia muutoksia tai parannuksia tarvittaisiin, jotta yhteistyö sujuisi paremmin?

Mitä muuta olisi olennaista tietää yllä mainituista teemoista?

Kiitos haastattelusta!

Appendix 2: Interview themes for CRM team X

Taustatiedot

Kerrotko lyhyesti itsestäsi ja työtehtävistäsi Verohallinnolla?

Teema 1. Yhteistyö Company X:n kanssa

Miten kuvailisitte yhteistyötä Company X:n kanssa?

- Mitä yhteistyössä konkreettisesti tehdään?

Onko yhteistyö muuttunut sen alkuajoista?

- Jos, mikä on muuttunut?

Mitä tavoitteita ja odotuksia teillä on? Mitä odotatte erityisesti Company X:ltä?

- Ovatko odotuksenne Company X:ää kohtaan muuttuneet yhteistyön aikana?

Mitkä ovat näkemyksenne mukaan edellytyksiä onnistuneelle yhteistyölle?

Teema 2: Digitalisaatio

Miten digitalisaatio näkyy käytännössä veroprosesseissa ja verotusprosesseissa?

- Onko tapahtunut jo muutoksia?
- Mihin näillä muutoksilla on ollut vaikutusta? Esim. onko verotustyön tekeminen helpottunut tai ovatko kustannukset laskeneet?

Miten digitalisaatio on vaikuttanut mielikuvaanne ja odotuksiinne Company X:ää kohtaan?

Oletteko huomanneet digitalisaation vaikuttaneen Company X:n suhtautumiseen tai odotuksiin Verohallinnon toimintaa kohtaan?

Teema 3. Luottamuksen merkitys yhteistyössä Company X:n kanssa

Mikä merkitys luottamuksella on Company X:n ja Verohallinnon yhteistyön sujumisen kannalta?

Mitkä asiat ovat teille luottamuksen kannalta tärkeitä?

- Mihin asioihin teidän pitää voida luottaa Company X:ssä?
- Mihin asioihin Company X:n pitää voida luottaa Verohallinnon toiminnassa?

Onko Verohallinnon ja Company X:n suhde mielestänne symmetrinen vai epäsymmetrinen? Eli onko esim. luottamuksen määrässä tai luottamuksen kohteissa eroavaisuuksia?

Mitkä asiat vahvistavat luottamustanne Company X:ää kohtaan?

Mitkä asiat heikentävät luottamustanne Company X:ää kohtaan?

Mikä parantaisi Company X:n luotettavuutta?

Voisiko Verohallinnon luotettavuutta jollakin keinoin parantaa?

Millaisia muutoksia tai parannuksia tarvittaisiin, jotta yhteistyö sujuisi paremmin?

Mitä muuta olisi olennaista tietää yllä mainituista teemoista?

Kiitos haastattelusta!