



T A PAI MANAGEMENT INSTITUTE

MANIPAL - 576104

Research Seminar

**Role of Task-Context in the Relationship
between Competence Trust and Need-based
Monitoring in a Sales Executive-Distributor
Relationship**

Speaker

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3:30 PM, August 18th, 2010 (Wednesday)

Class Room: F2, TAPMI Campus

ALL ARE INVITED

Abstract

The relationship between a principal and his agent involves monitoring by the former (a) to avert the latter's *opportunism*—defined as self-seeking with guile (Williamson, 1975)—and (b) to align his activities to the collective goals. Monitoring is needed both to control the agent—known as *control-based monitoring*—and to facilitate his work in alignment with the organisation's goals—known as *need-based monitoring*. Principal-agent relationship is predominantly existent in contexts of boundary personnel and distributor relationship, especially in administered distribution channels. In such channels, strict documentation governing the expected norms of behaviour and the code of monitoring cannot be comprehensive in the form of any contractual agreement and obligations. In addition, complete monitoring of the agent is impossible and expensive. These two facts compel that certain trust in the relationship is inevitable. Trust is regarded as the principal's affective as well as his manifest willingness to allow freedom to the agent in an area where there is scope for the agent's opportunism that is detrimental to the former *and* beneficial to the latter. Trust has been classified in extant literature into *goodwill* trust and *competence* trust. Whereas suboptimal monitoring can be detrimental to the principal, supra-optimal monitoring is superfluous, and hence costly. Hence studies have been carried out in the past to test the relationship between the principal's trust in his agent and his control/monitoring of the agent. Previous research works have found negative relationship between *trust* and *control/monitoring* (Andaleeb 1995 & 1996, McAllister 1995, Natarajan 2010). Relationship between trust and control/monitoring continue to attract scholars' attention in recent years (de Jong & Elfring, 2010; Bijlsma, de Jong & de Bunt, 2008; Hernández-Espellardo & Arcas-Lario, 2008 to cite a few). A recent study that focussed exclusively on trust and monitoring found mixed results in the relationship—though with predominant support for the hypothesized negative relationship—between the two phenomena (Natarajan, 2010). Such a mixed finding engenders further interest in the relationship as it opens up the possibility of other mediating/moderating variables that work on the relationship whose study can enrich the understanding of the relationship. The proposed work is in such a direction.

The proposed study specifically focuses on the negative relationship between *competence* trust and need-based *monitoring*. Though earlier studies have shown the presence of negative relationship between these two phenomena, the degree of such a relationship has not been clearly established in literature yet. Careful reasoning and a cursory look at scholarly work in recent times brings out the possibility that the relationship is influenced by some more factors. Essentially, it is argued that (a) the presence and (b) the degree of such relationship will vary depending on the **task-context**, which includes, *inter alia*, (i) the *task-criticality* (ii) the *task complexity* as perceived by the principal and the principal's perception of the agent's inherent **task motivation** [to complete the task].

The study aims to examine the influence of the task-context and task-motivation on the relationship between competence trust and need-based monitoring. It is posited that (1) principal's competence trust is positively influenced by his perception of agent's inherent motivation about the task to be completed; (2) principal's competence trust is negatively influenced by his perceived criticality of the task; and (3) principal's competence trust is negatively influenced by his perceived complexity of the task. The model uses task context, task-motivation, competence trust and need-based monitoring as the major constructs and examines

the possible moderating role of task-context and task-motivation in the relationship between trust and monitoring.

The proposed study is exploratory and will consider a combination of MBA students and working executives as respondents in data-collection, which will be through an experiment.

Key words: Principal-Agent Relationship, Trust, Monitoring, Competence Trust, Need-based Monitoring.

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