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Impact of Trust on IT Leadership Effectiveness in Business Process Reengineering (BPR)
An Exploratory, Longitudinal Study

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Abstract
A breakdown in leadership is one frequently cited reason for the high failure rate of business process reengineering (BPR) projects. Although past reports suggest that trust plays a key role in whether BPR projects succeed or fail, we lacked a theoretical framework that examines the relationships between trust, leadership effectiveness and BPR outcome. Using theories from the leadership and trust literature, this paper empirically assesses the impact of trust on leadership effectiveness over time. It looks at the evolution of eight BPR projects in a large multinational financial services firm. The study provides evidence that a lack of trust has a downward spiral effect that could result in BPR failure. Conversely, its presence has an upward spiral effect that could result in success. The results show that trust tends to diffuse in BPR projects.

Introduction
Although many proclaim BPR is the “single best hope” for restoring a firm’s competitive advantage, even BPR advocates estimate that 50% to 70% of all BPR efforts fail (Hammer and Stanton, 1995). While some BPR projects fail from poorly formulated strategy, a breakdown in leadership is typically cited as a major cause of these BPR failures (e.g., Hammer and Champy 1993). Yet, might not this leadership breakdown have the breakdown in trust as its underlying cause?

Because BPR projects involve major changes to a firm’s technology, organization and people, they are highly risky projects. Oftentimes, a BPR involves massive infusions of new information technologies which mandate massive organizational changes and the acquisition of new skills (Davenport, 1993). Therefore, trust among those involved is very important. Whereas the outcomes from a trust-based relationship are highly leveraged and valued, the outcomes from a distrust-based relationship are damaged. A relationship based on trust “leads people to rely on each other’s judgments and depend on each other’s commitments” (Bartlett and Ghoshal 1995). Trust is also “the most vital component of a management context for renewal because it is essential for risk taking” (ibid.) by providing a sense of safety for those taking risks in the organization. A relationship based on distrust leads to “self-sealing cycles of escalating in-group conformity and out-group resistance” (Sitkin and Stickel, 1996). Distrust can split an organization into opposing groups where pressures for in-group conformity escalate and reduce any cooperation between the groups (ibid.).

We have lacked a theoretical understanding on what differentiates successful from detrimental leadership through managing trust. This study presents and assesses a theoretical framework on how trust impacts leadership effectiveness.

Theoretical Background on Trust
IT research identified trust as an important factor to successful IS project implementation in both intra- and inter-organizational contexts. Lasher et al. (1991) found that trust is the most critical ingredient for a successful IS partnership between two different firms. Nelson and Cooperider (1996) reported that trust is associated with higher IT performance by facilitating knowledge sharing between IT groups. Similarly Nath and Lederer (1996) noted that trust plays an important role for IT team building. Nonetheless, few past IT studies theoretically examined trust in relation to leadership behavior and effectiveness.

Scholars have defined trust in many different ways. Mishra (1996) defines trust as “one party’s willingness to be vulnerable to another party based on the belief that the latter party is competent, open, concerned, and reliable.” While that definition appears incisive, this line of definitions faces difficulty in how to operationalize trust in terms of measurable behaviors. Moorman et al. (1993) defined trust as confidence in the reliability and expertise of a subject. A perceived integrity, a perceived willingness to reduce uncertainty, sincerity, and expertise were the significant interpersonal predictors of a person’s trustworthiness.

Theoretical Framework
To examine trust, leadership behavior and effectiveness, I used the Flamholtz (1986, 1990) Leadership Effectiveness framework where effectiveness is the efficacy in influencing the behavior of others for meeting organizational goals. In this framework, the behaviors of leaders are examined against a configuration
of situational factors (e.g., task deadlines, task programmability, motivation, worker discretion/independence, worker skills/experience) as reported by the team and leader. These factors indicate how appropriate the leadership styles are for influencing the behavior of group members. The leader’s behavior is analyzed by the level of discretion that the leader delegates using a directive, interactive or non-directive leadership style. This framework infers that the level of trust is influenced by the degree of fit between the configuration of situational factors and the leadership style used. See Figure 1 (next page).

The relationship between trust and leadership style is not causal but interactive over time. For example, the presence of trust allows for the use of any leadership style, including the nondirective styles, to affect a closer “fit.” However, the absence of trust limits the use of leadership styles to the directive styles, even though situational factors indicate that other leadership styles make a better “fit.” Thus the study hypothesizes:

**H1:** When the level of trust is initially high, then the degree of fit between situational factors and leadership style improves over time. Conversely when the level of trust is initially low then the degree of fit degrades over time.

Simultaneously, the level of fit influences the level of trust between team members and leader. For example, a BPR leader tells the team that they can choose the BPR software tools (non-directive leadership style) with no time limits when in fact the decision is needed immediately. A short time later the leader makes the decision for them (directive leadership style) citing the decision is “late,” antagonism (lowered trust level) between team and leader results.

Members become frustrated when they want direction and do not get it. Similarly, when the leader applies an optimal leadership style to a situation, it results in a higher level of trust because the members’ needs are satisfied. Thus:

**H2:** When the degree of “fit” between style and situation is initially high, then the level of trust improves over time. Conversely when the degree of fit is initially low then the level of trust degrades over time.

**Method**

The case study method captured the dynamics of the interplay between the style-situation fit and the level of trust at a large multinational financial services firm. It had just initiated a corporate-wide BPR effort of eight projects which provided data from interviews and survey questionnaires at three time periods. To minimize informant biases each project was assessed by integrating inputs from both its BPR leader and members.

**Results**

Table 1 (next page) results support H1 and H2 overall. Interestingly, Table 1 shows that the level of trust between leaders and BPR members decreased in a majority of the cases. According to the interview data, this was partly due to the diffusion of trust — trust begun to appear between members of related, different BPR projects, as the absolute level of trust between leader and members mildly declined over time. People depended on their peers in other projects more often than on their superiors. The leaders then became less involved with the members. With less interaction between leader and members, leaders did not analyze situational factors as closely. They started relying more often on directive leadership styles when it was not appropriate.

**Conclusion**

The results show that the level of trust changed with the level of fit between leadership style and situational factors. When the fit was tight between the situation and style, the level of trust grew. Likewise, a loose style-situation fit was associated with lowered trust. Thus, lowering the level of trust may well induce a downward spiral resulting in failure.

**References**


Figure 1. Theoretical Framework

![Figure 1. Theoretical Framework](image)

Table 1. Locus of Trust and Style-Situation Fit

<table>
<thead>
<tr>
<th>project</th>
<th>H1 – Trust Changes influence Fit Level</th>
<th>H2 – Fit Changes influence Trust Level</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Trust</td>
<td>Fit</td>
</tr>
<tr>
<td></td>
<td>init/change</td>
<td>change/end</td>
</tr>
<tr>
<td>2</td>
<td>M*</td>
<td>→ L</td>
</tr>
<tr>
<td>3</td>
<td>H</td>
<td>↑M</td>
</tr>
<tr>
<td>5</td>
<td>M</td>
<td>→L</td>
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<tr>
<td>6</td>
<td>M</td>
<td>→L</td>
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<tr>
<td>7</td>
<td>M</td>
<td>→L</td>
</tr>
<tr>
<td>8</td>
<td>H</td>
<td>→L</td>
</tr>
<tr>
<td>overall†</td>
<td>H</td>
<td>→L</td>
</tr>
</tbody>
</table>

†) Table 1 shows only those projects that supported at least one hypothesis.
‡) between 8 BPR leaders and the overall project leader
*) H: high, M: middle, L: low
**) ↑: increased, →: unchanged, ↓: decreased