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TRUST AND CONTROL ASPECTS IN JOINT VENTURE OF GARUDA INDONESIA AND SRIWIJAYA AIR

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ABSTRACT

This research examines the aspects of trust and control in the joint venture cooperation pattern of Garuda Indonesia and Sriwijaya Air in managing organizational uncertainty. This research distinguishes trust from control. However, the two remain closely related as information from the control system can also be used to assess the level of trust. Qualitative research methods were used in this study by interviewing 6 (six) management ranks from Garuda Indonesia and Sriwijaya Air respectively, as well as focus group discussions with practitioners, academics, ministry of transportation, government, and stakeholders, and users. Specifically, this research addresses the role played by information from three types of controls (output, behavioral, and social) in determining two types of trust (competence and goodwill). Competence trust and goodwill trust are tested at the operational and executive levels, respectively, and in terms of information that builds and destroys trust. Findings from a case study of a joint venture between two airlines show that controls generate information that strengthens competence trust at the operational level, but leaves goodwill trust at the executive level relatively vulnerable to betrayal of goodwill trust.

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1. INTRODUCTION

The main role of management accounting is to manage the uncertain behavior of various economic actors, such as suppliers and employees. Using principles from theories such as transaction cost economics (Lee and Edmondson, 2017) and agency theory (Franco-Santos and Otley, 2018), various controls, such as incentives and contracts, are developed to manage this uncertainty. It can be said that trust has been taken into account when designing management accounting systems, but its role has not been widely recognized by management accounting researchers. For example, strict budget oversight implies a lack of trust, which can lead to dysfunctional behavior such as budget gaming. Conversely, loose budget control implies too much trust, which can also lead to dysfunctional behavior such as shirking.

In this research, researchers examine the relationship between the Garuda Indonesia Group and the Sriwijaya Air Group. At the end of 2018 the two companies decided to collaborate. This collaboration was carried out to help Sriwijaya pay off debts to several state-owned companies, including the Garuda subsidiary PT. GMF AeroAsia, PT. Pertamina (Persero), and PT. Angkasa Pura I and II. And also agreed on a joint commitment to continue management cooperation (KSM) with Sriwijaya Air Group shareholders. The KSM sustainability agreement is in line with the meeting between the Garuda Indonesia Group and the Sriwijaya Air Group which was facilitated by the Minister of BUMN Rini Soemarno (Pratama and Sukmana, 2019).

This research argues that although trust and monitoring have the same goal of managing behavioral uncertainty, they achieve it in different ways. Monitoring is a tool for influencing the behavior of others, while trust is confidence in predicting that another person's behavior is not intended to harm someone. In addition, it could be said that the

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relationship between trust and supervision is more complementary than substitute because information from supervision is also used to determine the level of trust (Franco-Santos and Otley, 2018). Consequently, as the primary provider of monitoring-related information within an organization, management accounting system design also has a major role in determining trustworthiness.

However, research on trust and supervision has not progressed to the point where an optimal configuration of trust and supervision can be determined. Indeed, much of the important research examining the relationship between trust and monitoring is theoretical and has not been empirically examined (Free and Hecimovic, 2021). This research aims to empirically test some of these relationships, but also aims to explore them further by understanding how trust and monitoring may operate at different levels within an organization and by distinguishing between trust-building and trust-destroying information.

To differentiate these relationships, trust and supervision must be broken down into their component parts. Specifically, this research examines the influence of information from three types of monitoring (output, behavioral, and social) on two types of trust (competence and goodwill).

Although separating trust and supervision into their component parts is necessary to examine the relationship more closely, the relationship has become increasingly complex as a result. For example, output, behavioral, and social monitoring varies across organizational levels; as a result, monitoring that affects operational managers may be different from that that affects executives. As a result, supervision

These differences tend to produce information that influences competence beliefs and goodwill beliefs differently. First, the recent development of inter-organizational structures such as *joint venture* suggests that researchers need to focus more of their attention on how these structures are managed (Nippa and Reuer, 2019). However, in addition to recognizing that the controls used in traditional hierarchical organizations are often inappropriate,

so little can be known about how these interorganizational structures are managed.

Second, trust is more likely to be observed in *joint venture* rather than traditional hierarchical organizations because partners in *joint venture* cannot gain each other's cooperation by telling each other what to do (as they might do with their own employees), and they need to rely more on trust. Finally, *joint venture* is an appropriate inter-organizational structure, because it is not like *outsourcing*, *joint venture* usually structured around separate entities. Thus, the operational and executive levels of *joint venture* easier to identify, along with the competencies and goodwill beliefs that are expected to be there.

Joint venture organized at three levels: management team *joint venture*, governance committee *joint venture*, and the board of directors of each airline, as shown in Figure 1.

Figure 1. Flow of Thought

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2. RESEARCH METHODS

This research was tested using a case study *joint venture* between two national airlines, namely Garuda Indonesia and Sriwijaya Air and explains why the case study was used, carried out and how the data was analyzed.

Case studies are used to test two main reasons. First, case studies are often necessary where the object needs to be studied in a real-life context (Yin, 2018). This real-world context is important for trust, especially when trustworthiness and goodwill cross multiple levels of management (Mubarak and Petraite, 2020). While methods such as laboratory experiments are used to study beliefs (Asay *et al.*, 2022), the operationalization of trust is problematic

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because, among other things, it often excludes face-to-face interactions. Thus, doubts about how experiments operationalize the effects that social monitoring may have on trust in organizational settings remain.

Second, case studies are useful when the relationships between variables (such as trust and monitoring) have not been widely studied empirically and tend to be complex. Such complexity may be related to the effects of time lags on variables, which are more likely to be revealed in longitudinal case studies.

Resource persons are representatives from the operational and management levels of both partners, as well as managers seconded from each partner to work in *joint venture* itself. In qualitative research, the sampling technique that is more often used is *purposive sampling*. *Purposive sampling* is a technique for sampling data sources with certain considerations, for example the person is considered to know best about what we expect (Tunison, 2023). The interview consisted of 12 people, namely Garuda Indonesia 6 people and Sriwijaya Air 6 people.

Table 1 lists these interviewees, the number of interviews conducted, and their contributions to the case.

Table 1 Lists Interviewees' Roles and Their Contributions to the Case Study

Role	Amount Interview	Code	Contribute to Case study
Network manager *joint venture* (seconded from Sriwijaya Air)	1	HMP	Perspective on network problems flights within the alliance
General manager *joint venture* previously (seconded from Sriwijaya Air)	2	BYI	Information about trust and control during period of significant growth
		RFQ	
	3	EPG	

Role	Amount Interview	Code	Contribute to Case study
General manager *joint venture* At the moment (seconded from Sriwijaya Air)		TML	Information about trust and supervision during periods of conflict within the alliance
		INS	
Garuda Executive Indonesia is responsible for the alliance	1	EBP	Information about how the governance committee works manage *joint venture*

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Garuda Executive Indonesia which responsible for sales and distribution (previously general manager *joint venture*)	1	KZA	Perspective on alliance over the entire life cycle
Garuda Executive Indonesia today was initially involved with the establishment *joint venture*	1	HDM	Negotiation of original contract documents and design of monitoring mechanisms
Garuda Indonesia's engineering manager was involved with a contract	1	GBP	An operational perspective on alliances
Business analyst on the management team *joint venture* (seconded from Garuda Indonesia)	1	RAS	Information about trust and supervision during periods of conflict within the alliance
Commercial manager in the management team *joint venture* (seconded from Garuda Indonesia)	1	GCS	Information about sales, pricing, and inventory initiatives between partners

Source: Processed by researchers

A number of *focus group discussin* carried out via the Zoom application with practitioners, academics, ministry of transportation, government, and *stakeholder*, A total of 12 interviews with nine managers were conducted between May 2019 and August 2020, including the general manager *joint venture* currently and in the past. As key respondents, current and former managers were interviewed several times to verify and pursue issues that emerged in other interviews, but also to follow events longitudinally. Whether 12 interviews is a sufficient number is a matter of conjecture; However, that figure is at the high end of recent management accounting case studies, which vary from 5 interviews (Bamberger *et al*., 2014) to 12 (Rikhardsson and Yigitbasioglu, 2018). The main consideration in determining whether to continuing interviews is the reduction in the amount of new information that emerges from each additional interview (Arnaboldi, Busco, and Cuganesan, 2017). The evolution of the interview process reflects the evolving nature of research, where a manager will suggest talking to another manager who is more qualified to answer a particular issue or confirm or reject a particular perspective on an issue. Thus, a protocol was designed in which each manager was typically asked a set of general questions, but interviewees were allowed to follow their own perspective on the issue in what Arsel (2017) calls a reflexive interview process. The uniformity of answers to general questions is remarkable, especially for the two quantitative questions asking about the overall level of goodwill and trust competence among partners. This uniformity indicates that the data is relatively free from personal bias. Interviews lasted an average of 90 minutes and were recorded. Apart from interviews, documentary evidence is also tested, including official contracts *joint venture*, internal governance principles documents, various newspaper articles, and letters sent to regulatory bodies. The purpose of this evidence is to ensure the consistency of information obtained from different data sources. Case studies are suitable for testing the research propositions in this research, case studies have limitations that need to be managed. For example, case studies have been criticized for being less "rigorous" than quantitative methods with regard to issues of validity and reliability (Malsch and Salterio, 2016; Yin, 2018).

3. FINDING AND DISCUSSION

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Management team *joint venture* carrying out activities *joint venture* and managing the combined capacity of both airlines on the route *joint venture*, including coordinating their schedules and networks. Management team *joint venture* reports to the governance committee *joint venture*, consisting of executives from both airlines.

Governance committee *joint venture* monitor the performance of the management team *joint venture* and also managing relational issues, such as developing new activities to be carried out by *joint venture*. Executives on the governance committee *joint venture* then responsible to the respective airline's board of directors

each. Thus, the operational level is represented by the management team *joint venture*, and the executive level is represented primarily by the governance committee *joint venture* but also the boards of directors of both partner airlines. However, most boards of directors delegate responsibility *joint venture* to executives appointed to the governance committee *joint venture*.

Part of the case study examines the proposition that at the operational level, output, behavior, and social monitoring provide relevant information for building competency beliefs, but only social monitoring at the executive level provides information for goodwill beliefs. These relationships are now discussed based on evidence from case studies.

1. Competence Confidence

The data show that competency beliefs start at a relatively high level and grow. As one of the executive managers on the governance committee said *joint venture*:

Recognition of competency does not decline over time; in fact, it can grow in that we learn to respect each other's abilities. I think we'll both be highly respected as airlines and, you know, our management capabilities and things like that (EBP, interview April 5, 2020).

However, to examine the research proposition more comprehensively, it is necessary to study information related to competency based *output*, conduct, and social oversight received by the governance committee *joint venture* because of the governance committee *joint venture* is what expands competence. trust in the management team *joint venture*.

Executives on the governance committee *joint venture* receive various output reports from the management team *joint venture* as part of the monthly reporting cycle (such as usage and load levels, revenue reports, and profitability by route). In addition, they receive information from the general manager of the management team *joint venture* (who also sits on the governance committee *joint venture*) on behavioral and social surveillance. Information about behavioral monitoring (such as activity success stories *benchmarking*) helps provide a competency overview of operations at the management team level *joint venture*. Information about social supervision, in the form of vignettes about shared experiences, highlights the level of cooperation involved in the successful implementation of new activities (Majid, 2018).

In addition, the frequency of information about output, behavior and social supervision is relatively high. Although the governance committee *joint venture* routinely receive competency-related information on a monthly basis, executives know that this information is collected more frequently (daily, weekly) at the management team level *joint venture* and can be accessed immediately if needed.

Information from output, behavior, and social monitoring about the management team *joint venture* enabling governance committee *joint venture* to increase confidence in competencies extended to the management team *joint venture*. This can be concluded from the interviewee's quote, the increasing number of responsibilities given to the management team *joint venture*, as well as the committee's readiness to allow the team to manage risk without additional oversight. This provides support for the first research proposition related to building competency trust at the operational level.

These findings confirm Nippa and Reuer's (2019) research that many issues are raised and demonstrated as important to the understanding of why, where, and how *joint venture* formed, managed, monitored, rewarded, and possibly resolved (e.g., trust, patience, learning, or conflict management) cannot be properly answered without analyzing individual behavior, individual decision making, and interpersonal processes and relationships.

For example, special situations *joint venture* where conflicting goals and culture-based value systems will make trust building possible more difficult, even if top managers in joint ventures and general managers begin to build trust, there are no executive directors in parent companies and other superiors in these companies who can impose decisions and behaviors that run counter to building trust and patience. The learning that occurs from, about, and with partners will also relate to individuals involved in executive and lower level positions *joint venture*.

2. Good Faith Belief

In this study, goodwill trust is seen as partner X's confidence in predicting partner Y's willingness to not intentionally harm the interests of partner *joint venture*. Decisions affecting the goodwill trust may be made by each partner airline's executives on the governance committee *joint venture* or by their superiors, each airline's board of

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directors.

In contrast to competency beliefs, there is little initial goodwill belief *joint venture* but it evolves over time as a result of information from social oversight flowing among governance committee executives *joint venture*. Whether by accident or design, it matters to each airline's executives on its governance committee *joint venture* to interact with their partners to negotiate specific activities *joint venture*.

Through debates about new routes, products, and policies, these executives develop familiarity with each other and build strong working relationships. The continuity and success of these new activities impressed the executives on the governance committee *joint venture* more confident to commit to the next activity. As one executive put it, "when we first started, there wasn't a lot of trust or respect between the parties. The great thing now is you walk in and there's a smile on someone's face... here we go again, you want to add another route huh? (HDM, interview 5 July 2020)"

Apart from the information flowing from this social oversight at the governance committee level *joint venture*, it's hard to argue that any *output* or behavioral monitoring yields information relevant to good faith beliefs. In particular, there is no output oversight in the governance committee *joint venture* that generates goodwill-related information and the only major behavioral check that influences goodwill beliefs is the contract *joint venture*.

Contract *joint venture* sets the boundaries of each activity but does not provide any ongoing information unless there is a breach of contract *joint venture*. Information that simply reflects the absence of violations is a slow way to build good faith trust. A more positive effect comes from executives on the governance committee *joint venture*, which explains their commitment to existing and future activities. Information about their future commitments is more reflective of oversight embedded in the process of developing new activities and committing to business plans *joint venture*.

However, the frequency of information flow from social supervision is relatively low due to the governance committee *joint venture* only meet in person every quarter (supplemented by monthly conference calls). Additionally, new executives were appointed to the governance committee *joint venture* need to build goodwill trust at the interpersonal level. One executive observed, "I was out of at least four meetings before good faith trust started to emerge (KZA, interview August 10, 2020)." As a result, although each partner airline relies on its executives on the governance committee *joint venture* to gauge the goodwill of its partners, opportunities to do so are limited.

The second level at which a good faith trust can be developed is the board of directors of each airline; however, there is little information regarding goodwill at this level. This board of directors delegates responsibilities *joint venture* to executives appointed to the governance committee *joint venture*. These executives are reluctant to refer problems to the board of directors and rarely do so. A governance committee executive *joint venture* stated: "My job was explained to me by my boss as the cause of the relationship going on. That's my explanation. Avoid, try and fix problems so they don't get to the top (EBP, interview 5 April 2020)." As a result, the board of directors of each airline is not closely involved *joint venture* and plays little role, if any, in establishing goodwill trust.

This provides support for research propositions related to building goodwill trust at the executive level. Only social monitoring produces goodwill-related information that is meaningful to executives on the governance committee *joint venture*. In addition, the frequency of this information is also low, which means trust *goodwill* tied slowly. In summary, there is ample evidence to support research propositions related to building competence trust at the operational level and goodwill trust at the executive level. However, this trust was created during what could be called "the good times."

In line with this, Van der Meer-Kooistra and Kamminga (2015) point out the importance of personal relationships ('mutual trust/*trusting*') between individuals in *joint venture* which facilitates decision making, conflict resolution, identification of opportunities, and improves the flow of knowledge. Such individual relationships may also pose risks to *joint venture* if key individuals leave or are replaced.

The next research proposition examines how information from surveillance influences trust during more challenging times and the information required to destroy trust. This situation stems from differences in partner strategies at the airline level. These differences further misalign the partners' interests and increase the likelihood that one partner will make decisions that harm the other partner. These events are discussed below.

In the case of competency trust, default or broken work promises, stopping airport services such as *ground handling* and support flight and payment *cash* Upfront service can be ignored due to the competence of the management team *joint venture* (as perceived by the governance committee *joint venture*) remains unchanged. However, there is an adverse effect on goodwill trust because it becomes more likely that one partner will do something that is contrary to the interests of the other partner.

Proof of default or broken work promises and stopping airport services such as *ground handling* and aviation support expressed confidence in the good intentions for Sriwijaya Air given by a number of sources. For example, one executive summarized events as follows:

I think [default or broken work promises, stopping airport services and flight support, as well as payments *cash*

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in advance of service] has affected the relationship, because Sriwijaya Air feels that… what they're seeing is Garuda Indonesia really saying, "We're going to do this, now you have to figure out how we manage it." So this is coercion, not cooperation, and Sriwijaya Air does not accept that well. There's an emotional problem there. You know, "We trusted you and you have completely broken that trust (KZA, interview August 10, 2020)."

However, the effect of goodwill beliefs as a result of divergent strategies does not have an immediate impact. Before defaulting or breaking work promises, stopping airport and flight support services, as well as payments *cash* Upfront service appears, but once the decision about the opportunity is made, good faith trust is quickly destroyed. An important quote to support this comes from a Garuda Indonesia manager on the governance committee *joint venture*:

I think the problem has been around for quite some time but it's been in the closet and we've probably been shifting, you know, into a different strategic stance and outlook on national aviation for some time. But the issue has been ignored. They had been sitting on a shelf somewhere and what really came to mind were defaults or broken work promises, stopping airport services, and flight support, and payments. *cash* in advance of service (TML, interview 16 January 2020).

The delay between divergence in strategy and a decline in goodwill trust is also evidenced by Sriwijaya Air's surprise at Garuda Indonesia's actions. As the same manager noted:

I think Sriwijaya Air was really shocked and appalled that Garuda Indonesia did what it did and they felt that… I think they felt aggrieved [a decline in goodwill trust]. But my response is that I fail to see how they couldn't have seen this coming. Maybe they fell asleep at the wheel (INS, interview 20 January 2020).

Once airlines realized that their strategies were different, interviewees generally agreed that goodwill beliefs were lower. Some interviewees attested to the decline in goodwill trust by saying that less information was being shared and there was a reluctance to develop new activities. Apart from that, deep cooperation problems related to *joint venture* less open and there is even talk of compensation.

However, the problem of default or broken work promises, stopping airport services and flight support, as well as payments *cash* Upfront service delivery is not a decision made by the governance committee level *joint venture* itself, but by the Garuda Indonesia board (that is, the level at which Garuda Indonesia executives are on the governance committee *joint venture* ultimately responsible). Good faith trusts exist at the governance committee level *joint venture*, and it is a moot point whether they would have made the same decision had it been theirs. As outlined previously, goodwill trust has not been established among the boards of directors of both airlines, and the goodwill-related information they receive comes from the limited amount flowing from their own executives on governance committees. *joint venture*. As a result, because Garuda Indonesia's board of directors is closer to the interests of their own shareholders than to the interests of partners *joint venture* them, they have less regret about betraying Sriwijaya Air when an important opportunity arises.

This is in line with the research results of Cäker and Siverbo (2011) that trust in good intentions is easily damaged and requires more information to create it than to destroy it. Likewise, research by Van Veen-Dirks and Giliam (2020) found that trust in good faith can minimize relational risk and thus the possibility that partner companies will behave opportunistically. Furthermore, perceived performance risk will be reduced by competence beliefs, not by goodwill beliefs. When levels of behavioral uncertainty are high, we can expect goodwill trust, social monitoring, and behavioral monitoring to play important roles in minimizing the relational risks caused by this behavioral uncertainty.

information needed to destroy confidence in competence because it remains unaffected by issues of default or broken work promises, stopping airport services and flight support, as well as payments *cash* in advance for service. However, goodwill beliefs are undermined by the relatively low amount of information about these decisions that has a rapid and significant effect on goodwill beliefs.

4. CONCLUSION

Based on the research objective, namely to analyze aspects between trust and internal supervision *joint venture*/joint venture of Garuda Indonesia and Sriwijaya Air. Evidence from the case studies broadly confirms the expectations in the research propositions. The first research proposition states that information from output, behavior, and social monitoring helps build competence trust at the operational level but only information from social monitoring helps build goodwill trust at the executive level.

In terms of competency beliefs, output, behavior, and social monitoring at the operational level produce information related to competency level which increases the level of competency confidence that the governance committee wishes to provide *joint venture* to the management team *joint venture*. In the case of goodwill trust at the executive level, the findings are more complex because goodwill trust can be influenced by executives on the governance committee *joint venture* as well as by the board of directors of each airline. In terms of building goodwill trust at the governance committee level *joint venture*, these executives receive little information regarding the goodwill

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of output and behavioral monitoring. However, they interact with their colleagues on the governance committee *joint venture*, especially to negotiate specific activities to be carried out by *joint venture*, but also to monitor existing activities such as business planning. These interactions foster social surveillance and the information derived from them increases goodwill trust. However, there is a reliance on social oversight and infrequent contact between executives on the governance committee *joint venture* means that the level of goodwill-related information is relatively low and goodwill trust develops slowly. In terms of goodwill trust between Sriwijaya Air and Garuda Indonesia board members, goodwill trust failed to grow because it did not exist *output* or significant behavioral oversight that yields goodwill-related information at that level. Additionally, there is little, if any, interaction between boards of directors that might yield information regarding the goodwill of social monitoring. The board of directors delegates overall responsibility for *joint venture* to their nominees on the governance committee *joint venture* which is expected to be autonomous. Recall comments from one executive that he was expected to “make the relationship work…avoid, try and fix problems so they don't culminate (EBP, interview April 5, 2020).” The second research proposition concerns the different amounts of information required to build and destroy competence and goodwill trust. Confidence in competence is not destroyed by default or broken work promises, stopping airport services and flight support, as well as payments *cash* in advance of services; as a result, it is impossible to comment authoritatively on whether more information is needed to destroy competence beliefs than to build them. It is only possible to state that competence beliefs are strong and unaffected by such tensions. However, it is possible to comment on the information necessary to destroy the goodwill trust because the rapid decline in the goodwill trust that Sriwjaya Air gave to Garuda Indonesia was based on the relatively small but meaningful amount of information contained in default or broken work promises, stopping airport services, and flight support, as well as payments *cash* in advance for service. This decline supports the second research proposition that goodwill trust is a fragile concept that requires relatively less information to destroy than to build.

A partner is required *joint venture* others can bring together partners with very different operational competencies, making managing competency trust an entirely different task. Apart from that, there is a greater need to rely on trust due to the usefulness of the contract *joint venture* as a behavioral monitoring tool is limited in these circumstances. Competence and goodwill trust relationship, namely, competence trust at the operational level and goodwill trust at the executive level. Obviously, there are many other trust relationships, such as competence trust at the executive level and goodwill trust at the operational level. Likewise, other oversight, such as incentives given to managers on the management team *joint venture* and executives on the governance committee *joint venture*, may influence the level of trust; however, it is not possible to access this sensitive information.

Except for contracts *joint venture*, the pattern of supervision at the operational and executive levels reflects the pattern that exists in each airline, where a greater degree of supervision (especially of output and behavior monitoring) exists at the operational level than at the executive level. This is perhaps not surprising because executives determine control within their own organizations, and they are unlikely to see themselves as a threat to goodwill. However, this situation is a problem in *joint venture*, where a threat to the goodwill trust occurs between the partner's executives and/or board of directors *joint venture*. As a result, partners need to be mindful of the possible denial of good faith trust at both executive levels and the need for social oversight to promote good faith trust. This situation may be very relevant for *joint venture* open, where the contract *joint venture* (as behavioral monitoring) cannot easily control the behavior.

There isn't any *benefit* which means between Garuda Indonesia Group and Sriwijaya Air Group. There should be some *benefit* which can be obtained from *joint venture* Garuda Indonesia Group and Sriwijaya Air Group, among others (1) expand markets, (2) increase technological capabilities, (3) reduce business risks, (4) obtain resources, (5) increase efficiency, (6) provide opportunities, and (7) increase profits. Garuda Indonesia Group's good intentions are for Sriwijaya Air Group to pay off its debts in a way *joint venture* like all proceeds from Garuda Indonesia Group and Sriwijaya Air Group ticket sales go to *joint account*, where Sriwijaya Air Group did not take any action has not been implemented at all.

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