Building Trust in Crisis Management: A Study of Insolvency Practitioners and the Role of Accounting Information and Processes

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Abstract

This paper seeks to understand how insolvency practitioners attempt to build trust with a heterogeneous creditor body during the crisis of formal insolvency and the role accounting information and processes play. Accounting information is mobilized in different ways according to how insolvency practitioners believe the information will be interpreted and valued. This paper suggests specific qualitative characteristics, accounting principles and processes which appear to enhance trust building in a crisis context. These include perceived objectivity, comparability, cash flow accounting, 'matching' of secured liabilities with secured assets and 'crisis' audit. The value ascribed by insolvency practitioners to maintaining specific creditor relationships also appears relevant to trust-building activities. A 'tit for tat' strategy emerges with secured creditors, whereby insolvency practitioners engage in demonstrable fee write-offs, but on the implicit understanding that future, lucrative work will come their way. This study points to the importance for researchers and policy makers of understanding the 'desirable' properties of accounting through informed understandings of how and why that information is mobilized and received in specific relationships between people.

Keywords – Crisis management, Insolvency, Insolvency practitioners, Trust

"As insolvency professionals, we are subject to a Code of Ethics and trust is one of the underpinning concepts – anyone who deals with us, should expect to trust us, and for us to do the best job possible. That feeds our reputation as reliable, cost-effective solution providers, rather than rip-off merchants who are in it just for the fees. You just need to see some of the mud being slung around about insolvency practitioners at the moment to see what a lack of trust looks like." (Insolvency professional interviewee)

1. Introduction

High corporate leverage coupled with a severe and protracted recession have drawn increasing media attention to organizational crises and financial distress. However, in spite of the global media coverage of high-profile cases, such as Lehman Brothers, Sears Canada, Toys R Us, Carillion, Monarch Airlines and Patisserie Valerie, formal insolvency has remained outside the scope of crisis management researchers.[1] One possible reason for this might be the incorrect assumption (propagated in the media) that insolvency is equated with corporate death and the 'end' of the crisis. Increasingly, global trends in insolvency law are cognizant of the need to promote and facilitate corporate rescue and reorganization attempts, with a focus on survival.[2]

In commercial settings, trusting and co-operative behaviours are generally the norm rather than the exception (Macaulay 1963, 1985, 2003; Macneil 1978, 2000; Seal and Vincent-Jones 1997). However, in times of crisis, trust in, or distrust of, individuals, institutions or society arguably become more pertinent (Webb 1996; Weiss and Berney 2004; Baldvinsdottir et al. 2011). The failure to pay creditors and the subsequent unravelling of commercial relationships provide a clear impetus for the development of distrust. Insolvency crises are stressful events, invoking anxiety in individuals, creating or rendering visible conflicts of interest, leading to blame pointing and the redistribution of wealth (Cooper and Joyce 2013; Joyce 2014). Relational considerations (such as norms of reciprocity and co-operation (Macneil 1974, 1980)) give way to discrete bargaining, as claim holders come to terms with both their potential economic loss and the sense of betrayal felt towards corporate management.

Insolvency events require the formulation of workable crisis resolution strategies. Sensitive and commercial decisions must be made regarding the continuation of trade, employment, closure and sums payable to creditors. The role of the crisis management professional is therefore complex and critical to stabilizing and resolving the crisis. In some jurisdictions, including Australia, Canada and the UK, accountants dominate the formal corporate insolvency field, with insolvency representing an important specialist sub-field for accounting professionals. In the UK, 'insolvency practitioners' (IPs), as these crisis management professionals are known, assume responsibility for the management of insolvent

[1] The term 'bankruptcy' is often used in the literature to refer to *corporate* failure. In the United Kingdom (UK), however, 'bankruptcy' refers to the insolvency of *individuals,* while 'insolvency' is used to describe *corporate* failure. Given that the empirical context of this study is the UK, the term 'insolvency' is used throughout this paper.

[2] Amongst a range of criteria used by the World Bank for measuring the strength of a country's insolvency regime is the type of proceeding (liquidation, reorganization or both) available in a country and the management of the debtor's assets, including whether the debtor is able to continue transactions essential to the survival of the business and walk away from crippling contracts (World Bank 2017).

corporations, stepping into the shoes of the incumbent directors (Joyce 2014). Insolvency practitioners are positioned as crisis intermediaries between the body of creditors and the organization, but they also assume an agency role with regard to guardianship and stewardship of creditors' assets. They are also members of a professional body, with ethical and professional responsibilities, and they are partners, directors, owners or employees of professional service firms, facing the same commercial pressures as other branches of the accounting profession. Understanding how these crisis intermediaries attempt to (re)build trust in this context is of interest, especially if economic loss and personal vulnerability on the part of creditors necessarily sit alongside normative objectives of rescue and business continuation.

Accounting research has been slow in responding to explicit calls to study accounting in crisis situations (Ezzamel and Bourn 1990; Richardson et al. 1996; Walker 2000; Hopwood 2009). The limited studies in this field have explored how accounting technologies may be used as a tool in crisis management. For example, research has revealed the ritualistic use of audit as a means of framing and bringing order to an immediate crisis and beyond, demonstrating the role played by audit in continual monitoring and enforcement (Andon and Free 2012; Free and Radcliffe 2009). Sargiacomo's (2015) work has focused upon the role of accounting information in the management of natural and humanitarian disasters, showing how accounting is used to legitimize, manage and govern resource allocation. Recent management studies have demonstrated how accounting calculative practices may undergo change as an economic crisis unfolds, adapting to serve different objectives (Van der Stede 2011; Makrygiannakis and Jack 2016) as a corresponding new "accounting mentality" becomes embedded in the organization (Makrygiannakis and Jack 2016, 1253). Earlier work has also focused on the properties of accounting information, showing that in the midst of an organizational crisis, accounting figures may come to be "perceived as mystifying", subject to reliability and variability criticisms, and increasingly viewed with distrust by organizational members as the crisis escalates (Ezzamel and Bourn 1990, 411).

Thus, the role of accounting information and practices in the critical decision context of insolvency, in restoring order to the chaos and in managing and allocating scarce resources is important. However, so too is the role of accounting information in mediating relationships between the insolvency practitioner and the creditor body and in building or restoring trust during the period of formal insolvency. This is especially pertinent given the ripple effects of corporate failure and the potential spirals of distrust (Mueller et al. 2015, 1176) that might emerge. Usually, trust is vested in individuals and mobilized through a set of trust-based relationships (Sztompka 1999; Nooteboom 2002, 2006). However, where opportunities for personal interaction are controlled, limited or disappearing, assessment of individual trustworthiness becomes more difficult. A demand is then created for alternative trust-building mechanisms, such as accounting calculative processes and financial information (Whittington 1999; Jeacle and Carter 2011). Intermediary mechanisms located within and around these relationships (such as audit, financial reporting or accounting information) consequently have the potential to enable trust to emerge, including in times of turbulence (Sztompka 1999; Whittington 1999; Möllering 2006). With this context in mind, the objectives of this paper are to explore how insolvency practitioners attempt to build trust with creditors during their crisis management activities and what the roles of accounting information and processes are in these trust-building activities. It does so by examining insolvency practice in the UK.[3]

As well as responding directly to calls for more studies on accounting's role in crisis management, this study contributes to two broad streams of accounting literature. Firstly, the management accounting research movement has given rise to a rich and varied body of work exploring the relationships between accounting and trust in terms of relational corporate governance and inter-organizational supply chain management (Tomkins 2001; Emsley and Kidon 2007; Free 2007, 2008; Vosselman and van der Meer-Kooistra 2009; ter Bogt and Tillema 2016; Anderson et al. 2017; Grafton and Mundy 2017). Much of this work aligns accounting with control, studying how trust and control information may operate as substitutes or in a complementary fashion and how time moderates this relationship (see Tomkins 2001; Dekker 2004). Möllering (2005, 300) suggests developing the trust-control duality literature by considering that trust and control "are inseparable: you cannot have one without the other and you cannot fully explain one without the other". Recent accounting studies have accordingly highlighted the role of accounting information in fulfilling a control function as well as a specific role in mediating relationships and trust building (Vosselman and van der Meer-Kooistra 2009; Mineev 2013). These authors call for further research, both in differentiating between accounting's role as either a 'control technology' or a 'mediating trust-building technology' and in the interactive effects between these potential roles (Vosselman and van der Meer-Kooistra 2009; Mineev 2013). The empirical context of this paper is defined by potentially high levels of distrust and a need for financial control and the rapid formulation of a strategy regarding management, resource allocation and stabilization. It therefore enables further insights into the trust-control duality and the conditions which may enable 'accounting as control' and 'accounting as trust building' to co-exist or make accounting work in one way or the other (Mineev 2013).

Secondly, this study offers a rejoinder to contemporary professional and academic debates on the role of financial reporting as a corporate governance and accountability mechanism (see Sloan 2001; Kothari et al. 2010; Williams and Ravenscroft 2015). These debates signal a growing recognition of the importance of trust in improving the corporate reporting framework (Accountancy Europe 2015, 2017; ICAS 2018). Such developments indicate both a role for corporate reports in building trust in the organization and its management, but also point to a lack of trust in the reports themselves, due in part to the information provided lacking credibility, reliability and relevance (ICAS 2018, 5; FASB 2006, 63). It is generally understood that to build trust in the organization and its management, corporate reports must enable a better assessment of performance, governance and the accountability of management (ICAS 2017, 4). This has led to a renewed focus on stewardship, useful information and the attendant informational properties of comparability, verifiability and understandability (IASB 2018).

Financial reporting is part of a suite of accountability mechanisms between those charged with stewardship of organizational resources and the providers of those resources. This

[3] In the UK, the formal corporate insolvency processes are administration, company voluntary arrangements (CVAs), receivership and liquidation. Receivership was largely abolished by the Enterprise Act 2002 (see Joyce 2014). The empirical focus of this study is predominantly on administration as this procedure is intended to be a rescue mechanism.

suggests a mediating role for financial reporting in trust building between those in a leadership position and organizational stakeholders, the mediating potential being partly dependent on the informational qualities of the corporate reports and their perceived degree of trustworthiness. Indeed, "the provider of accounting information has a relationship with the user of the information, a relationship *mediated* by accounting records and reports" (Williams and Ravenscroft 2015, 781, emphasis added). Insolvency practitioners act as agents of the company with a custodial responsibility for creditor assets. They must manage scarce corporate resources and provide an account of their stewardship and value-enhancing activities. They are also recompensed from these scarce resources. This paper therefore contributes to broader debates on the ability of financial reporting to mediate trust building amongst organizational participants by enabling investors (creditors) to assess the stewardship qualities of managers (insolvency practitioners) and to assess their economic return.

Based on interviews with UK insolvency practitioners (IPs), this study suggests that trust building emerges and manifests in different ways throughout formal insolvency. The data collected suggests differential trust-building strategies associated with several variables. These are the category of creditor (that is, whether debt is secured over assets versus unsecured debt), and relatedly, the creditors' perceived knowledge and understanding of insolvency affairs (that is, whether creditors are 'expert', repeat players versus 'non-expert', infrequent players) and the forms and extent of interaction between the IP and individual or groups of creditors (that is, informal communication within a network versus more formal communication outside the network). In turn, accounting or financial information and accounting processes are differentially mobilized by IPs, according to how they understand the mediating potential of the information in trust building at different stages of crisis management and with different categories of creditors. Information production, dissemination and use vary according to the creditors' perceived knowledge and understanding, as well as the value ascribed to the relationship by the IP. In this regard, the IP carefully manages their statutory and practical requirements to functionally resolve the crisis, together with their own professional career and their firm's survivability.

For the unsecured creditor group, trust-building strategies are associated with managing the competency and information gaps between IPs and these creditors. Trust building is concerned with re-framing expectations (from ongoing profitable trading relations to acceptance of economic loss), educating (around the policy objectives of insolvency law) and simplifying the complexity of the crisis. Insolvency accounts and other financial representations are central to these processes, mediating relations between the IP and the unsecured creditors. In general terms, the 'desirable' accounting properties of perceived objectivity, presentational clarity and comparability appear to provide a clear analysis of creditor loss and financial outcomes and effectively translate the complexity of the crisis into standardized and understandable economic terms. More specifically, the use of current realizable values and matching of secured liabilities with secured assets emerge as relevant accounting principles which seemingly enhance trust-building efforts. Furthermore, cash-based accounting appears to be effective in signalling IP intentions and building 'swift trust' (Meyerson et al. 1996) with unsecured creditors during the critical stage of trading in crisis. However, at some stages of the crisis, IPs also draw unsecured creditors' attention to the regulated nature of their work and the rules surrounding information production. The mediating potential of accounting information is seemingly enhanced by derived trustworthiness (Sztompka 1999) that comes from the legal framework within which IPs operate.

Interactions with secured creditors take place within a professional network of expert players. Trust building is aligned with both demonstrating to valued network members that their interests are being met and continually confirming the IP's competence and intentions. Trust building with secured creditors is therefore embedded in informal communication and inclusion within an already shared regulatory field. Accounting processes such as crisis audit, provide a means for IPs to demonstrate their competence and reveal the importance of professional expertise in arriving at 'objective' (trusted) accounting valuations. Repeat contracting with secured creditors ensures that trust is built progressively. Accounting controls (such as internal job costing systems) provide a means for IPs to monitor the reasonableness of their margins as well as enable IPs to credibly signal their intentions to secured creditors. Thus, 'accounting as control' and 'accounting as trust building' appear to co-exist in this context. A 'tit for tat' strategy (Deakin 2006) emerges, with IPs engaging in demonstrable fee write-offs, loss leaders or discounting of professional fees, as a means of signalling reciprocity and co-operation with secured creditors over the distribution of asset realizations. This is on the implicit understanding that future, lucrative work would come the IP's way and hence allow their long-term survival.

The remainder of the paper is structured as follows: the next section outlines the theoretical framework, which integrates emerging trends in the sociological and accounting literatures. This is then followed by a description of the data and research methods. The analysis and interpretation of data is then presented. The paper ends with a discussion and concluding remarks.

2. A theory of trust building

Trust as shared expectations

Zucker (1986, 54) defines trust as a "set of expectations shared by all those involved in an exchange". Common expectations establish acceptable boundaries or frames of reference within which action occurs (Neu 1991b, 246). Expectations or values may be informed and shaped by formal social and regulatory structures, hierarchical positions or custom (Macneil 1983). Statute, accounting conceptual frameworks and codes of ethics for example, may help establish shared interpretive schemes by formal structuring or coding of democratic policy, 'expert best practice' thinking or normative visions of professional conduct. When parties to an exchange share a set of expectations, they come to share a "world in common" (Möllering 2006, 358), so that to act otherwise or contrary to the shared interpretive scheme would be "literally unthinkable" (Zucker 1986, 58).

Bases of trust

Trust then entails a two-sided relationship between a subject, the person who trusts (known as the 'trustor'), and an object, the person who is trusted (known as the 'trustee') (Nooteboom 2002, 8). Within commonly understood boundaries, the subject determines the object's trustworthiness by drawing upon various 'clues' regarding the trustee's reputation or behaviour (Sztompka 1999, 69). Such clues might relate to aspects of the trustee's competence or performance, or their intentions and perceived benevolence (Sztompka 1999, Nooteboom 2002). This gives rise to different varieties of trust. "Competency trust" is the trust placed in the technical abilities, skills and knowledge of the trustee (Nooteboom 2002, 50; Emsley and Kidon 2010). By placing trust in the competence of the trustee, the trustor takes a leap of faith that expected performance will be achieved through application of the trustee's knowledge, appropriate planning, coordination activities, and application of suitable methods (Nooteboom 2002, 50). Demonstration of competent and successful performance or possession of technical expertise may facilitate trust building in the performative reputation of the trustee. Reputation for benevolent or goodwill-oriented behaviour on the part of the trustee may be conceptually differentiated here. Nooteboom (2002, 50) describes "goodwill or benevolent trust" as trust in the aims or intentions and dedication of the trustee. Saparito et al. (2004, 401) describe "identification-based trust", where 'relational attributes' motivate the observable actions of trustees. For example, demonstration of a customer orientation, through helpfulness, information sharing, openness and flexibility, signal 'caring' on the part of the trustee and potentially cultivate a stronger socio-emotional relationship.

Recognizing the two-sidedness or relational view of trust, the effectiveness of clues or the "reasons, predilections, and rules, which make people grant or withdraw trust" (Sztompka 1999, 69), is partly dependent on the "communicative capacity" of trustees to help trustors absorb trustee's expert knowledge (Nooteboom 2002, 29). Inter-relatedly, it is also dependent upon the intended recipient *understanding* those clues. Trustors therefore require the necessary competence to interpret and make sense of the available information (Sztompka 1999). Sztompka (1999, 83) comments that for "ordinary people", assessing the trustworthiness of professionals is impossible. Lewis and Weigert (1985, 969) suggest that "trust involves a degree of cognitive familiarity with the object of trust that is somewhere between total knowledge and total ignorance". They also indicate that in the professional-client relationship trust is more basic, due to the "competence gap" between the two parties (Lewis and Weigert 1985, 981-2). This forces the client to trust the professional to varying degrees, in turn also requiring an "adequate symbolic representation of the competence and integrity of the professional". Certification as an accountant, credentialism and the associated institutional processes of qualification and professional body membership for example, may provide the necessary symbolic representation of professional competence and goodwill, or a source of 'institutional-based trust' (Zucker 1986).

Adopting a process (subject-object) approach to trust, Nooteboom (2002, 8) suggests that trust quite often "evolves in interaction between people". More specifically, 'process-based' trust arises from recurring patterns of exchange, gradual formation of shared expectations and the establishment of reputation (Zucker 1986; Neu 1991a; Stolowy et al. 2014). Process-based trust is built up over long periods of time and where, as a result, the parties have come to know one another intimately (Zucker 1986; Neu 1991a; Free 2008). Trust established through reputation requires not only careful preservation of that reputation, but also its "permanent confirmation" to others (Sztompka 1999, 77). Thus, effort must be expended towards the (re)presentation and continual validation of reputation, essentially pre-committing the counterparties to demonstrable ongoing trustworthy conduct (Sztompka 1999, 77).

Where high levels of interaction are not possible, or the relationship is in its infancy, transparency, communication and openness may assume greater importance for trust building (Mishra 1996; Sztompka 1999). Meyerson et al. (1996, 167) discuss “swift trust”, signifying trust that manifests in temporary systems, where the usual trust-building mechanisms of familiarity and established reputation are likely to be absent. In temporary systems, Meyerson et al. (1996, 191) argue there is greater emphasis on performance or heavy absorption in the tasks at hand and less on inter-personal relationships as bases for deciding whether to grant or withhold trust.

In summary, objects of trust may be people, or more specifically their competence and intentions (Nooteboom 2002). Informational clues regarding reputation, performance or intentions (as potential bases of trust) underpin the decision to grant or withhold trust in particular objects (Sztompka 1999). These informational clues may be produced, disseminated and subjected to interpretation over a long or short period of time, but in either case, they require that subjects understand and can make sense of the information. In this regard, objects of trust may also be institutions or organizations, which offer a symbolic representation of competence and integrity (Zucker 1986; Nooteboom 2002; Stolowy et al. 2014). In the context of this study, the individual IP is viewed as the object of trust and more specifically their perceived competence and intentions. Understanding how IPs make use of relevant clues as a means of demonstrating and signalling their reputation, performance and intentions is therefore of relevance to this study. Accordingly, the following sub-section explores theoretically how accounting information and controls might provide such clues and therefore function as a technology of trust.

Accounting as a technology of trust

Accounting information and processes may play a mediating role in trust building, enabling the presentation and communication of convincing accounts of trustworthy behaviour between trustee and trustor. The mediating potential can be explained by the informational properties of accounting data (its perceived objectivity and neutrality), its potential to facilitate communication through shared understandings of accounting data and the ability of quantification systems to demonstrate apparent openness and transparency (Free 2008; ter Bogt and Tillema 2016). Porter (1995, 45) suggests that quantification serves as a technology of trust, arguing that “numbers create and can be compared with norms, which are among the gentlest and yet most pervasive forms of power in modern democracies”. Essentially, numbers are often held out as truth and their presentation as ‘truth’ both shapes our expectations and informs our assessment of reputation and performance. However, the easier it is to manipulate data, the more difficult it becomes to demonstrate trustworthy conduct and assess competence (Sztompka 1999). Where knowledge asymmetry exists, say between managers and investors, increasing ‘softness’ of financial information may reduce the ability of resource providers to assess the ‘truth’ presented and hence also their willingness to invest in the organization.[4] A moderating factor here is the institutional or regulatory environment which frames the production of information. As noted earlier, objects of trust may include not only people, but also organizations, institutions and socio-economic

[4] For example, flexibility in accounting standards might be problematic in the sense that it reduces the ‘hardness’ of the information (Seal 1996).

systems (Nooteboom 2002, 8). Information may become an object of trust, enjoying “derived trustworthiness” from the trust embedded in the institutions which regulate its production (Sztompka 1999, 71). Thus, the limitations of accounting as an intermediary trust-enhancing mechanism may be overcome to some extent by institutional factors.

Accounting control practices may also play a role in strengthening trustworthiness and the formation of trusting relationships. A growing body of accounting work has revealed the complementary or mutually reinforcing relationship between accounting control systems and trust, as well as revealing the potential for accounting controls and information to destroy trust (see Tomkins 2001; Johansson and Baldvinsdottir 2003; Emsley and Kidon 2007; Free 2007, 2008, 650; Mineev 2013). Nooteboom (2002) and Woolthuis et al. (2005, 815) distinguish between “thin trust”, which they align with general and impersonal institutions whose role is to support or enhance the trustworthiness of people and organizations, and “thick trust”, which they align with highly personalized and specific relationships. Vosselman and van der Meer-Kooistra (2009) apply this distinction to corporate governance mechanisms and accounting controls, suggesting that governance mechanisms and controls safeguard against potentially opportunistic behaviour (ensuring that interests are aligned) and provide a measure of performance accountability. Accounting control systems in this context can be thin trust-enhancing institutions through the provision of performance related information (an instrumental accountability role) and are supported by the credibility of relevant threats (such as loss of future economic benefits, following reputational damage from acting opportunistically) (Vosselman and van der Meer-Kooistra 2009, 271).

In the context of crisis management, this study explores the properties of accounting information and the nature of accounting control practices that seemingly help the IP to build trust with the creditor body. IPs may mobilize accounting information and controls to provide relevant clues about their competence, reputation and intentions to creditors. However, accounting information can play more potent roles in trust-building activities by extending its calculative potential to help establish and preserve enduring trust-based relationships, such as those characteristic of network structures. In this way, accounting information and control practices may play an important role in generating ‘thick trust’. This is considered in the final sub-section.

Networks and trust equilibrium

“Dense network(s)” facilitate “familiarity and visibility” at the individual level, potentially enabling trust to emerge (Sztompka 1999, 81). Networks provide opportunities for meetings and informal gatherings which facilitate the flow of information, including reputational and goodwill-related information. Collaborative structures and networks create “information boundaries” and determine the extent of information “diffusion” or knowledge sharing to those outside the boundary (Zucker et al. 1996, 91). Information boundaries may then be conceptualized metaphorically as effective “information envelopes”, restricting information flows to those outside the boundary (Zucker et al. 1996, 91). For those within the boundary, network members can monitor each other’s behaviour and performance (Grafton and Mundy 2017), and indicators of performance (Sztompka 1999) produced and communicated within the network may be mobilized to enhance the reputation of a network member. Demonstration and preservation of reputation are therefore ‘managed’ by trustees within strong networks, through increased opportunities for interaction (Alesina and La Ferrara 2002; Barrett and Gendron 2006), as well as through the threat of expulsion for breaches of trust and greater alignment of expectations and schemes of interpretation.

In a network, trust is built and carefully preserved through individual level interactions, but trust 'travels', so that objects or 'targets' may become trusted as a consequence of a complex set of trust-based relationships (Sztompka 1999; Barrett and Gendron 2006; Stolowy et al. 2014). As discussed earlier, the accounting informational properties of (perceived) objectivity, comparability, reliability and understandability mediate trust-building efforts. However, the structure of the network provides or enables access and communication channels, with commonly understood expectations helping to shape the presentation, interpretation and assessment of accounting calculative practices. What this means is that members of a network are able to assess the trustworthiness of information produced by other network members. Furthermore, informational outputs produced within a network may also come to be readily 'accepted' (as objects of trust), such that "the credibility of the information has been estimated and is beyond doubt" (Chaserant 2003, 178). Thus, if the network is well developed, a new 'fact' may be created (Porter 1995). As Porter (1995, 16) comments, "it is an artefact, but it is nonetheless real, for it can be enlisted in the networks that support new facts". Thus, the diffusion of accounting information amongst network members mediates, constructs and attaches value to trust-based relations, as well as creates new objects of trust. 'Thick trust' may therefore emerge from the high degree of personal interactions and the level of care bestowed on relations amongst network members.

The signalling or communication of a 'caring attitude' on the part of the trustee does not necessarily mean that economic interests are set aside. Whilst goodwill or benevolent trust is often linked with empathy, concern for the welfare of the trustor may coexist with self-interest on the part of the trustee (Mishra 1996). This means that trust and self-interest are not mutually exclusive (Zucker 1986, 57) or "totally antagonistic" (Chaserant 2003, 174). Chaserant (2003, 170) describes "enlightened self-interest" or the "duality between a gain frame and the willingness to comply with co-operation norms which explains that sometimes the contracting parties sacrifice some short-term opportunities or assets in order to maintain their relationship". Similarly, "reciprocal altruism" or "tit for tat" strategies explain the persistence of co-operation (Deakin 2006, 221-2). One party is prepared to incur a cost in order to confer a benefit on the other, but in the expectation that they will in turn receive a benefit at some future point (Deakin 2006, 222). Accounting information and practices potentially play a mediating role in making such 'tit for tat' strategies visible. For example, accounting information and processes may produce thick trust by providing 'relational signals' of a willingness to co-operate and to signal acceptance of personal vulnerability (Nooteboom 2002; Chaserant 2003, 173; Gargiulo and Ertug 2006, 179; Vosselman and van der Meer-Kooistra 2009). In this way, parties that engage in reciprocal altruism may enjoy an evolutionary advantage (Deakin 2006). An equilibrium is sustained because it allows members of a population (or network) to flourish and survive (Möllering 2006, 361).

The theoretical framing of this paper centralizes the importance of information in enabling trustors to determine the trustworthiness of trustees and associated objects of trust. Information thus mediates the subject-object relationship by providing 'facts' about the performance, reputation or intentions of people or organizations. Control-related information provides an element of accountability, potentially enabling thin trust to emerge. Information may also become an object of trust as a consequence of the institutional (regulatory) environment or network structure in which it is produced. Informational properties may also support the production of thick trust by enhancing communication and signalling efforts, such as those associated with 'tit-for-tat' strategies. The ability of thick trust to emerge depends on the forms of mediation that structure trust-based relationships and that enable or restrict transfers of trust. Information may thus be controlled, re-presented, withheld or prioritized in different ways according to how its mediating potential is understood by trustees in their interactions with trustors and the perceived importance of that relationship to the parties. Understanding the potential of accounting as a trust-building intermediary mechanism therefore requires contextualization of trust-based relationships. Such contextualization requires that the way in which individual actors position themselves, how they 'rank' particular relationships and how they understand their need for survival within a network or professional group be taken into account. In this study, trust building on the part of the IP is studied with contextual considerations in mind, including the position of the creditor (within or outside the IP's professional network) as well as the IP's need to competently manage the crisis, sustain their competitive position and maintain their professional reputation in their network.

3. Data and methods

The research questions posed by this study require an understanding of how insolvency practitioners attempt to build trust with creditors during crisis management and what the roles of accounting information and processes are in trust building. Understanding how the formal process of insolvency unfolds through the eyes of the practitioners themselves is critical. A research method aligned with understanding practitioners' decision making in action, how they seek to build trust with creditors and how accounting information, practices or processes are mobilized to build trust, is key to improving our understanding of the way in which the complex process of crisis management plays out in the 'real world'. Consequently, this paper adopts an interpretative and qualitative method to allow for more "grounded and innovative understandings" of social phenomena (Gendron 2009, 124).

In the UK, upon a corporation entering formal insolvency, its directors are typically replaced by insolvency practitioners. IPs, who act as administrators, have a specific duty to the general body of creditors (Finch 2003; Mokal 2004; Joyce 2014). The UK has approximately 1,600 IPs, who have state-sanctioned responsibility for managing corporate failure, controlling the assets of financially distressed companies and processing competing liabilities on those assets. They are licensed by a Recognised Professional Body (RPB) which monitors and regulates them, under a Memorandum of Understanding with The Insolvency Service, an executive agency of the UK Government.[5] IPs regulated by an accountancy professional body and/or working within accountancy firms are often qualified Chartered Accountants. Insolvency thus represents a post-qualification specialism for these individuals (Flood and Skordaki 1995; Halliday and Carruthers 1996; Joyce 2014, 596). As shown in Table 1, at 1 January 2019, 65% of IPs were licensed by an accounting RPB. It is predominantly the IPs

[5] To obtain a licence in the first place, current legislative requirements are that individuals must pass the examinations of the Joint Insolvency Examination Board (JIEB) and have a minimum amount of relevant work experience (Insolvency Act 1986, s390).

working within accountancy firms and specialist restructuring firms that take on the position of administrator, liquidator or receiver, with IPs working within legal practices tending to act in an advisory capacity (Flood and Skordaki 1995).

[Insert Table 1 about here]

In line with the growing use of interviews as a source of qualitative research data in accounting (Dai et al. 2019), this study undertakes in-depth, semi-structured interviews with insolvency practitioners and other insolvency professionals operating predominantly in Scotland, UK. Twenty interviews were conducted; nineteen with insolvency professionals and one with a senior Manager/ Director for the Federation of Small Businesses (FSB) in Scotland.[6] The FSB represents the interests of small and medium-sized companies (SMEs), which are likely to make up the body of ordinary, unsecured creditors in a 'typical' corporate insolvency. Thus, with the exception of the UK Government taxation authority, Her Majesty's Revenue and Customs (HMRC), and property landlords, unsecured creditors are frequently small, incorporated businesses and sole traders.

Profile data for the insolvency professional interviewees is provided in Table 2. The insolvency professionals interviewed for this study are either licensed IPs and/or exam-qualified, having completed the Joint Insolvency Examination Board (JIEB) exams. Seventeen of the interviewees are licensed insolvency practitioners. The other two are Director and Assistant Director in two different 'Big 4' accountancy firms. One interview was conducted with an ICAS Monitor. The role of an ICAS Monitor is to undertake monitoring visits to licensed IPs to verify regulatory and ethical compliance and ultimately to ensure that ICAS-licensed IPs are 'fit and proper' persons. To preserve anonymity, direct quotations from the ICAS Monitor are not included, although the interview shaped and informed the subsequently reported results. The interviewees are from accounting practices which ranged in size, including all 'Big 4' accountancy firms. The majority are regulated and authorized by ICAS.

[Insert Table 2 about here]

As Table 2 indicates, all interviewees have extensive experience in the insolvency sector. There is an element of 'natural bias' in interviewee selection towards very experienced individuals. This arises because, as mentioned above, many insolvency professionals will have trained and qualified as Chartered Accountants prior to specializing in insolvency. It is quite likely they will have worked in the insolvency field for several years before undertaking the insolvency examinations and 'working their way up' the firm hierarchy, with the majority of license holders being at partner level. Thus, the majority of interviewees have over twenty years of insolvency experience, with many approaching the thirty-year mark. Collectively, they are involved in a variety of high-profile, advisory roles within the industry. The interviewees identified for this study might be thought of as "network stars" (Pettigrew 1992, 178; Malsch et al. 2012).

Interview themes were structured around obtaining an understanding of what happens during a formal administration process, from the initial appointment, to immediate crisis

[6] Relevant quotations are referenced as 'FSB'.

stabilization efforts, to interpretation and pursuit of statutory objectives, through to the resolution of the formal crisis. Interviewees were asked specifically about their use of financial or accounting information at each stage of the process, including how this information was constructed and/or mobilized, and typically towards the end of the interview, questions were introduced relating to the payment of their fees. Interviewees naturally ran through their approaches chronologically from start to finish, the potential conflicts along the way, negotiations and case management. Thus, the use of a qualitative method enables some progress to be made in capturing the complex realities of accountants and accounting in action (Gendron 2009). Gendron (2009, 130) notes the role of qualitative research as a way of "sensitiz[ing] academics to the realities of practitioners". Certainly, in this study, the insolvency professionals were very forthcoming in terms of their willingness to be interviewed and their openness and frankness about their day-to-day dilemmas in managing distressed companies. There was a real sense of interviewees seeking to increase awareness of insolvency issues, including the conflicts, despair and frustrations as well as the successes.

Although the interviews were structured around pre-determined themes, by their very nature, interviews enable ongoing 'exchange' between researcher and interviewees (Ahrens and Chapman 2006, 822). Interviewees were able to 'diverge' from the interview themes and questions to some extent, providing new avenues for the researcher to explore, often yielding insights into how insolvency professionals even interpret particular questions. For example, it was not uncommon for interviewees to express surprise at some of the questions being asked. In some cases, interviewees admitted they had not thought about those issues before and in others, they seemed to adopt a different interpretation of the question from the researcher. This exchange is an important element of qualitative work, as it can help to highlight those 'taken for granted' aspects of accountants' work and draw our attention to potentially interesting aspects of practitioner work that we may not have been aware of. Being immersed in conversation with reflective practitioners allows "the researcher to connect, in some ways, with the interviewee's interpretive schemes" (Dai et al. 2019, 36).

Some brief notes were taken throughout interviews (for example when interviewees suggested aspects of their work that had not been identified by the researcher or where suggestions were made for other individuals to try to speak with, a process known as 'snowballing'). In addition, interviews were recorded by digital voice recorder and subsequently transcribed in full. Transcripts were then analyzed to identify broad themes and sorted accordingly. Elaboration strategies were used, including the construction of a thematic matrix and comparisons across transcripts were carried out (Gendron and Spira 2009; Malsch et al. 2012). Five willing practitioners took part in follow-up interviews, informal telephone conversations and email exchanges, which gave them an opportunity to respond to new themes that had been identified. This continuous process of interpreting and questioning data is typically part of qualitative methods (Ahrens and Chapman 2006).

The interviewees tended to be in clear agreement on most matters, such as their objectives and role, their interpretation of the law and how they tended to fulfil their statutory duties as administrators. Thus, a point was reached where some saturation of interview material was evident (Glaser and Strauss 1967; Lander et al. 2013, 135). For example, interviewees would use the same or similar words to answer some questions. In other cases, when probed on how they interpreted particular duties, their responses were again similar in terms of actions or strategies they might take. However, more subtle differences of opinion were expressed on how problematic cases might be managed and in the articulations of professional identities and values. This is drawn out in the results section. Furthermore, some interviewees were more 'talkative' than others and for some, time was not an issue, with the interview extending beyond the pre-agreed one hour, whereas for others, it was clear to the researcher when their 'time was up'. To some extent, such variation in interviewee responsiveness is reflected in the material reproduced in the results section. Interviewee quotations are reproduced to enable a "theorized storyline" to emerge, with data-theory coupling (Golden-Biddle and Locke 2007). Accordingly, quite lengthy quotations are occasionally reproduced in an attempt to combine the "telling" and "showing" of narrative materials (Golden-Biddle and Locke 2007).

In addition to the interview material, further documentary analysis was also undertaken, including a latent content analysis of ICAS' professional periodical (Impecunias, previously published quarterly and monthly technical bulletins) and some privately sourced documentation provided by an interviewee. Sections of the Insolvency Act 1986 and employment law were studied, to understand the legal framework in which IPs operate or the formal 'rules of the game'.

The next section begins with some contextual information, followed by the in-depth analysis of empirical materials relative to the research questions.

4. Understanding insolvency practice in the UK

Significant reforms to UK insolvency law at the turn of the century were motivated by a desire to create an entrepreneurial-friendly economic climate, with the rescue of viable entities a central political goal (Joyce 2014). Under current UK insolvency law, an administrator is required to pursue a statutory hierarchy of objectives.[7] Significantly, the rescue of a company as a going concern is positioned at the top of the hierarchy. However, IPs are required by law to pursue the option which delivers the best return to creditors; in other words, to maximize returns to creditors and to work in the interests of the body of creditors as a whole. Thus, there is an over-riding requirement to maximize creditor wealth.[8] The order of payment to creditors is defined by statute. The British system gives preferential status to some employee claims, while ordinary (unsecured) creditors are relegated to the bottom of the pecking order. Financial institutions typically have security interests, catapulting them to the top of the list for payment.[9] In this way, an inevitable ranking of power relations is created, with financial institutions or banks typically having the largest share of outstanding debt and a priority

[7] The administrator must perform her/his functions with the objective of a) rescuing the company as a going concern; b) achieving a better result for the creditors as a whole than would be likely if the company were wound up (without first going into administration) or; c) realizing (selling) property in order to make a distribution to one or more secured or preferential creditors (Insolvency Act 1986, Schedule B1, para 3(1)).
[8] Defined in terms of cash payment relative to outstanding debt (the 'dividend').
[9] In the UK, assets may be subject to a standard security (or fixed charge). In the event of insolvency, assets subject to a fixed charge are applied to satisfy that fixed charge. Before any funds can pass to ordinary (unsecured) creditors, all the expenses of the insolvency process need to have been paid, followed by any amounts owed to preferential creditors (mainly employee claims) and then floating charge creditors (principally the financial institutions or banks, who are also likely to have a standard security).

position, enabling them to exercise control of the procedure. They are also (informed) repeat players, with the power to select their choice of administrator.[10]

Set against this statutory and political backdrop, insolvency practitioners (as administrators) occupy a quasi-legal-market oriented field (Carruthers and Halliday 1998). Upon their appointment to the company, IPs are positioned as crisis intermediaries between the organization and its creditors, with statutory duties to safeguard creditor assets and maximize creditor wealth. Thus, their crisis resolution strategies must be commercially oriented whilst also offering solutions which socially and politically align with 'rescue'. IPs are also partners, directors, employees or owners of professional services firms, bringing with that the commercial pressure of their own and their firm's survival. In this regard, their primary relations are understood to lie with secured creditors, who might offer them repeat work in the future. However, they are also members of professional bodies (subject to inspection and monitoring visits and compliance with professional and ethical standards). They operate in the glare of the public eye, where reputational damage can occur rapidly.

Practice in the UK has evolved so that 'rescue' is understood in terms of *business* rescue (achieved through a going concern sale of the underlying business) rather than *corporate* rescue (of the legal entity) (McCormack 2009; Joyce 2014). Crisis management in administration is therefore often underpinned by attempts to continue trading (to preserve value) and execution of a going concern sale of the business. Crisis management is problematic, given the tense circumstances surrounding the IP's appointment, the financial and emotional damage incurred by stakeholders and the need to preserve trading relations and value. These issues sit alongside other factors, namely the existence of hierarchical creditor relations, coupled with IPs' own economic self-interest (significantly, their fees are typically paid from asset realizations and hence the higher their fees, the lower the sum distributed to creditors) and their commitment to professional values. With this backdrop in mind, how then do IPs establish, maintain or confirm their reputation of trustworthiness? How do they convincingly demonstrate their competence in their interactions with the different classes of creditors? What forms of accounting are mobilized to control and manage the crisis? How do the informational properties of accounting artefacts and accounting processes help mediate the myriad of IP-creditor interactions? How might the repeat nature of contracting with secured creditors impact on trust-building responses and the manner in which information is presented and 'accepted' within established professional networks? Trust building is therefore studied with these contextual considerations in mind, acknowledging the crisis context of insolvency, economic loss and the distribution of wealth between creditors and professionals.

The following sub-sections address these questions and themes through analysis of the typical stages and processes of an insolvency crisis, following the chronological order of crisis management articulated by interviewees: establishing a financial picture of the crisis, trading the business during the crisis, negotiation of the sale of the business, and setting insolvency practitioner fees for the supply of their professional labour.

[10] For example, floating charge creditors have statutory powers to appoint an administrator (Paragraph 14(1) of Sch B1 Insolvency Act 1986) and to approve or select their choice of administrator (Paragraph 26(1) of Sch B1 Insolvency Act 1986).

Crisis framing and 'accounts of truth'

The disruption of trust between unsecured creditors and the organization, following non-payment for goods and services, coupled with the formal recognition of the crisis in the judicial field, places the IP in a particularly fraught environment. One IP remarked upon the transformation of trade suppliers' (who are now unsecured creditors) agendas, moving from seeking to preserve ongoing (trading) relations to emotion-driven outcries "*to get the directors*" (IP 7). The chaotic and often unpleasant nature of the field at this early juncture makes the role of crisis intermediary difficult and contested. The IP must respond to and manage creditor conflict and tensions, establish and co-ordinate multiple contractual stakeholders and become the 'new face' of the organization.

"It's not a job for the faint-hearted. There's quite a lot of confrontation. The role that you do isn't always valued and appreciated, but you take pride in the fact that you're always trying to do a good job for the creditors." (IP 12)

Trust building with unsecured creditors at this stage is therefore seen as necessary to reduce tension and credibly establish the IP as someone with the competence and integrity to safeguard creditor assets. However, opportunities for interaction and trust building with the unsecured creditors are seen as problematic by IPs, in part due to the typically large number of such creditors, their geographic dispersion and (as confirmed by the FSB interviewee), a reluctance to engage with the IP (beyond understanding their individual economic position). In this context, initial trust building appears to emerge from the asymmetry of knowledge between IPs and the unsecured creditor group and a perceived competence gap between them (Lewis and Weigert 1985). Thus, IPs described their interactions with this body of creditors in terms of informing, explaining and educating.

"*There is the 'true and fair' requirement, but you look at a set of accounts and you think, 'really?'* …. I *think it's down to trying to report to creditors in a clear language.*" (IP 13)

The FSB interviewee remarked upon the importance of 'fact finding' for unsecured creditors and the pressure on IPs to provide them with clear indications of outcomes:

"[*The IP] should just say to them, 'this is what's happening', sketch it out…You should be able to sit down and say 'look, realistically, give it eighteen months and you might get back 5p in the pound.'*" (FSB)

IPs described the importance of quantification and simplification strategies to communicate, educate and inform:

"*I would say to my team, 'you need to put yourself in the shoes of a creditor', because the last publicly available information that they would have would be the set of accounts and they would be curious to understand why it has gone from A to B and what has happened in between times…So if you are starting off with a million pounds and then you are saying, well actually there's been a reduction on value in certain asset categories…you are immediately taking numbers off that surplus."* (IP 2)

A new set of insolvency accounts are prepared by IPs, with assets re-stated to current realizable values and the inclusion and quantification of liabilities that would not be accounted for under going concern assumptions. A new 'matching' principle is applied where secured liabilities are matched with secured assets. These financial representations are mobilized to provide new frames of reference for creditors, defined now in terms of their probable dividends as opposed to ongoing trading profits, and to make relative creditor rankings visible. Thus insolvency accounts appear to facilitate the rapid re-construction of a "world in common" (Möllering 2006, 358) between the crisis experts (who regularly inhabit such a world) and the unsecured creditors (most of whom will be unfamiliar with the field of insolvency).[11] IPs' level of confidence in their own claim to expertise was sometimes expressed overtly: "*We're far better accountants than people realize…we understand the value of a balance sheet far better than most*" (IP 9).

Porter (1995, 74) comments that "objectivity as impersonality is often conflated with objectivity as truth". In crisis management, the insolvency accounts are presented to creditors as a detached (impersonal) representation of the crisis and a 'truthful' account of impecuniosity.[12] In this way, the accounts provide an intermediary (communicative) mechanism between the IP and unsecured creditor body and may help the IP to mitigate or sympathetically manage the knowledge and competence gaps, re-shape the unsecured creditors' expectations and ensure that they acknowledge and, perhaps, ultimately accept their financial loss.[13] As one IP remarked, *"I have got a case where they had over a million pounds worth of surplus for shareholders and now I'm the liquidator*" (IP 2).

However, such quantification and simplification strategies are not always effective in building trust with unsecured creditors. IPs described challenges from the unsecured creditors who continue to struggle to understand or accept the financial crisis *("[creditors] do, and quite rightly so, feel aggrieved and sufficiently aggrieved to come and question what's happened"* (IP 15)). In these instances, insolvency accounts as a trust-building mediating technology appear to benefit from derived trustworthiness (Sztompka 1999). IPs draw upon the highly institutionalized framework which they operate within to provide the appearance of order and comfort (Lewis and Weigert 1985).[14] Insolvency accounts are presented to creditors as an unambiguous translation of law, a codified body of knowledge, and hence an 'economic reality', neatly categorizing creditors against available assets. Trust building with unsecured creditors is therefore also aligned with a rhetoric of statutory compliance and an undisputed presentation of legal conformity:

[11] Possible exceptions include HMRC and property landlord creditors, who although unsecured, are typically repeat players and hence arguably more informed.

[12] Accounts are conceived as 'truthful' in this context because quantification is aligned with perceived objectivity and the numbers are treated as 'given' or 'real' or an unambiguous representation of the reality of failure. Of course, there is no objective reality in the social world. Accounts merely provide a conceptual boundary, but "reality does not exist independently of accounts of it" (Hines 1988, 258).

[13] Formally, the accounting statements are included in the administrator's statement of proposal, which must be sent to all known creditors as soon as is reasonably practicable or, in any event, within eight weeks of the company entering administration (Paragraph 49 of Sch.B1 to the Insolvency Act 1986).

[14] The ideal (or myth) of accounting conceptual frameworks (Hines 1989) may similarly provide accounting standard setting bodies with 'order and comfort' that their subsequently developed (and revised) accounting standards are derived from an institutionalized theoretical framework and therefore will lead to the production of a set of trusted financial statements.

"…the safest thing and the best thing to do is to stick absolutely rigidly to what the rules say. So, if the rules say I can pay that, I will pay it. If the rules say you don't because it is an unsecured creditor, that is how I have to treat you." (IP 8)

Perhaps in contrast, trust building with secured creditors at this stage is articulated more in terms of engagement, inclusion and personal interaction. Maintaining a working relationship with key bank personnel is seen by IPs as central to both managing the crisis and simultaneously building or maintaining trust:

"*Some of these new lenders in particular want for example conference calls, so you are spending a lot more time keeping them up to date with what is happening, listening to their views".* (IP 14)

IPs revealed how they were part of a professional network with banks, other major creditors and insolvency lawyers, who are all typically repeat players in the insolvency field. The IPs' ability to maintain trust within this network rests on their reputation and more specifically on the continual confirmation of their reputation (Sztompka 1999, 77). A process of 'crisis auditing' (performed by the IP and their team) emerged from interviewee accounts as a means of not only arriving at the 'true picture' of the crisis, but also as a means for IPs to demonstrate and confirm their reputation for diligence. Through a process of verification and quantification, the economic 'reality' of the entity's failure is rendered visible. Crisis audit seeks to provide an 'account of truth' and does so by de-constructing balance sheets on a line-by-line basis, rigorously analyzing available financial and management records, assessing recoverability of assets, capturing and quantifying previously unrecognised liabilities and interrogating management, auditors and internal accountants:

"*One of the skills of our job is trying to get everyone around the boardroom table, ideally with a sensible insolvency lawyer providing advice to them, and saying 'right, can we have a version of the truth that everyone believes in here and let's go through all of this, etc' and I think that is one of the great skills I think of doing that if you do it properly. I think if you go into the process and don't get everyone on the same page there is scope for all sorts of chaos.*" (IP17)

IPs described other professional networks, comprising other accountants, internal and external auditors and directors. Information produced outside the IP's network was not trusted. Through the process of crisis audit, IPs categorize trustworthy and untrustworthy information, feeding their discoveries back into their own professional network and simultaneously confirming their ability to detect and reveal financial misstatements:

"The other problem you get with a lot of accounts is accountants can be quite, I don't know what the word I am looking for is - they don't like confrontation. So particularly if it is smaller accountants with no audit they will tend to say 'well we have asked the directors and that is their view'….. That is the kind of situation that if you have concerns that the accountants or the internal accountants lack a bit of gumption if you like, to stand up and say this can't be right….. So, in this kind of work you have to be quite, aggressive is not the right word, but you have to seriously question the reliability of the numbers…. Audit doesn't always pick these things up." (IP 8)

Whilst the outcomes of the crisis audit form the basis of preparation for the insolvency accounts, the processual tasks of the audit and the diffusion of reporting outcomes back to network members emerge as important trust-building technologies with secured creditors. Information envelopes (Zucker et al. 1996) are constructed between the IP and secured creditors with sharing of financial information and re-classification outcomes (trustworthy – untrustworthy; profit – loss; surplus – deficit).[15] The network structure provides opportunities for interaction and communication, in this case allowing the IP to provide a rhetorical account of the processual work undertaken. In this way, IPs can credibly demonstrate their competence and enhance their reputation as crisis management professionals. Outside the information boundary, these ‘envelopes’ appear to be sealed and unavailable to the unsecured creditors.

This strategy, however, appears less effective when the IP is less familiar with individual bank personnel. From IP narratives, in order to establish trustworthiness with new key players, institutionalized trust in their social role is sometimes drawn upon:

“I had a situation where the guy in the bank was just quite happy to make a whole load of decisions and in the end, I had to pull him in and say, 'look actually you can't do this…..It's for the administrator'. And I suppose it was about sitting down and setting out the process, the responsibility, finding a working relationship that respected each other's remits for the extent of our powers.” (IP 6)

Similarly, another IP reflected on their interactions with a major secured creditor:

“*I’m guided by very clear statutory guidelines as to what I need to do. I think [being an Officer of the Court] does give a level of trust and goodwill that you might not otherwise get.*” (IP 2)

Having arrived at and communicated an ‘account of truth’, IPs turn their attention to the next phase of crisis management. As discussed, insolvency law in the UK requires creditor wealth maximization. This may in turn necessitate a period of trading if preservation of trading relations maximizes the going concern value of the business.

Trading in crisis

Trust building in this phase of crisis management is problematic, in the sense that creditors have suffered an economic loss and hence revenge or prevention of further loss, rather than co-operation, become the new situational goals (Chaserant 2003). IPs articulated a sense of panic and urgency following their appointment and the negative consequences this would have on value preservation:

[15] Information envelopes may be understood metaphorically as a means of sharing (‘open envelope’) or not sharing (‘sealed envelope’) information. The sharing may take place formally (perhaps in terms of shared information systems and data access) or informally (perhaps through telephone conversations or face-to-face encounters). The information to be shared may be formally structured (such as a set of accounts) or it may be rhetorical/ oral (such as judgements made, opinions, underlying assumptions).

"As soon as the administrator is appointed, your customers are thinking, 'I'm going to have to go elsewhere'. Suppliers are thinking, 'I'm losing money in this and I'm not sure I'm going to supply them anymore. I'll be looking for different customers'. Employees are thinking, 'I don't know if this will survive, therefore I need to go and find another job'. So, what happens is the brand and everything else gets damaged very, very quickly." (IP 1)

Trust building with critical resource providers is seen as necessary to preserve valuable trading relations, which may in turn facilitate a (higher) going concern sale of the business. These trade suppliers or trade creditors are also typically part of the group of unsecured creditors. IPs revealed how their institutionalized credentials were of limited importance in trust building with this group of creditors, who saw recovering at least some of their outstanding debt or their assets as of higher priority:

"I think [the importance of credentials] depends on who you are dealing with. If you are dealing with other professionals - it helps. If you are dealing with 'Joe public' or the bulk of suppliers - it doesn't particularly help. Do they really care if you are a CA, a book keeper or an Officer of the Court? 'I don't care - I have paid for a three-piece suite in advance. Where is it? Why am I not getting it?'" (IP 8)

As potential new trading partners, IPs have not had the opportunity to build process-based trust (Zucker 1986) with the trade creditors. The period of acquaintance is both short and framed by inherited distrust and financial loss. 'Swift trust' is seen as a "pragmatic strategy" for coping with a complex situation involving the specialised skills of strangers (Meyerson et al. 1996, 192). Meyerson et al. (1996, 191-2) also suggest that swift trust is about "making do with a modest set of general cues" from which, in this case, trade creditors must decide whether to trust the IP as trading partner.

To provide these general cues, IPs revert to 'grassroots' trust-building tactics, with an emphasis on performance or engagement in trading activities. Accounting information supports these active responses from IPs within a short horizon. Specifically, cash flow forecasts are prepared and a 'new accounting bunker mentality' sets in, driving IPs' daily interactions with trade creditors. The cash flow forecasts convey a sense of the IPs' risk exposure. In this way, identification-based trust-building signals (namely that IPs wish to engage in co-operative behaviour and they too are in a position of vulnerability) are communicated to these creditors:

"We do have a different accounting mind-set and it is very, very different from our colleagues in general practice… When I walk into a business a lot of what has happened historically is irrelevant. It's irrelevant that they have pre-paid this or they have accrued that. What is most relevant is who needs to be paid when. And so we have a completely different mind-set. Our accounting has to consider survivability rather than reported profitability. Reported profitability is nice. A balance sheet is a lovely photograph of how things are but actually we have to look at things in terms of survivability and we see peaks and troughs in terms of usually wages and salaries. So, in order for us to trade this business for another eight weeks,…. how are we going to do it?.... What actually matters is, it's a real kind of bunker mentality actually because we are saying all we have got is an eight-week plan, how are we going to do it?" (IP 16)

Several interviewees referred to the 'ability to deliver what you promised' and the consequent need for controls over purchase authorizations and payments and bank reconciliations, together with cash flow forecasts to enable IPs to actively demonstrate their commitment to trading. Additionally, cash-based trading accounts detailing sales income and associated expenditure (such as payments for goods and services, overheads, rent, utilities) are prepared by IPs and presented to unsecured creditors on a periodic basis. Such 'real-time accounting' reveals short-term performance competence (controlled trading), reciprocity (the ability to continue trading and account for supplier payments) and vulnerability on the part of the IP (potentially trading at a loss or minimal cash surplus in an unknown business).

Whilst critical materials may be supplied by unsecured creditors, funding is usually sought from the secured financial institutions. This is described as a challenge by IPs (*"the difficult thing is to get new money. If you're in distress at the moment, the chances of you getting new money is not strong*." (IP 4)). One IP described their negotiations and conversations with secured lenders and their decision to "*close the doors*", which sometimes "*surprised*" the IP:

"*[the secured creditors] don't always go for [the trading option] and as long as I can justify to the other [unsecured] creditors that that [trading] decision has no impact on them, then I'm okay. Where does the value break."* (IP 6)

In other words, if the secured creditor's debt is significantly large, there may be no realistic prospect of a dividend to unsecured creditors (where the 'value breaks'). In this situation, the risks and return from trading fall on the secured creditors and the IPs. This time through quantification of the potential uplift or gain from trading, IPs attempt to convince secured lenders to collaborate in the form of funding trading. Trust building with secured creditors appears to be of the 'thin trust' form (Nooteboom 2002, Woolthuis et al. 2005), in that the trading accounts and projections serve a control purpose, constructed with a view to carefully monitoring and safeguarding assets and providing a clear account of trading performance to secured creditors in 'hard', unambiguous cash terms:

"It's the simplistics probably that is the idea of it and I guess you're starting from scratch. So actually, starting on day one with what's the cash they've got in their bank or the cash they've got in their till and it may well just be a safeguard for IPs that they never spend more than they've got in the kitty and don't start running up expenses." (IP 17)

The effectiveness of accounting controls appears to be enhanced by the use of cash flow (hard) data and more specifically the visibility of IP performance this provides to members of their professional network. The ability to disguise poor performance is effectively removed as evidenced by the common knowledge of other IP's 'errors' within their network:

"*The worst example I can give you is…..where the IP sanctioned trading for 18 months but didn't control it. That was one case where trading got completely out of hand….Nobody really exercised any control over that. And I have seen at least one other case where the IP fell into the trap of 'Oh well, it will get better next month, it will turn the corner'".* (IP 6)

Consistent with Vosselman and van der Meer-Kooistra (2009), trust building here is enhanced through flanking arrangements in the form of effective penalties for control weakness; in this case reputational damage sustained in the eyes of the key secured creditors and their fellow professionals. Information diffusion is fast and deep within the IP's network which can have severe consequences. There is an evident connection between the familiarity and visibility of action within the dense network and the fragility of trust (Sztompka 1991):

"*If you've messed up and whichever bank it is you might be working for at the time knows that you've messed up, you simply won't get any more work from that bank and that can almost be a career-finishing moment*." (IP 15)

The trading stage of the crisis appears to entail a change in 'position' for the IP. In some ways, the IP's professional and court-recognised status disappears from their creditor interactions, with the IP becoming a trading partner and seeker of funds. Trust building activities accordingly emerge from the production of real-time performance metrics and a complementary relationship between tight accounting controls and trust.

Following a period of controlled trading, IPs will generally try to achieve a going concern sale of the business. The sale proceeds are used to pay creditors and the IPs' professional fees, which are typically approved by the secured creditors and paid in priority. The following two sub-sections explore trust building in these stages of crisis management.

The sale of business

Insolvency practitioners are required to maximize returns to creditors. Therefore, the sale of the business (or assets) is a critical stage of the crisis in terms of statutory compliance (value maximization) and the socially acceptable pursuit of business rescue (preserving employment and the value chain). Trust building with creditors at this stage is therefore aligned with demonstrating and convincing creditors that maximum value has been obtained, thereby minimizing grounds for complaints and enhancing the IP's reputation.

"There's disagreements as to whether or not you trade and what's the value achieved, so you'll always have phone calls from creditors to say 'you could've got more for this business, could've got more for that property'". (IP10)

Trust building opportunities with smaller, unsecured creditors tend to occur at creditors' committees, which provide a forum for the IP to engage in discussions with the creditor body and to offer explanations for their key decisions.[16] However, these are often fractious and typically only well attended where the creditors are "*gunning for the directors*" (IP 4) in the potentially controversial sale of the business back to the incumbent directors (the practice of 'phoenixism'). The situational context of perceived unfairness and economic loss therefore hampers the IP's ability to gain or build trust at this juncture. Again, in these hostile situations,

[16] Creditors' committees and meetings are the formal mechanisms which enable creditors to oversee (and potentially challenge) the actions of administrators. Creditors may also apply to court on the basis that the administrator's actions were not in the best interests of the creditors. Applications to court are rare due to the cost involved (Office of Fair Trading 2010).

IPs suggested that their licensed and professional status is of limited help in giving "*that level of respect and trust*" (IP 14).

Interviewer: So how do you build trust in those situations?

IP: Well to be fair, it is dialogue ultimately. It is trying to engage them as much as possible so that they understand what you are doing and why you are doing it….to make them understand why the law has been drafted the way it has been….It is making sure you are communicating that understanding." (IP 14)

Open and frank dialogue with creditors and conveying a candid interpretation of the situation are therefore aligned with communicative and identification-based trust building. IPs attempt to understand the emotional and economic position of the unsecured creditors and their interactions with unsecured creditors are tailored accordingly. One IP recounted a conversation with unsecured creditors and their attempt to explain why their strategy of selling back to the director was 'optimal' in terms of commercial necessity:

*"I then sit round this creditors' meeting and they're all saying you know, '[the director], that guy's a wealthy guy; he's a b*****d; he should've bloody well paid for all this' and I'll say, 'ok, so how many people round here are trading with [the director] in newco?' And the heads go down, because they're all trading with him, because they need to trade.*" (IP 4).

Discursive strategies, which seek to explain how collective creditor wealth is enhanced or how the transaction 'makes sense' commercially, are often consolidated with 'confirmatory' financial information:

"*We did an outcome statement showing what the outcome would have been on a closed down process because that was the other alternative versus the outcome we achieved. So that is how we persuaded them that the deal we did do was the best deal for creditors as a whole.*" (IP 14)

The outcome statement presents the valuations of the business and assets, typically on a going concern and break-up basis, compared with what was achieved, making it clear to creditors that the transaction negotiated by the IP achieved above the benchmark valuations. When an offer is received, it can be compared with the valuation on file and a justifiable decision can be taken by the IP. Objective comparisons constitute a powerful trust-building technology (Porter 1995), so that distrusting the IP becomes, to some extent, unthinkable. Such "ready-made accounts" appear influential and persuasive and they tend to be accepted as legitimate (Möllering 2006, 359). Outcome statements therefore appear to mediate the interactions between the IP and unsecured creditors through simplification and presentational clarity of statutory compliance (wealth maximization) and commercial necessity, affirming the dialogical strategies:

"We almost have our answer pre-prepared and ready so that we can justify whatever decision we do make, whether it's by reference to valuations or some sort of traded projection we might have prepared to show why we've done what we have done." (IP 15)

Interactions with larger unsecured creditors and secured creditors tend to operate at a different level of engagement due to greater participation. IPs referred to "*talking through the strategy"* (IP 14). Thus the 'unsavoury' sales back to directors or decisions to sell only parts of the business were generally understood and accepted by more sophisticated creditors. For these creditors, trust building centred around convincing accounts of value maximization and negotiation with the potential purchaser. In this regard, IPs draw on other expert labour as part of their trust-building strategies. IP 17 described a current case:

"So [the contract surveyor][17] is looking at the work in progress, he is looking at the debtor book and he is looking at the retentions and he's trying to give us a view on all three in his experience and equally we might well have other people who have used people like [company name], so we used [them] to put a valuation on the brand name. One of the purchasers wanted to buy the brand name. So, we'll use whatever external advisors we think are sensible."

The network of professional expertise described earlier appears to include surveyors and property managers, with inter-professional relations based on past dealings and members' recollections of prior performance:

"*So, we rely really on reputation, industry expertise and relationships that we've built up I suppose….. but again, it's personal relationships too and people that you trust and that you can have a chat with about things and who will give you an honest opinion*" (IP 13).

However, the simple act of obtaining an expert valuation from a trusted network member appears insufficient as a trust-building mechanism with secured creditors. For IPs, the valuations are not immediately accepted as 'objects of trust'. Thus, even within the network, IPs question the reliability of information:

"You might go back and say, 'is that really right, it doesn't look right, it doesn't make sense, etc'. We'd probably share with directors of the company if we trusted them and get a view on it and we might have a tussle back and forwards. So, it's something you would debate and then we might, if we get an offer from the purchaser we might well give that to the valuer and say 'look you valued it at £1million, they're offering us £900,000. Are they just having a laugh or have you got this wrong?' and deal with it that way. So, it would be an iterative process to do that." (IP 17*)*

IPs revealed how their expert knowledge systems may contribute to trust building in a variety of ways, such as through disclosure of the negotiation process, in the application of 'rules-of-thumb' valuation techniques or the use of in-house valuation experts (*"we would generally use our own level of understanding and see where we have used [the valuers] in the past and where we have seen them operate in particular sectors."* (IP 14)).

Information envelopes (Zucker et al. 1996) are created by the IP around knowledge experts and outcomes shared according to network membership and ability to understand. In this way, expert valuations eventually become 'objects of trust' which are stored on file and subsequently deployed to rationalize the IP's course of action. For Porter (1995, 96),

[17] A contract surveyor is a professional involved in valuation of goods and services contracts, which is likely to entail valuation of work-in-progress and determining stage of completion.

objectivity can be thought of as a consensus or acceptable “statistical variance”, so if “several experts agree there or thereabouts, we have objectivity”. The ‘mediated valuations’ become a source of communicative trust between IPs and secured creditors. Thus, trust building with secured creditors involves not only the ability to present a convincing account of the IP’s negotiation efforts with relevant parties (such as prospective purchasers and other experts) but also the provision of a convincing financial representation, which supports the ‘successful’ efforts of the IP in securing a deal in the creditors’ favour:

“But when we’ve got agents in place and you’ve been through an active marketing process and you can show what you’ve done and the offers that were on the table, I’m always very happy to say well that’s what we achieved and here’s all of the advice in relation to why we achieved the best value.” (IP10)

The level of engagement with creditors and the nature and depth of the explanations offered by the IP are accordingly ‘tailored’ to suit the opportunities which arise for engagement and the creditors’ perceived understanding and knowledge of the circumstances surrounding the sale. Whilst the same accounting information (outcome statements) may be mobilized by the IP in their interactions with both unsecured and secured (or major) creditors, the extent to which the IP explains and rationalizes the numbers appears to differ. In this way, ‘competency trust’ is context-specific and IP attempts to build it are tailored to specific creditor needs.

The final sub-section looks at how trust is built with creditors in the context of IPs’ economic return.

The setting of professional fees

Interview conversations naturally turned towards IPs’ economic return in exchange for providing crisis management expertise. IPs were open about their need to remain profitable and hence their need to negotiate fees (with secured creditors) very closely,[18] but they were also aware of the impact of their fees on returns to all creditors:

“We are all commercially driven at the end of the day. We are not charities. The law recognises we have a job to do, hence our costs are recoverable from the assets of the case, but there is a duty of care to the wider body of creditors because the higher our fees, the less money goes back to the creditors.” (IP 6)

IPs appear to find themselves in a problematical context of their own. On one hand, they are under downward fee pressure from (mainly secured) creditors and on the other, they are under upward fee pressure from their own firms. Similarly, as administrators, they are obliged to and trusted to maximize creditor returns (which are linked to their fees), and within their own firm, they are expected to and trusted to maximize fee income (which is linked to time spent on each case).

[18] Fees are typically negotiated with and approved by secured creditors. This is due to a lack of engagement by the unsecured creditors in creditors’ meetings and committees, which provide the formal means for creditors to approve fees. Additionally, the rules are such that only secured and preferential creditors approve fees when it is likely there will be no recoveries by the unsecured creditors. This can often be the case due to the amount of debt outstanding to secured creditors and likely asset recoveries (Office of Fair Trading 2010).

IPs described dialogical strategies with unsecured creditors linked to notions of 'fair compensation' for their professional expertise or 'acceptable' market rates. In this way, IPs attempt to convince unsecured creditors that time charged is reasonable and a fair reflection of work undertaken:

"*As professionals, we think that we're entitled to be paid for the services that we provide. We think we do provide a good level of service and therefore frankly in terms of our charge-out rates, we should be entitled to charge for those services*" (IP 7).

Similarly,

"*We're commercial people. That's what our clients want and that's what we've got to do. Is it the right thing for the world at large and for the Scottish economy and the UK economy? Of course it is...it's because the market demands it*" (IP 4).

The level of fees is 'naturalized' by being compared and associated with the 'fairness' of market prices for professional services. This is not a straightforward task for IPs due to a lack of perceived understanding and knowledge on the part of unsecured creditors of the work involved in case management and 'acceptable' professional charge-out rates. Thus, the expectations of some creditors were misaligned with the expectations of professional IPs, reducing the effectiveness of this trust-building strategy:

"[IPs] take what our members would regard as an awfully long time to complete the proceedings and they end up charging more in fees than what's actually left." (FSB)

IPs revealed how their rhetorical strategies may be enhanced by adopting an enlightened self-interest perspective. This recognizes that co-operative relationships may emerge, provided that both parties frame the situation in the same way, otherwise the relationship may break down (Chaserant 2003). This is a "precarious equilibrium between gain seeking and the compliance with co-operation norms" (Chaserant 2003, 172), with IPs using relational signals to demonstrate solidarity with unsecured creditors. In other words, IPs are in a similar situation to the creditors, who are also experiencing a loss frame:

"It would be ridiculous to, for instance, realize one hundred and twenty grand of assets and say, 'I'll have a one hundred grand fee please thank you very much because that's what it cost'." (IP 7)

Trust building therefore involves the demonstrable incurring of losses (*"We made a loss on that case because we felt we had to deal with the public properly"* (IP 5)), fee write-offs or 'going beyond statutory duties' to engender notions of helpfulness, caring and co-operative behaviour on the part of the IPs. However, even this is not always successful according to some interviewees:

"I had a case recently where we had a very active creditors' committee and [the manager] and I spent many an hour discussing, debating, etc and that was an uncomfortable experience for us, but as an exercise in good open accountability, it was the best thing." (IP 17).

In these instances, convincing unsecured creditors of the fee level is sometimes facilitated through other creditors 'confirming' the reasonableness of the amount sought:

"*I had five creditors on the committee; quite vocal creditors and three of them…. had an axe to grind and refused to approve our fees….HM Revenue and Customs actually stood up quite well for us. I remember the guy from tax came in and said these are just the normal fees that you'd expect from a [sized] firm.*" (IP 7)

Porter (1995, 16) suggests that scientific claims "succeed" by drawing upon the strength of network members. IPs are supported by those with an element of shared experience, or those who 'speak' the same financial language in their trust-building efforts with the unsecured creditors, who suffer from lower levels of participation in the insolvency and professional fields.

Unlike the unsecured creditor group, secured creditors enjoy better access points to the IP, which provides them with enhanced visibility with regard to the work being carried out (*"In my experience, banks, because they're secured….probably have access to more information and to me and my team than other creditors"* (IP 17)). Thus whilst 'time sheet' reports[19] were made available to all creditors, secured lenders appear to actively monitor the time spent on various stages of the crisis and the seniority of staff involved. Thus, time sheet reporting operates as a monitoring and accountability mechanism between IPs and secured creditors, with IPs using these reports to justify fees with well informed and powerful creditors:

"*Do [the banks] tell you what you're going to get? Yeah. Are they sophisticated buyers? Absolutely. They weren't twenty-five years ago. They know exactly what to expect and they can benchmark from one firm to another. So, when we put in our request for a fee, do we get them knocked back? Do we get them negotiated? Absolutely."* (IP 4)

However, when probed further on fee negotiations, a trust-building strategy emerged between the IP and secured creditors, associated with reciprocal altruism (Deakin 2006). IPs described the necessity of incurring losses on cases (mobilized to signal a loss frame), but linked this with pressure to meet expectations, reputational considerations and relationship building with secured creditors:

"You always have to go the extra mile to get more money for the creditor - maybe go to an extra meeting that you're not going to get paid for. The way insolvency works now, you very rarely fully recover all of your costs and it's more about a relationship thing…. Our view is you have to do the absolute best you can on that job and not take any short cuts just because the fee is a bit less to maintain your reputation and to secure additional work from that source and just to keep your place in the market." (IP 18)

[19] IPs are required to include a time sheet summary in their administrator reports. This breaks down hours spent on various tasks from IP/ partner level down to administrative staff, with the corresponding charge-out rates and total fees incurred.

Similarly,

"The fact you've got an element of your work that's loss leading, just like in a supermarket, means that you've got other elements which are not loss leading and where you're getting a full fee. You're getting a full profit on them…..So it's swings and roundabouts…the banks have a limited number of people that they give the work to and if you're not on the list, you don't get the chance to do any bigger work anywhere else, so you've got to take loss leaders." (IP5)

Losses were carefully monitored and tolerated on the understanding that further profitable work would come their way in the future. Internal accounting systems and monitoring of portfolios enable IPs to engage in loss signalling with secured creditors (to build trust) whilst ensuring their own survivability:

"So, we've actually moved on as a firm…. We'd effectively measure recoverability against the charge-out rate but the charge-out rate bears no relation to what we actually pay people. So, we now, rather belatedly, actually measure margin, so we know how much each member of staff costs directly, and a percentage of costs on them. So, we can build it up with a margin measurement tool. So, we can actually see if we're making a gross loss on something and there will be cases where we've made a loss. So there will be some cases where particular institutions will be very clear on the tendering and if we get it wrong i.e. we make certain assumptions about what is going to happen - if they don't turn out that way - unless we can persuade [the secured creditor] that it is reasonable; that they should change the basis, then we will have cases where we will make a gross loss. Hopefully not too many, otherwise I wouldn't be around for too long!" (IP 17)

Reciprocal altruism of this form (tit for tat strategies) appears to provide IPs with an evolutionary advantage (Deakin 2006). The incurring of a loss (lower fee recovery) by one party in order to confer a benefit (higher creditor dividend) on another is understood as part of a self-interested evolutionary strategy, as a future gain (full fee recovery) will more than compensate for the immediate loss. Thus, IPs trust build with secured creditors through signalling of their own (or rather, their firm's) economic loss and yet endure through co-operative behaviour with other repeat (network) players. In this way, trust building by IPs may contribute to their own survivability.

5. Discussion

The interview material presented in this study suggests that trust building surrounding IPs' competence and intentions emerges and manifests in different ways throughout formal insolvency. Whilst no generic patterns of trust-building behaviour can be discerned, the data collected does suggest differential trust-building strategies associated with several variables. These are the category of creditor (secured versus unsecured), and relatedly, the creditors' perceived knowledge and understanding of insolvency affairs (expert, repeat players versus non-expert, infrequent players) and the forms and extent of interaction between the IP and creditors (informal communication within a network versus more formal communication outside it). IPs naturally adopted different 'stances' during interview conversations, switching from accounts of themselves as crisis intermediaries, to Officers of the Court, to trading partners, to professionals or to employees of professional service firms. The data presented in the preceding section therefore reflect how IPs internalize their role in interactions with different classes of creditors. The qualitative methodology of this paper illustrates how trust building emerges as an adaptive, complex interaction of these different social positions with the variables identified and points to the significant difficulties in formal modelling of trust-based relationships. Accounting or financial information and accounting processes are differentially mobilized by IPs, according to how they understand the mediating potential of the information in trust building at different junctures and with different categories of creditors. Information production, dissemination and use vary according to the creditors' perceived knowledge and understanding, as well as the value ascribed to the relationship by the IP taking into consideration their need to functionally manage the crisis, attend to their own professional careers and their firm's survivability. Table 3 provides a summary of the key empirical findings corresponding to each stage of the crisis.

[Insert Table 3 about here]

Trust building with unsecured creditors is often aligned with educating (closing the knowledge gap), simplifying (recognizing and managing the perceived competence gap) and attempting to re-frame the unsecured creditors' expectations. Such trust-building mechanisms appear most evident at junctures where aggressive and hostile interactions are likely (the crisis framing and business sale stages). Where opportunities for personal interaction present themselves, IPs draw upon dialogical strategies to explain or rationalize the crisis situation and their chosen commercial strategies for managing it. The mediating role of accounting information appears to be linked with the 'desirable' accounting properties of perceived objectivity, presentational clarity and comparability. The communicative capacity of accounting information is leveraged by IPs towards helping unsecured creditors to understand. Through construction of insolvency accounts and outcome statements, IPs effectively translate the complexity of the crisis and codified legal knowledge into standardized and understandable economic terms. At these junctures, IPs build trust by relying on the perceived objectivity of these financial representations, their ability to simplify the complexity of insolvency statute and crisis resolution strategies, and their ability to enable clear visualizations of losses or dividends. In doing so, accounting mediates relations between the IP and the unsecured creditor group, transforming something complex into a straightforward account of impecuniosity, enabling communication and, in at least some cases, facilitating the reframing of expectations on the part of these creditors. Such simplification appears almost paradoxical given the complexity of the crisis in hand.

Whilst the preparation of insolvency accounts and outcome statements in corporate insolvency might be thought of as an 'extreme form' of accounting, the empirical materials presented in this study support the need for relevance, reliability and understandability in accounting information. Particularly where opportunities for personal interaction between the IP and unsecured creditors are limited, demand for these informational properties appears both strong and linked to the ability of the IP to generate trust and mitigate conflict. Contemporary debates on the need for credible and relevant information to be provided in GAAP-compliant financial reports have centred around the notion of 'trust'. Specifically, enabling stakeholders (such as dispersed, individual shareholders) to assess the stewardship and performance of management also facilitates trust building in the organization and its management (ICAS 2017, 2018; FASB 2006). As a rejoinder to these debates, the evidence reported from this study suggests that, at least from a preparer perspective, accounting information is perceived to play an important role in strengthening stakeholder relations through building trust. In the extreme case of insolvency, current realizable values for assets fulfil this role, together with a clear account of the effects of property rights, not in terms of entity control over assets (Kothari et al. 2010), but rather in terms of legal or contractual property rights of creditors over assets and hence a reflection of their ranking.

For the IPs interviewed for this study (a viewpoint 'confirmed' by the FSB representative), unsecured creditors tend to occupy a position outside the IP's network and hence outside their information boundary. As such, there are fewer opportunities for rich and personal interactions and flows of information tend to occur in more formal settings (such as at creditors' committees). Consequently, the interviews revealed instances (such as during the fee setting stage) where contextual ambiguity and opaqueness over professional labour make shaping expectations less straightforward. This might also be attributed to conceptual difficulties in both the articulation by the IPs of their professional and commercial roles and the ability of unsecured creditors to 'switch' between the different social positions assumed by IPs as the crisis unfolds. In these instances, the communicative ability of accounting and financial information on its own appears to be insufficient to establish trust with the unsecured creditor group. The mediating potential of accounting and financial information is seemingly 'enhanced' through derived trustworthiness from the heavily institutionalized legal framework that sets the 'rules of the game' and from dialogical strategies which rationalize practice against statutory frameworks, commercial need or norms of fairness or acceptability.

Referring to Table 3, the signalling role of accounting information in IP interactions with unsecured creditors comes into play at both the trading in crisis and fee setting stages. Accounting information as a means of signalling may generate thick trust, where the signalling efforts are being directed towards specific relationships with a view to revealing positive expectations on the part of the trustee. In this regard, accounting information may reveal a desire to co-operate or signal and stimulate a willingness to accept personal vulnerability (Chaserant 2003; Woolthuis et al. 2005; Möllering 2006; Vosselman and van der Meer-Kooistra 2009).

The trading in crisis stage of insolvency shows that within temporary systems (in this case, short-term insolvency trading), accounting information appears to play an important role in signalling expectations of positive behaviour on the part of the IP with trade suppliers. Management studies point to the adaptive nature of management control systems and their responsiveness to crisis situations, suggesting that information adapts to suit changing accounting mentalities (Van der Stede 2011; Makrygiannakis and Jack 2016). This paper reveals how a move to real-time, cash-based accounting during trading captures and signals IPs' 'bunker mentality', building trust swiftly with trade suppliers through revelation of vulnerability and a desire to co-operate. It thus appears that even in temporary (and fragile) systems, where Meyerson et al. (1996) suggest there is less emphasis on inter-personal relationships, accounting information can play an important role in helping thick trust to emerge.

However, at the fee negotiation stage, the signalling role of information (time sheet reporting) appears to be less effective in building trust with the smaller unsecured creditors. IPs expressed an element of frustration that their loss-signalling and rationalization efforts (justifying fees relative to market prices or as fair compensation) were not always appreciated and were potentially misunderstood. Their licensed status as IP also appears to offer little help in building trust with the unsecured creditors. In fact, it was trust building within the IP's professional network with banks and major unsecured creditors (such as the UK Government's tax authority, HMRC) that was sometimes required to compensate for a lack of effective trust building with the unsecured (predominantly trade) creditors.

Thus whilst interviewee accounts appear to be consistent with Möllering's (2005) broad assertion about the inseparability of trust and control, this paper points to the importance of understanding the situational context in trust-control duality studies. For example, the apparent difference in accounting's ability to signal may be due to the different contexts of these two stages of the crisis. Arguably, unsecured creditors are better informed regarding trading matters and hence the detail of their negotiated deals with the IP (as trading partner). In this way, the accounting signals are understood by the unsecured creditors, enhancing the information's ability to generate thick trust. In the context of the IP's professional fees, unsecured creditors understanding of the time sheet reports and the 'reasonableness' of charge-out rates is arguably lower. Hence the accounting signals are less effective in generating thick trust. Furthermore, it seems that earlier thick trust building 'successes' with the unsecured creditors do not necessarily carry forward or 'travel' to later stages of the crisis management.

Perhaps in contrast, trust building with secured creditors is largely centred around procedural, micro level activities and informal communication, the aim being to ensure that financial institutions feel a sense of inclusion and to convince valued network members that their interests are being met. Arguably with this group the financial representational outputs, summarized in Table 3, appear of limited use in trust building, but disclosure of the institutionalized processes which lead to the production of information appears critical. Disclosure takes place through informal communication channels and in the highly personal interactions with representatives from the financial institutions. At these points, IPs demonstrate the rigour of their crisis audit procedures or their input (negotiations, application of abstract knowledge systems) in arriving at estimated outcomes and 'mediated valuations'. Whilst prior literature suggests a monitoring and enforcement role for audit in crisis situations (Andon and Free 2012; Free and Radcliffe 2009), this paper points to the institutionalized practices of audit procedures in trust building and the importance not only of error or difference revelation (inherent in audit), but also of disclosing to valued network members, the level of comfort reached by professionals in the figures presented. In this regard, information produced within and outside the network is mobilized in different ways by IPs. For example, in the process of crisis audit, information produced outside the network is generally viewed with distrust. Rituals of acquaintance with other professional players emerged as part of the crisis audit process, but if they are deemed culturally incompatible with the IP's network (in terms of competence and integrity), their informational outputs are distrusted.

These implications are also of relevance in the ongoing debates over the desirability of fair value measurement (see Power 2010), in particular where liquid secondary markets do not exist, and the role of corporate reports in building trust in the organization and its directors. Magnan and Markarian (2011, 219) argue for historical cost accounting over fair value accounting, suggesting that fair value information be disclosed in footnotes, with far greater attention given to the risk profile of such values. Their argument relates in particular to level three valuations and the concern that accounting is 'creating reality' and not merely reporting an 'objective reality'. Similarly, Kothari et al. (2010) suggest that opportunistic application of judgement is good reason to curb the expansive use of fair value measurement. In this paper, 'mediated valuations' similarly take on an 'objective reality', having persuasive power to convince creditors of IP competence and hence trustworthiness. However, it seems that not all creditors are privy to the professional debates that inform these mediated valuations. The material presented in this study therefore in some ways supports concerns about the use of fair value measurement in GAAP, but also points to the importance of professional expertise that underpins these 'objective realities'. Mediated (fair) valuations may come to be trusted when individuals are sufficiently informed about how their (fair) value has been derived.

Repeat contracting with secured creditors albeit on different cases ensures that 'trust banks' travel from one stage of the crisis to the next and indeed from one crisis to the next. Trust is built progressively by illustrating the extent of IP fee write-offs, loss leaders, discounted fees and actual versus charged hours, but on the implicit understanding that future, lucrative work would come the IP's way (providing their reputation is maintained). This paper shows how in a situational context of repeat contracting in strong networks, accounting as a form of control (for example internal job costing systems) and accounting as mediating trust-building technology (credible signalling from time sheet reports) co-exist over time. In a way, reciprocal co-operation over asset realizations (facilitated by controls) between the major creditors and IPs may translate into the emergence of thick trust and both parties' long-term survival. Network members flourish and survive over time through application of 'tit for tat' strategies.

The tension between trust building and power relations is evident in this regard. IPs are keen to build strong relationships with banks (and other major creditors) but, at least for the interviewees in this study, not at the expense of failing to represent all creditors. In some ways this is problematic for IPs, as their 'client' is not any one specific creditor, but rather the entire body of creditors. Trust building is carefully managed in this respect to ensure a relationship is cultivated but not one that is, or is perceived to be, collusive collaboration between the IP and secured lenders. In theory, IPs must establish a position where they are trusted by the banks (to ensure repeat work) whilst simultaneously ensuring that banks respect their statutory position.

IPs were clear about the need for their service line (insolvency) to remain profitable and hence their individual contribution to their firm's 'bottom line'. Building reputations with secured creditors and other professionals was described as an important part of their practice management responsibilities. It would be easy to jump to the conclusion that unsecured creditors may be 'harmed' in the sense that their interests are subordinated, since they are not part of the IP's professional network. Power can be disguised under the banner of trust and hence notions of trust mobilize to promote vested interests and exploit vulnerable parties (Seal and Vincent-Jones 1997, 410; Free 2008, 635). Parties outside of the primary relation may be at risk of exploitation by those within the powerful network. Questions may be legitimately asked: are unsecured creditors wrong to trust the IP? Is reciprocal altruism within the network damaging to those outside the network?

Of course, interviewees are not going to 'admit' to promoting vested interests and exploiting unsecured creditors. However, they did not attempt to conceal their commercial orientation. Disentangling notions of coercion and exploitation of power from the consequences of institutionalized, legal forms of security arrangements and statutory hierarchies is an empirical challenge. What this study does reveal is that although most practitioners were quite vocal about their commercial interests and their firm's survival, 'evolutionary advantage' (or the optimal mix of properties leading to 'success') may be understood in different ways. Some interviewees were aware of certain 'evolutionary strategies', which they observed within their profession, describing these as excessive (or even '*brutal*'), in the sense that they focus almost exclusively on financial recovery. For these interviewees, their evolutionary advantage is seen not only in terms of financial recovery, but also in terms of preserving the status of their profession. Where primary relations are framed in this way, what takes on greater importance is the extent to which professional reputation and integrity are recognized within their professional community. In interview conversations, these differences manifest not so much in terms of statutory compliance (which is strictly adhered to), but rather in the subtler day-to-day management of the crisis and in the degree of care and professionalism that form part of their management capabilities. Those practitioners that potentially jeopardize the profession's reputation run the risk of exclusion from that community:

"You stand there as an IP, who does what they do because they see the professional value, the job and the difference that they make and then you look at the people who take that to the other extreme…… and it is about financial recovery" (IP 6).

Relational signals are picked up by fellow professionals, particularly as the professional community is small in number and geographic area. In this way, the varying degrees or interpretations of enlightened self-interest amongst IPs in Scotland are both known and, in some cases, a source of disappointment within the profession. Thus, the 'optimal' mix of properties for survival for these IPs is clearly articulated in terms of profitability *and* the moral requirement to 'do the right thing'. For these IPs, the human aspect of their work is recognised and building trust with other people emerges 'naturally' in this way.

6. Conclusions

The aims of this paper were to explore how insolvency professionals build trust with the heterogeneous creditor body and how accounting information may help with these trust-building activities. Although this paper focuses on insolvency practitioners and corporate crises, the concluding section offers several suggestions for future research which may broaden the frontiers of trust-oriented research in accounting, in both crisis and non-crisis contexts.

Whilst the focus of the empirical work is on the role of accounting information in mediating relationships between the IP and creditors, professional credentialing may also offer a source of institutionalized trust (Zucker 1986; Sztompka 1999). It can be argued that the accounting professional bodies participate in the 'market for trust' by controlling entry requirements and by ongoing monitoring of their membership (Zucker 1986). Although IPs embody institutional trust in their licensed status and official status as 'Officers of the Court', this paper provides some evidence that this source of trust is of limited use. For example, institutionalized trust in the licensed status of the IP appears to mediate the IP's interactions with secured creditors (and other professionals), at least at the crisis framing stage, helping to establish trust with new professional entrants. It is also shown to provide the IP with power in their dealings with secured creditors, ensuring that IPs can fulfil their statutory duties in the interests of all creditors. It seems however, that the micro level, trust-power interactions with secured creditors are not necessarily 'observed' by the unsecured creditors (given their lack of responsiveness to the IP's licensed status) and this may also be the case of other stakeholders, such as the public, the media, the state and employees. Consequently, an element of trust-building effort is 'lost'. It might therefore be fruitful to explore the perceived value of the accounting professional's credentials, such as qualifications and official titles, in their daily interactions with different stakeholder groups. This could be explored in auditor-client or tax advisor-client interactions, studying how the value of the profession's brand helps individual members to manage and perform different types of tasks and the extent to which they are trusted by different actors to do so.

Relatedly, accountants play a key role in conferring trust on their own systems of expertise through the extent to which they themselves trust or distrust the said systems (Barrett and Gendron 2006). The empirical work of this study illustrates how accountants, auditors and insolvency practitioners occupy different professional networks, despite all having the same professional qualification. Of interest is then how this might have implications for trust placed in informational outputs coming from different networks but linked through an apparently powerful form of institutionalized trust. Further work in this area may wish to explore how trust and distrust play out within different 'accounting professional networks', for example between accountants operating in different service lines (audit, tax, insolvency), accountants from different sizes of firm, accountants from different geographic areas or even accountants regulated by different professional bodies or with different professional accounting qualifications.

According to Chaserant (2003, 178), members of a social network are able to assess the trustworthiness of the information produced by network members, such that "the credibility of the information has been estimated and is beyond doubt". The interview data presented in this paper do not lend conclusive support to this assertion. On one hand, the informational outputs produced by IPs and presented to the banks appear to be largely trusted. Knowledge asymmetry appears less pronounced between these two professional groups. On the other, the questioning of expert valuations by IPs suggests that even in professional-to-professional interactions within a network, trust is not blindly given. Arguably it is at these points of interaction that the exercise of professional expertise and judgement features most prominently and considerable differences of opinion in application of professional judgement are evident. There is also evidence of network weakness (with the introduction of new bank personnel) and 'peripheral membership' (such as the large unsecured creditor, HMRC). Future research may wish to extend the work of this study through a fuller and more explicit consideration of how accounting professionals decide to trust other experts, recognizing the fluidity of network structures and the potential for information envelopes to open and close. Two such contexts may be in the decision-making processes which lie behind the collection and assessment of audit evidence or in the determination of fair values.

Finally, ‘doing the right thing’ and a strong allegiance to professional values were articulated by several interviewees. Trust building with all creditors therefore appeared to be a ‘natural’ and legitimate part of the job. The theoretical framing also suggests how self-interest and trust may be compatible and can co-exist, enabling professionals to persist over time. Empirical work at the micro-practice level provides some insights into the daily work practices, tensions and critical decision contexts faced by professionals. Further work at this level is however required to explore the potential of the ‘darker side of trust’ to harm some parties. In this regard, it would be useful to understand from the perspective of more vulnerable stakeholders whether they do in fact ‘trust’ the IP and how the regulatory institutions respond when an apparent breach of trust has occurred. Future research may also wish to explore whether and how the culture of ‘doing the right thing’ becomes embedded in recruitment, training and development practices within accounting firms. Whilst prior studies explore the effects of, and interplay between, professional and commercial logics within accounting firms (Gendron 2002; Carter and Spence 2014), further studies may wish to explore how trust-building practices with clients sit alongside individual self-interest and the firm’s commercial logic. Adopting a trust-orientation within a ‘logics framework’ may be a useful way for research to “transcend macro and micro boundaries” (Malsch and Gendron 2013, 895). For example, which trust-building strategies do auditors adopt? How have strategies evolved (individually and at firm level) and what are the consequences of them for the conduct and quality of audit services provided, particularly where time pressure is evident?

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Table 1

Total number of insolvency practitioners in the UK as at 1 January 2019.[20]

RPB[21]	**No.**	**%**
ICAEW	794	51%
ACCA	83	5%
ICAS	92	6%
CAI	45	3%
IPA	551	35%
Total	1,565	

[20]Insolvency Service (2019, 12).

[21] Recognised Professional Bodies (RPBs) are: ICAEW – Institute of Chartered Accountants of England and Wales, ACCA – Association of Chartered Certified Accountants, ICAS – Institute of Chartered Accountants of Scotland, CAI – Chartered Accountants Ireland, IPA – Insolvency Practitioners Association (this is an RPB solely involved in the insolvency and bankruptcy field). The British Law Societies previously acted as RPBs but have recently withdrawn from this role; their members have since become members of the accountancy RPBs and are now authorized by them.

Table 2

Summary of insolvency professional interviewees

Employment status at time of interview	Size of professional service firm	Years of insolvency experience	Licensed insolvency practitioner (Y/N)
Partner	Big 4	25+	Y
Partner	Big 4	25+	Y
Director	Big 4	25+	Y
Assistant Director	Big 4	Up to 20	N (but JIEB qualified)
Director	Big 4	Between 21-25	N (but JIEB qualified)
Partner	Large	25+	Y
Partner	Large	25+	Y
Partner	Large	25+	Y
Partner	Large	25+	Y
Partner	Large	25+	Y
Partner	Medium	Between 21-25	Y
Partner	Medium	25+	Y
Partner	Medium	25+	Y
Partner	Medium	25+	Y
Partner	Medium	Between 21-25	Y
Partner	Medium	Between 21-25	Y
Partner/Owner	Small	25+	Y
Partner/Owner	Small	Between 21-25	Y

Interviewees are referenced in the results section as IP 1 (Insolvency Professional 1), IP 2 (Insolvency Professional 2) and so on.

To preserve the anonymity of interviewees, the ordering of data in this table does not correspond to interviewee reference number. Information on the ICAS Monitor and FSB representative is also not disclosed in this table to preserve anonymity.

Table 3 Summary of trust-building mechanisms and accounting's role in trust building

Stage of crisis	Trust relationship	Trust-building mechanisms	Relevant accounting or financial information and accounting processes	Trust-building accounting properties
Crisis framing: initial assessment and strategy formulation	IP – unsecured creditors	Closure of knowledge gap Managing competence gap Re-framing of expectations Recourse to statutory framework Interpretation and translation of law into numbers	Re-statement of financial position (assets and liabilities) under break-up assumptions Re-presentation of financial statements (assets allocated to creditors based on security rights and reflecting creditor statutory ranking) Calculation of expected creditor dividend (pence per £)	Alignment of perceived objectivity with 'truth' Comparability Simplification and presentational clarity Accounting as communication
	IP – secured/ major creditors	Engagement and inclusion Reputation confirmation Licensed status of IP/ Officer of the Court as institutional sources of trust	Disclosure of the crisis audit process Revelation of difference/ 'error'	Crisis audit as an institutionalized process
Trading in crisis: crisis stabilization and value maximization	IP – unsecured creditors	Emphasis on active responses, including ability to 'follow through'	Cash flow forecasts Cash flow trading accounts	'Real time' cash-flow accounting Understandability

Stage of crisis	Trust relationship	Trust-building mechanisms	Relevant accounting or financial information and accounting processes	Trust-building accounting properties
		Establishing reliability and consistency of performance in the short-term Revealing IP risk exposure/ economic vulnerability	Management control system (including purchase authorizations and bank reconciliations)	Accounting as signalling
	IP – secured/ major creditors	Maintaining reputation for controlled trading Risk of expulsion from network Reputational damage	Cash flow forecasts Cash flow trading accounts Management control system (including purchase authorizations and bank reconciliations)	Accounting as control Information as an accountability mechanism
Business sale: negotiating sale of business or assets	IP – unsecured creditors	Dialogical strategies to rationalize, emphasise commercial necessity or statutory compliance Recourse to statutory framework (mapping of sale strategy to legal discourse) Demonstration of competence	Outcome statements (value achieved versus valuations)	Simplification and presentational clarity Comparability
	IP – secured/ major creditors	Demonstration of negotiation and application of expert labour to valuations	Outcome statements (value achieved versus mediated valuations)	Application of professional judgement to reach consensus on ‘value’

Stage of crisis	**Trust relationship**	**Trust-building mechanisms**	**Relevant accounting or financial information and accounting processes**	**Trust-building accounting properties**
		Third party 'expert' valuations Drawing on other network members	Valuation methodologies/ abstract knowledge systems	
Fee setting: negotiating compensation for crisis management services	IP – unsecured creditors	Dialogical strategies centred on notions of 'fairness', 'acceptability' or 'market rates of return' Enlightened self-interest – 'sharing of pain' Consensus seeking from other (informed) network members	Time sheet reporting (hours and charge-out rates)	Information as an accountability mechanism Information as signalling
	IP – secured/ major creditors	Demonstration of 'losses' or 'low margin' cases (tit for tat 'evolutionary' strategies)	Time sheet reporting (hours and charge-out rates) Firm internal costing systems and monitoring of work-in-progress ('loss leaders')	Information as an accountability mechanism Accounting as control Information as signalling