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# **Terra Incognita**

**A comparative study of Vik and Hemnes and the strategies to rebuild trust after the Terra-scandal**

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*This master thesis is dedicated to my father, for his enduring and successful battle against brain cancer.*

## Summary

This master thesis aims to answer the following research question: *To what extent did Vik and Hemnes develop a strategy to rebuild trust after the Terra-scandal and what are the differences in these potential strategies of trust?* To be able to answer this question, I approach it through a qualitative perspective where the descriptive case study plays an important role in uncovering relevant data. I used several written sources from both national and local media in Vik and Hemnes, as well as official municipal documents and semi-structured interviews with involved informants to help describe and understand the possible development of strategies to rebuild trust and the differences. My contribution is a classification of these strategies within a conceptual framework. In order to describe and classify these strategies I utilize the eighth propositions for trust repair by Gillespie and Dietz (2009). By connecting them into a set of concepts that helps describe the efforts for rebuilding trust in Vik and Hemnes after the Terra-scandal in 2007. The eighth strategies for rebuilding trust are classified into a wider theoretical framework, the performance perspective, the impression management perspective and the organizational perspective. Trust can be built on these three perspectives, but so should rebuilding trust. The conceptual framework aims to classify strategies for rebuilding trust within these three perspectives. The main findings of this thesis indicates that the strategies related to diagnosis, apology, context sensitivity and congruence were developed in Vik. And in Hemnes acknowledgment and readiness, diagnosis, timeliness, apology, context sensitivity and congruence was developed. In both municipalities the impression management perspective has had a clear presence in the development of the strategies, as well as the performance perspective, although with a stronger presence in Hemnes than in Vik. As for the organizational perspective there are similarities between the two municipalities, as both developed a strategy related to congruence, but not related to comprehensiveness.

## **Preface**

Looking back at my now six years at the University of Bergen, I can be nothing else than grateful for all I have learned and the people I have met. As a student I have not only gotten to know Bergen as the most beautiful city in Norway, I have also had the privilege to study abroad in the United States and experience how global challenges are managed in Bangladesh. While the end of my student era is closing in, it seems only right to go back to the start and reflect on all the ups and downs that life brings during such an important phase that builds both character and creates friendships for life. The high level of stress and anxiety before my first exam feels only like a fond memory now. As time went on, I realized that I had no reason to worry.

There are several people that have played an important part of my progression through the courses at the University. Fellow students and academic staff that have guided me and shared their in-depth knowledge. Not only that, I have been privileged to both be encouraged and challenged to perform at my top potential and strive for new knowledge. The foremost of these has been professor Jacob Aars (fall of 2020 and spring of 2021) who guided me through this master thesis. With his academic integrity and in-depth knowledge he has both challenged me to seek new knowledge, and pointed me in the right direction in a waste theoretical landscape.

Furthermore, I wish to thank my informants for their honesty and reflections. These are people who stood in the midst of a national scandal in 2007 with the media following their every step. It has been 14 years since the scandal struck, it is not a given that the involved informants would even share their experience and reflections with a student of administration and organizational science. Having them participate and share their thoughts has given important insight to answer the research question at hand. For that, I am truly grateful.

I would also thank my girlfriend Åse Kristin Ask Bakke for her support and patience in hearing out my ideas and reflections surrounding everything from strategies for rebuilding trust to the municipal deficits in Vik and Hemnes. I also wish to thank my fellow students and friends at Sofie Lindstrøms for fond memories and my parents for always being available.

*Terje-André Kvinlaug*

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## 1. Introduction - Theme and research question

The Terra-scandal that came upon eighth Norwegian municipalities in 2007 was an unknown territory for those involved. The credit crisis in the US in 2007 caused the investments of 1,5 billion Norwegian kroner in complicated financial products with uncertain risk profiles to collapse in value (Riksrevisjonen 2007-2008, 27). The unknown risk aspects of the investments created a landscape that no other Norwegian municipalities had been involved in, experiencing such grave losses the municipalities stood above a demanding task. This task could best be illustrated through the imperial Roman term, *terra incognita*<sup>1</sup>, meaning unknown territory, labeled by Roman mapmakers when they drew up land areas in the map no one had yet to explore. It could also be an unexplored field of knowledge (Merriam Webster 2021).

The scope and magnitude of this scandal was far wider than the Norwegian national media at the time, thus demonstrating that local politics also can be global. The Terra-scandal was given attention in the US-presidential election when Republican and presidential hopeful John McCain argued that: “*When a town in Norway is somehow affected by the housing situation in the United States of America, we’ve gotten ourselves into a very interesting dilemma*” (The New York Times 2008). A scandal should in this context be understood in line with the definition presented by Boin, Hart, Stern and Sundelius (2017, 110) resulting in public disquiet and in loss of confidence in the body of politics. Even though a scandal of this magnitude can be a journey in unknown territory and decrease trust in the politicians in general, it may benefit and increase trust in specific politicians (Schwarz and Bless 1992, 576).

This thesis is not only on looking at how these two municipalities experienced and managed the aftermath of the Terra-scandal. It is about organizations that are experiencing swift and sudden changes, a crisis or a scandal where the foundation of trust is undermined thus threatening the legitimacy of the organization. These two selected municipalities are cases of that. They do not constitute cases only of the Terra-scandal, but as a larger phenomenon.

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<sup>1</sup> Central parts of the introduction, as well as the title *terra incognita* is based on my submitted paper in AORG332 research design spring 2020. The research question has been further developed, and the conceptual framework has only been developed with this master thesis.

Having a Norwegian economical scandal as the starting point for classification of a conceptual framework rebuilding trust I aim to fill in gaps in the existing literature within trust repair. Both Gillespie and Dietz (2009) and Kim, Ferrin, Cooper and Dirks (2004) emphasize the need for more research in this field. Kim et. al (2004, 104) note that despite the importance of addressing the issue of trust repair, surprisingly few studies have directly examined how trust might be repaired. Gillespie and Dietz (2009, 127) support this notion and argue that there has been little attention to repairing trust at the organizational level. The notion of importance of this research field, and the lack of attention towards it is one of my fundamental motivations for writing this master thesis and answering my research question. It is crucial for my motivation to view this scandal through a theoretical framework on rebuilding trust because it has not been done before with this scandal.

Understanding the Terra-scandal and the aftermath of it as an entryway to describe possible strategies to rebuild trust will hopefully give a wider insight to the efforts made by local politicians and bureaucrats in municipal organizations managing the aftermath of such a scandal. Not only that, but the fact that several of my involved informants were some of the most sought after people in national media in 2007 and 2008, having their involvement being in focus not only by national, but international media as well. This says something about the intensity and magnitude of the scandal which is interesting, due to the fact that it is within this space the possible development of rebuilding trust could have occurred. Understanding the work of my informants, not only in the context of a national scandal, but within a larger theoretical framework functions as an important motivation for me. Looking beyond the tabloid headlines, and into the theoretical perspectives and what the empirical data could tell about rebuilding trust after a scandal of such an intensity and magnitude.

My contribution is to add a classification and a conceptual framework building on the eighth propositions by Gillespie and Dietz (2009) to further understand and describe possible strategies for rebuilding trust. Development of this conceptual framework will in this master thesis be devoted to one of the most severe scandals ever impacting the Norwegian municipal sector. By looking at the Terra-scandal with the theoretical framework provided by the literature on trust repair I hope that my conceptual framework not only will help describe possible strategies for rebuilding trust in Vik and Hemnes, my two selected cases. I hope that my research is a useful contribution to the research literature on trust repair, thus answering the concern presented by Kim et. al. (2004) and Gillespie and Dietz (2009) that further

attention should be given to this field. The authors urge for more research, and I comprehend this as being important to write about strategies for rebuilding trust and the different classifications which exist and how they can be applied on the empirical data at hand.

The initial framework of Gillespie and Dietz (2009, 127) focuses on trust repair related to how an organization shapes employees perceptions of the organizational trustworthiness. My framework is focused more on how an organization could rebuild trust towards its inhabitants. Thus lifting the scope of trust repair from internal matters of an organization, and to the relation between an organization, in this case two municipalities, and its inhabitants.

The description of the strategies, and classification of them connects a major Norwegian municipal scandal with relevant theory on rebuilding trust. It is thus important to address that aspects of rebuilding trust again could be placed into a wider set of theory that pinpoints the location of my contribution, while offering a classification of strategies for rebuilding trust and where it is located in a wider theoretical context. In doing so, there are three major theoretical categories where my eighth presented propositions in the conceptual framework could be placed. In placing my conceptual framework into a wider theoretical context, these can be described as the performance perspective, impression management perspective and the organizational perspective.

My master thesis aims to explain the following research question: *To what extent did Vik and Hemnes develop a strategy to rebuild trust after the Terra-scandal and what are the differences in these potential strategies of trust?*

### **1.1 Development of the research question**

Developing a research question is both time consuming and highly interesting, especially considering my masters thesis and the aspects of it is anchored within the question I aim to answer. In the development of my research question the notion presented by Yin (2018, 27) emphasizes the meaning of the form of the question. In terms of who, what, where, how and why. These kinds of questions are explained by Swanborn (2010, 28) as being descriptive research questions. Thus my focus is in a descriptive manner aiming to classify and provide a conceptual apparframeworkatus for understanding the development of strategies for rebuilding trust. Based on the notions presented by Yin (2018) and Swanborn (2010) I have formulated my research question with a descriptive perspective. The rationale for selecting a

descriptive approach is so that I will be able to explain and describe what went on in Vik and Hemnes after the Terra-scandal and connect this to look at if there were to any extent an effort to develop a strategy to rebuild trust. Looking at the differences will describe these possible efforts further.

## **2. Background of the scandal**

The background for the Terra-scandal is best explained through the Office of the Auditor General in Norway (Riksrevisjonen) and their investigation and explanation of the investments. The background for the scandal is explained by the auditor general that Vik municipality had made several agreements in regards to get advances on future water power incomes and invest this into the stock market (Riksrevisjonen 2007-2008, 9). Furthermore, the auditor general pointed out that the reason for Vik municipality to advance a higher amount than it was coverage for in the water power income, was that the municipality would make use of its low rents and thus increase the yield in the stock market (Riksrevisjonen 2007-2008, 38).

The deal of financial sales of the water power income was made between Vik and Terra Fonds ASA (Terra), the municipal auditor in Vik argued that this deal should be regarded as a loan. This served to make the deal a violation of the municipality law, but the Ministry of Local Government concluded that the deal was not a loan (Riksrevisjonen 2007-2008, 7). It was the credit crisis in the United States in 2007 that led the investment made by the eighth involved municipalities, including Vik and Hemnes, to fall in value (Riksrevisjonen 2007-2008, 27). One of the prerequisites of the scandal was a change made to the municipal law in 2000, giving the municipalities greater freedom and more responsibility for their own financial governing. The Ministry of Local Government was no longer to approve municipal loans (Riksrevisjonen 2007-2008, 8).

There has been some attention given to the Terra-scandal and to view it from a social science perspective, not only as a scandal in the media. Løding (2019) looks at the role of financial portfolio management in the Norwegian public sector. The municipalities invested almost 500 million Norwegian kroners in structured credit products based on American mortgage debt, and when the US housing market collapsed, it dragged with it both global financial institutions and Norwegian municipalities (Løding 2019, 330).

This cross section between the local and the global aspect is addressed by Barber (2013, 192) in his argument that all politics is local, but all economics is global. Thus mirroring the classical notion made by Tocquville that political life in the local town is the indispensable catalyst for both creating and sustaining a successful democracy (Gannett 2005, 721). Yet acknowledging how the world is tied together in the global financial market, making it possible that a rural town in western and northern Norway could be negatively affected by the collapse of the US housing market.

It says something about the magnitude of the scope when Vik, with a population of 2835 in 2007 (Sogn og Fjordane Fylkeskommune 2019) and Hemnes with 4510 (SSB 2020), is in the middle of not only national limelight, but is given international attention as well. Not only did John McCain lift his concerns about the municipalities involved (The New York Times 2008) but the Washington Post focused on the municipalities. The scandal is summarized by emphasizing that the investment at the time seemed like an easy way for the towns to get rich. But when the global financial crisis struck, they ended up getting burned by big-time investments beyond their ability to manage or even understand (Cody 2009).

After the American housing market collapsed it had tremendous economic consequences for the involved municipalities. In 2008 Vik had a deficit of 116 million kroner (071/08 kommunestyret) and Hemnes had a deficit of 73 million kroners (40/08 kommunestyret). For two small municipalities with under 5000 inhabitants each this is a demanding task to manage.

### **3. Theoretical approach**

The efforts of this chapter are to explain the theoretical and analytical framework of the landscape in which I navigate. Chapter 3.1 explain the theoretical aspects of trust as a basis for understanding trust repair. By leaning on the definitions of Hooghe and Zmerli (2011), Marien (2011), Schwarz and Bless (1992), Cook and Gronke (2005) and Uslaner and Brown (2003), among others, I aim for having these theoretical approaches connect trust to trust repair Chapter 3.2 connects the theoretical approaches of the quality of governance with how it relates to trust repair. There are certain holes in the trust repair litterature that I aim to fill in by seeing how the tradition of quality of governance relates to trust repair, and that there are both indirect and direct ways of developing strategies of rebuilding trust. This chapter builds its theoretical understanding in particular on Rothstein (2005), Baldersheim and Smith

(2011), Rose (2011). Understanding how the services provided by the government and the political conflicts are connected to understanding my research question, in particular the development aspect of the possible strategies and quality of governance as a strategy for rebuilding trust. The rally round the flag phenomenon is also looked at.

Chapter 3.3 aims to define trust repair and connect the theoretical framework to trust. To understand trust repair I view it as crucial to understand how it relates to the theory on trust. I understand trust as the social bond between each individual, but more importantly. I view it as a social bond between an individual and governmental institutions that gets its legitimacy from the individuals. The literature within trust repair emphasizes that there are no quick fix solutions in rebuilding trust, I view some of the arguments presented by different authors as vague, and therefore I aim to fill this gap by looking at the theoretical perspective presented by Koerber (2014) in relation to the notion of legitimacy and how it relates to trust repair. The definitions and reflections provided by Elsbach (1994), Kim et. al. (2004), as well as Rhee and Valdez (2009) creates the basis for the next chapter in categorizing possible strategies of rebuilding trust with the propositions presented by Gillespie and Dietz (2009).

Chapter 3.4 is connected to the research question by outlining a set of categories that explain the possible strategies of rebuilding trust. The chapter aims both to define trust repair, but most significantly it provides a set of tools to help categorize different strategies of rebuilding trust and important distinctions that help describe the possible strategies in my selected cases. This chapter builds around the eighth propositions provided by Gilliespie and Dietz (2009), as the baseline of categorizing strategies for rebuilding trust. This fits into my overall theoretical framework explained above and contains among others Elsbach (1994), Kim et. al. (2004) and Rhee and Valdez (2009). Chapter 3.5 is the development of the conceptual framework for classifying strategies for rebuilding trust aiming to lift the strategies of rebuilding trust into a wider set of theoretical frameworks. This is done by classifying them into the performance perspective, the impression management perspective and the organizational perspective.

### **3.1 Understanding trust and how should it be defined?**

Understanding trust is a complicated manner which demands a great extent of patience and discipline. There seems to be as many definitions of trust as there are academic disciplines, thus creating a theoretical landscape it is sometimes demanding to navigate within.

Unraveling the core aspects of trust for using it as the basis for understanding trust repair has been an interesting and thought provoking endeavour. So what is trust and how should it be defined?

A starting point which contributes to understanding trust repair is Hooghe and Zmerli (2011, 3-4) who argue that political trust should primarily be seen as a reaction to the performance of government institutions. This view of trust as a reaction as a way of assessing government is interesting when it comes to my master thesis. When it comes to trust as an element of assessing government the literature makes a clear and important distinction. Marien (2011, 15) argue that political trust is often measured by asking how satisfied the respondents are “*with the way democracy is working (in their country).*” Citizens cannot assess the trustworthiness of political institutions without thinking about its current incumbents. This distinction is useful due to the fact that political trust has to be viewed as both an assessment of democracy in a holistic manner, but also an assessment of the governing. Therefore trust towards the municipalities of Vik and Hemnes can be explained as being both towards the local government and democracy, while at the same time being an assessment of the political actors who are governing.

The discussion on what trust is, and how it should be defined offers an important insight in the different approaches to this somewhat complex matter. According to Marien (2011, 14) the nature of trust in political institutions has been the topic of debate, and that our understanding of political trust is shaped by a large extent on research conducted in the United states. Marien (2011, 14-15) illustrates the discussion on trust by using the conflict between researchers Arthur Miller and Jack Citrin; the first argued that trust in the political system had decreased sharply in the 1970s. Citrin refuted this arguing that Miller was measuring trust in the current incumbents rather than trust in the political system. This theoretical difference illustrates an important aspect related to understanding trust and defining it. Marien (2011, 15) point out an important aspect arguing that citizens cannot assess the trustworthiness of political institutions without thinking about its current incumbents. Moreover, citizens that have no trust at all in the political system will also distrust the current incumbents of the institutions and the political system.

The disagreement between Miller and Citrin for understanding trust is not a rarity, but it seems rather to be the norm in the literature on trust. This is illustrated by Hooghe and Zmerli

(2011, 2-3) who point to the fact that there is a relatively strong consensus in the literature about the importance of political trust. Much less agreement can be found about the theoretical status of the concept, its actual meaning, the causes and the consequences of political trust. Cook and Gronke (2005, 801) conclude that the decline over the past 30 to 40 years of trust in government in the National Election Studies and of confidence in leaders of institutions in the General Social Survey would not necessarily be bad news. They argue that it represents the rise of a public that is skeptical of many forms of power.

In understanding trust, or political trust to be more precise, legitimacy constitutes an important aspect related to trust. In fact, throughout my master thesis legitimacy keeps on occurring as an important factor also within trust repair. The notion of legitimacy related to trust is crucial, and Hooghe and Zmerli (2011, 3) define political trust as the legitimacy of the political regime is acknowledged and that there is a high degree of willingness to accept the decisions of politicians and government agencies. Extending the argument connecting trust and legitimacy important insight is presented by Marien and Hooghe (2011, 269) who argue that the basic assumption of the literature of trust is that low levels of political trust and legitimacy will make it more difficult for political systems to implement authoritative rules for the regulation of society.

As for my selected cases of Vik and Hemnes, the municipalities depend on legitimacy from its constituents to be acknowledged. Since the municipalities are both providers of services and constitute the political leadership it makes the legitimacy aspect far more relevant for these organizations, as a democratic institution. Then it would have to be a corporation or a business struggling to handle a crisis that has negative impacts on their economic turnout. The notion of legitimacy when it comes to understanding and defining trust has to be viewed in context with the arguments presented by Schwarz and Bless (1992, 574) who note that a democratic system can not survive for long without the support of a majority of its citizens. It is important to emphasize that having citizens being less trusting towards the government does not imply the need to rebuild trust. This should rather be understood in line with the arguments presented by Cook and Gronke (2005, 785) that low trust in government or low confidence in institutions does not automatically mean distrust, cynicism or alienation. But rather, as Cook and Gronke (2005, 801) describes it, a rise of public skepticism of many forms of power.

An important distinction that should be added to understand trust is the reflection by Picci (2015, 37) that distinguishes between the concept of reputation and trust, where the former is seen as a result of a learning game in a situation where there is uncertainty about some relevant characteristics of one's counterpart. Trust, as explained by the author, as arising from alignment of incentives within a strategic relation, such as a repeated prisoner's dilemma game. This distinction is important due to the fact that it leads up to an applicable definition of strategy that I build on in my research question. As mentioned, it is focused around the description of the possible development of strategies for rebuilding trust, thus it is crucial to define and understand the theoretical concept surrounding strategies.

A definition of the concept strategy should be viewed in line with the differentiation that Picci (2015, 41) make between reputation and trust as first is related to belief. An example used is that an organization having a reputation for producing high quality output is one the public trust to make high-quality products. While trust, as the author describes it, is better seen as arising in strategic interaction where the players have aligned incentives but do not harbor any doubts regarding the other players' characteristics. Picci (2015, 41-42) emphasizes that strategic interactions typically involve both learning, giving rise to reputational concerns and varying degrees of alignment of incentives in the absence of learning, where trust may emerge and that the presence of the aligned incentives, which may give rise to trust will in itself be an objective aimed towards entities that, have the capability to not only play their strategies within a given set of rules of the game, but also modify those rules.

The differentiation presented above between reputation and trust offers an important insight to where I have chosen to approach trust repair within the wider theoretical context. Making this distinction serves as a nod to the connection between reputation management and trust, and thus trust repair. This could be best illustrated and applied to understand the basis for where I look to describe the strategies as Picci (2015, 42) note that in the case of trust, predictability derives from the alignment of incentives. I trust you because I believe that it is in your interest to behave in a given way, furthermore the author note that one trusts an organization being linked to a reputation for producing high-quality output not to change. The notions presented by Picci (2015) on how to understand the strategy aspect of my research question functions as a baseline that should be connected to the more practical approach to strategies as Gillespie and Dietz (2009, 131) that uses an organizational

perspective, thus looking at the coherence and effectiveness of the strategy can directly affect interpretations of organizational competence and that the strategy also signals the organization's intention to act with integrity and benevolence towards its stakeholders. My understanding of strategy is thus in the differentiation between reputation management and trust, leaning on the latter while at the same time understanding the strategy for rebuilding trust as signaling, or symbolizing the organizations intention to act with integrity and benevolence towards the stakeholders who in my case are should be viewed in context with the municipalities of Vik and Hemnes.

A crucial aspect in understanding trust is that context matters. The reasons for this are far too complex and off topic for me to outline. But understanding the meaning of context in the debate surrounding trust is important to see what role context plays. This is emphasized by Hooghe and Zmerli (2011, 1) who argue that it is not only the political culture in general that matters in understanding political trust, but also historical traditions and the way politics and economy work. Looking at how context impacts the understanding of trust I would like to emphasize the importance of the economic perspective as well. Uslaner and Brown (2003) do to some extent echo the argument made by Hooghe and Zmerli (2011) that economy matters. Uslaner and Brown (2003, 870) argue that inequality has a critical, indirect effect, working to reduce levels of trust and that economic inequality leads to less trust in two separate ways. First, high levels of inequality leads to less optimism for the future and greater pessimism means less trust. Second, where there is a lot of inequality, people in different economic strata will be less likely to have a sense of shared fate.

To further understand trust as a bridge to rebuilding trust it is necessary to understand the different types of it. Uslaner (2000, 571) point to the fact that there are two distinct types of trust, where the first is *strategic trust*, which helps us decide which stock broker we use or which electrician we hire. Furthermore the author explain that this kind of trust separate between those who are deemed trustworthy and those who are not. The second type of trust explained by Uslaner (2000, 572) is *moralistic trust*, which is trust in people whom we don't know and who are likely to be different from ourselves. This is the foundation of a civil society. According to the author, it is not simply a summary of our life experiences, but a value that reflects an optimistic view of the world.

### **3.2 The quality of governance and how it relates to trust repair**

Initially there seems to be few elements that combine the quality of governance with trust repair. As I noted in the previous chapter, the performance of government is an important aspect in relation to trust. As noted by Hooghe and Zmerli (2011, 3-4) political trust should primarily be seen as a reaction to the performance of government institutions. Or as Marien (2011, 15) point out, citizens cannot assess the trustworthiness of political institutions without thinking about its current incumbents. Therefore, one of my assumption is that the quality of governance in Vik and Hemnes can be used to describe important aspects of rebuilding trust. The definition of political trust and its relation to the political institutions performance are important factors that help describe the possible strategies for rebuilding trust in the two municipalities.

I would assume that the severity of the Terra-scandal could have had an impact on the provided services. If the local governance underperformed and lacked quality in its governance, the citizens may have assessed a negative matter related to the trustworthiness of the local government. Political trust is indeed a reaction to the performance, as Hooghe and Zmerli (2011, 3-4) point out. With a severe negative event such as the Terra-scandal impacting the municipal economy, one assumption could be that the reaction of the citizens could have been lower trustworthiness. As they viewed the actions of its incumbent politicians with a negative connotation. There should also be the assumption that it had a completely different outcome, having that good governance through the crisis may have functioned indirectly to rebuild trust. Thus having the political trust being a reaction towards the possible satisfactory way the municipalities steered through the scandal. Trust may have been reduced initially, but as time goes on trust is being rebuilt indirectly by providing a noteworthy level of quality of governance that the citizens notice its impact on their daily life and reacts to.

It is exactly this notion of how the quality of governance impacts the daily life of people that plays an important role in the litterature at hand. This is exemplified by Bo Rothstein (2005, 202) who emphasizes that government is in form nothing other than a set of political institutions and that empirical knowledge says something about the impact of such institutions on people's lives. Furthermore, Rothstein argue that political philosophy should be regarded as a continuing analysis of the relationship between the concrete design of the

government, i.e. its actual institutions, and the normative ideals that those institutions in fact produce in the society.

The notion presented related to the outcome and what the institutions produce in the society should be connected to the definition of political trust by Hooghe and Zmerli (2011, 3-4) as primarily a reaction to the performance of government institutions. The argument presented by Rothstein (2005, 202) and what the institutions in fact produce in society could be argued to be the basis of a citizen's reaction to the perceived degree of their political trust towards the government. Since the quality of governance to some extent focuses on the outcome and what the institutions produce in the society it is reasonable to assume that the negative economic impact of the Terra-scandal impacted what Vik and Hemnes as institutions were able to produce.

A crucial part of this master thesis is not only looking at how these municipalities experienced and managed the aftermath of the Terra-scandal. It is about organizations that are experiencing swift and sudden changes, a crisis or a scandal where the foundation of trust is undermined thus threatening the legitimacy of the organization. These two selected municipalities are cases of that. They do not constitute cases only of the Terra-scandal, but as a larger phenomenon. Cases of something more generally. An assumption that could be made is that the initial shock of the scandal could lead to a rally round the flag phenomenon. This phenomenon should be understood as certain intense international events that generate the rally round the flag effect which tends to give a boost to the President's popularity rating and that in general a rally point must be associated with an event which is international, involves the United States and specific, dramatic and sharply focused (Mueller 1970, 21). It is worth nothing that Mueller writes in an American context. This phenomenon could be applied to the context of Vik and Hemnes. Especially when it comes to the involvement of a particular event that is specific, dramatic and sharply focused, and being international. The Terra-scandal striking the municipalities in question were specific about having made investment into an international stock market, and dramatic enough with the involvement of substantial amounts of money lost. It does not involve the US or the American President, but the main characteristic of the phenomenon could be applied. Baum (2002, 264) argue that political and economic circumstances will weigh heavily in influencing whether and to what extent different groups will rally. These two circumstances were without a doubt clearly present in Vik and Hemnes after the Terra-scandal.

Futhernore, Rose (2011, 106) point to the fact that there seems to be a high degree of satisfaction toward local government. But Rose (2011, 107) argue that there in principle seems to be high support towards the value of local democracy as a part of the Norwegian governance. But asked to reflect about more concrete matters of local democracy, the support is not as high. This can be illustrated by looking at the answers of the question “local democracy is not as important, as long as the public services are maintained.” Here 31 percent of the asked agreed to this statement (Rose 2011, 106). Furthermore political competition plays a role. Rose (2011, 112) emphasises that politicians, due to competition, have a tendency to meet the public’s demand and adjust the production of public goods and services rather than to align production of public goods and services to what the community actually benefits from.

### **3.3 Understanding trust repair**

To understand trust repair, it is critical to understand the framework trust provides. The theory outlined on trust in the previous chapters creates my theoretical landscape where trust repair can be found. I understand trust as the social bond that works between each individual operating in everyday life, and between individual and governmental institutions that gets its legitimacy from the individuals. Trust is the fabric of what constitutes many aspects of our society. If trust is broken, it breaks the relationship either between individuals or between an individual and governmental institutions. As long as there has been a bond of trust which is broken it will create a need to rebuild trust. My focus is towards the institutional aspect. And I aim to explain and describe to what extent the municipalities developed a strategy for rebuilding trust.

There are two different definitions of trust that I have encountered in the literature that are important to clarify and compare to comprehend how trust relates to trust repair in the context which I present. The first definition is that trust is viewed as a psychological state compromising the intention to accept vulnerability based upon positive expectations of the intentions or behavior of another (Tomlinson, Dineen and Lewicki 2004, 166). This definition only provides an understanding of the interpersonal relationship that trust is. The aim is not to look at trust between individuals, but between an individual, or citizen and government institutions. I view trust in relation to trust repair in line with Hooghe and Zmerli (2011, 3-4) who argue that political trust should primarily be seen as a reaction to the performance of

government institutions. I would argue that political trust relates to trust repair through legitimacy as it is crucial for democratic governments. Hooghe and Zmerli (2011, 3) define political trust as the legitimacy of the political regime is acknowledged and that there is a high degree of willingness to accept the decisions of politicians and government agencies.

Moving on with this connection between trust and trust repair, it is important to emphasize that the bond described and defined above is broken and trust is weakened, therefore creating the need for trust repair. The way trust breaks is explained by Tomlinson and Mayer (2009, 87) who explain trust repair as a partial or complete restoration of the willingness to be vulnerable to the other party following a decline in that willingness. Yet how does this violation of trust, or the perception of broken trust, occur and what are some of its core components? Tomlinson, Dineen and Lewicki (2004, 167) explain a trust violation as occurring when evidence disconfirms the confident positive expectations regarding another's conduct and redefine the nature of the relationship in the mind of the injured party. If trust is broken, why should a governmental actor resort to rebuilding trust? I view legitimacy as a crucial aspect for a government, including the local governments of Vik and Hemnes. This has to be taken into account with the arguments presented by Schwarz and Bless (1992, 574) and their understanding of a democratic system as not being able to survive for long without the support of a majority of its citizens.

So how should trust repair be understood and defined? Connecting the theory on trust and trust repair a well suited definition gives insight to which bonds that have been broken so that trust disappears. Thus creating the need to repair, or rebuild it. Kim et. al. (2004, 105) define trust repair efforts as activities directed at making a trustor's trusting beliefs and trusting intentions more positive after a violation is perceived to have occurred. The breaking of trust is here described as a perceived violation. As long as a person's experience of trust has been broken, repair should be initiated. It is crucial to establish an understanding of what trust repair is to a greater extent than the definition of Kim et. al. (2004, 105) as a perceived violation. Which only offers an explanation of the context of where trust repair could occur. My core understanding of trust repair builds on the notion presented by Gillespie and Dietz (2009, 127) who point to the fact that most organizations respond poorly to trust failures, typically too late, with inappropriate equivocation and with less regard for internal relations than for external relations.

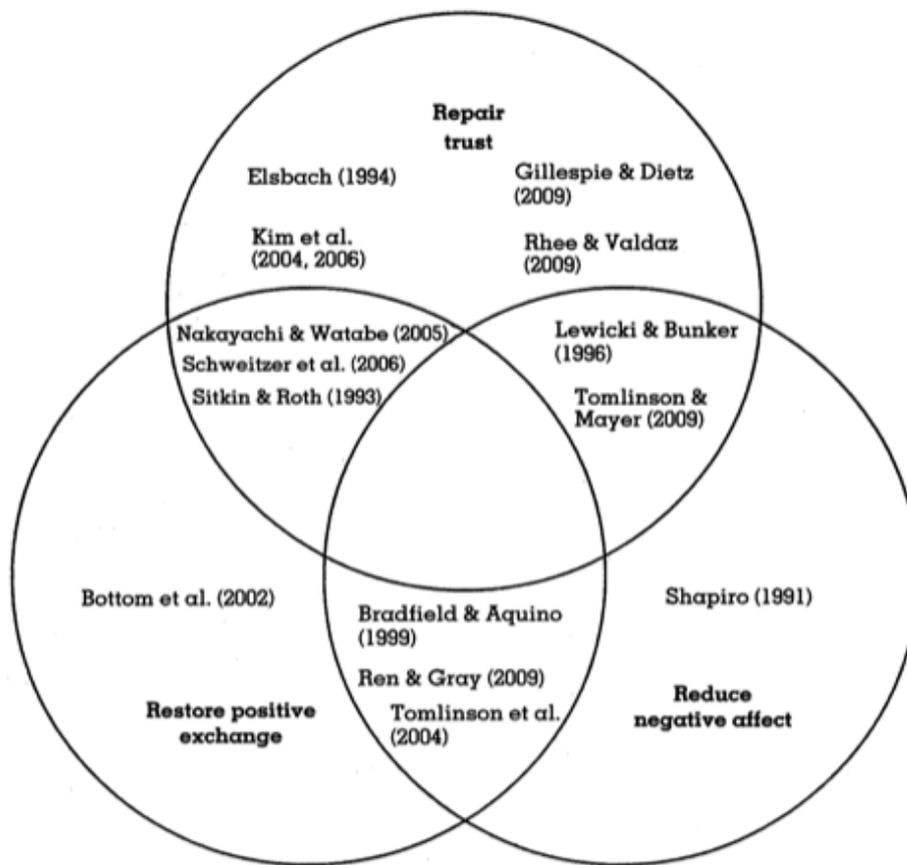
An important core attribute to the theoretical contribution of Gillespie and Dietz (2009) is their understanding of trust repair within the context of system theory. Gillespie and Dietz (2009, 130) explain their use of system theory as a way to depict organizations as converting external inputs (resources, investments) into outputs (products and services) via a throughput stage which comprises the organization's entire operations and activities. They argue that this perspective and organizational-level failure results from faults in the throughput, which damage the quality and supply of outputs and/or relations with input suppliers. And then damaging the organization's reputation and trustworthiness. It is important to embroider the framework from Gillespie and Dietz (2009) with relevant theory that builds upon the same understanding as my selected core framework. To achieve this, it is necessary to further conceptualize trust repair. Dirks, Lewicki and Zaheer (2009, 69) suggest a conceptualization on trust repair, being that relationship repair occurs when a transgression causes the positive states that constitutes the relationship to disappear or negative states to arise, as perceived by one or both parties.

But why trust repair? There are without a doubt several interesting theoretical discussions presented in the literature on trust being discussed as a field of research. Both Kim et. al. (2004) and Gillespie and Dietz (2009) address the need for more research in this field. Kim et. al (2004, 104) note that despite the importance of addressing the issue of trust repair, surprisingly few studies have directly examined how trust might be repaired. Gillespie and Dietz (2009, 127) support this notion and argue that there has been little attention to repairing trust at the organizational level. It is exactly these arguments that motivate me to dive into the literature on trust repair and hopefully describe and uncover possible strategies of rebuilding trust in a Norwegian local governmental setting. The combination of looking at a research field that is under development and looking at a scandal that struck small municipalities in 2007 is highly interesting. I hope the research presented in this master thesis, and the developed conceptual framework could help fill in some gaps.

Before I examine the literature on trust repair to a greater extent, it is necessary to explain to the reader the rationale behind the selection of some of the theories used on trust repair and why I have selected these to function as the core of my understanding of rebuilding trust. The selection of relevant literature and theory has been a strategic choice based on the figure presented by Dirks, Lewicki and Zaheer (2009, 71), which explain and outline the selected theoretical framework which is guiding for my understanding of trust repair:

*Figure 1 - Overview over relevant research connecting trust repair to a larger framework*

**The Conceptual Domain of Relationship Repair with Examples of Prior Research**



The literature on trust repair that constitutes core elements of my theoretical understanding of the matter is defined as belonging to the domain of repairing trust. Furthermore, I build my understanding on trust repair to some extent on Tomlinson and Mayer (2009), thus crossing over to some extent on the domain of reducing negative affect. Tomlinson, Dineen and Lewicki (2004) is also used, and therefore my theoretical understanding does to some extent also involve the domain crossing between restoring positive exchange and reducing negative effect. At its core, my understanding builds on the domain of trust repair as Elsbach (1994), Gillespie and Dietz (2009), Kim et. al. (2004), as well as Rhee and Valdez (2009). These major contributors present insightful explanations to the concept of trust repair, how it relates to the concept of trust and how it can be conceptualized. This theoretical framework is further elaborated in this chapter, and functions in the matter of placing the theoretical framework on trust repair within a larger framework.

Within the framework in trust repair there seems to be a great emphasis on the perceived factor of trust or trust worthiness. The notion by Kim et. al. (2004, 105) that the breaking of trust is a perceived violation built upon by Dirks, Lewicki and Zaheer (2009, 70) who argue that trust and perceived trustworthiness are cognitive factors that are negatively impacted in damaged relationships. As a result of the transgression, individuals form inferences about future behavior, positive expectations disappear and are replaced by negative expectations. And a crucial point that the authors make, individuals become unwilling to expose themselves to further vulnerability.

There are several important perspectives that help to further create a useful understanding of the concepts of trust repair. Dirks, Lewicki and Zaheer (2009, 72) separate between three perspectives for repair. The first is an attributional perspective where a transgression leads to loss of trust through an attributional process, where repair involves cognitive processes by which trust is restored. The second perspective is according to the authors social equilibrium where a transgression leads to disequilibrium in relationship and social context, where repair involves social processes by which equilibrium in a relationship is restored. The final perspective is structural. Here the authors argue that a transgression leads to breakdown in positive exchange and increase in negative exchange. The repair involves structural processes by which negative exchange is discouraged and positive exchange is encouraged.

The three perspectives offered by Dirks, Lewicki and Zaheer (2009) explain the process of how a transgression leads to loss and how the relationship and social context is involved in restoring trust. Furthermore, it is emphasized that the repair involves a positive exchange. This development, from broken trust, to possible successful repair gives an important insight to how the process of trust repair itself occurs. While not looking at the surrounding conditions that may impact the rebuilding, the dynamics here are interesting and I view them as the dynamic process of how trust repair functions.

Keeping the dynamic process of how trust repair can unfold in mind, it is necessary to move on and look at the key concept of how different approaches can be used to achieve the wanted process of rebuilding trust. Kim et. al. (2004, 105-106) outline two major ways of responding to a trust violation. The first is apology, which they define as a statement that acknowledges both responsibility and regret for a trust violation. Denial, in contrast, is defined as a statement whereby an allegation is explicitly declared to be untrue. Apology can also be

regarded as an acknowledgment, explained by Elsbach (1994, 65) as forms of accounts that recognize the negative events that occurred. But implies that the ultimate outcome was positive. Elsbach's (1994, 64) explanation of denials focuses on accounts that propose no involvement to separate the organization from controversial events.

Koerber (2014, 324) argue that followers see their own identities in politicians. They also make mistakes and the support of the crisis response becomes one of forgiveness, for both the politician and for themselves. The core aspect of my understanding of trust repair builds on the notion that a single response will rarely be enough. As discussed earlier, there are no quick fixes to how a scandal, crisis or organizational level failure should be handled. A strategy should be embedded within a core community representing the people one aims to rebuild trust with. This notion is presented by Koerber (2014) who looks at crisis communication response and their ties to political communities. Koerber (2014, 311) suggest that crisis communication researchers and practitioners must first understand the norms and values of the political community in question before selecting crisis response strategies.

The example used to describe the ties between crisis response strategies and the norms and values of a political community is the scandal surrounding Toronto mayor Rob Ford. Koerber (2014, 311-312) explain that the scandal occurred after a leaked video of Ford smoking a crack pipe, faced with the allegations, Ford responded that the allegations were ridiculous. The rather intricate scandal tells something crucial about the important understanding of the political community one represents. There is no single response that is sufficient to handle a scandal to rebuild trust. Koerber (2014, 313) argue that an apology as a strategic response is a problem in crisis response strategies. I view this as a problem due to the fact that if a political actors community does not expect you to apologize, then an apology could only make matters worse. Koerber (2014, 316) connects a community's expectations arguing that half of Toronto believed that mayor Ford was a victim of a media conspiracy, while the other half found the news trustworthy. The ties between the crisis response strategies and the political community is explained by Koerber (2014, 318) as repairing legitimacy is inherently reactive and occurs when legitimacy has been lost.

Looking at the arguments of Koerber (2014) and comparing it to the propositions by Gillespie and Dietz (2009), it is crucial that strategies should not be applied without a connection to one's political community's notion of norms and values. Applying strategies without this

understanding could mitigate the effort of rebuilding trust. Gillespie and Dietz (2009) propose a framework that can be used to identify strategies. The notions presented by Koerber (2014) relating to the political community can be used as an effort to try and explain what the possible selected strategies understood the important norms and values of core political communities. The notion of legitimacy is again repeated as an important part of trust repair. This has close ties to the political communities which I have presented above. According to Koerber (2014, 317), the sources of legitimacy and illegitimacy are communities and that legitimacy and illegitimacy are cultural constructs.

The notion of legitimacy is a core aspect of trust repair. Koerber (2014, 320) argue one should first identify and take into account the communities in which notions of legitimacy form. As Koerber (2014, 322) note, politicians are elected to serve all people in a geographic area but they must also maintain support of their most important audience, which usually is a segment of the population. Or as I would describe it, the grass root supporter of the given politician. Koerber (2014, 321) note that a politician that wins a mayoralty has two main audiences, the whole of the public that the politician must govern fairly, and the partisans who voted for the politician. Christensen, Egeberg, Larsen, Lægreid and Roness (2010, 172) point to the fact that there is no doubt that the role as mayor in Norway comes with significant possibilities to practice influence on municipal politics and decisions. This plays a crucial role in my research due to the fact that the mayors of Vik and Hemnes played an important role locally.

According to Barber (2013, 92), big issues are for big government and unfold at a distance. Congress is about philosophy and ideology, while mayors don't have time for those kinds of debates. The author point to a quote by former New York mayor Rudy Guiliani, saying it is better to keep your constituents happy than to keep a political party. Whether it is in the US Congress or the Norwegian parliament there is a distance between national politics and local politics and mayors focusing on the specific problems their constituents raise. While Barber (2013) focuses on urban life and big cities, there is some universal truth that can be applied to the function of local democracy that is as relevant for New York as for small Norwegian towns. At its core, the argument by David Axelrod, that people desperately want leaders who will make cities work (Barber 2013, 92). This resonates an important aspect for all of local politics, big and small cities alike. When looking at Vik and Hemnes I would assume, based on these arguments, that the inhabitants want their leaders to succeed in the work of

managing the scandal. Although skeptical to some extent, and critical of certain aspects of the political competition.

Political crisis responders cannot simply apply tested strategies to all cases, there is no “one size fits all” response strategy. The strategy of apology only makes sense if the targeted community recognizes the situation as a crisis and in turn demands an apology (Koerber 2014, 325-326). Organizations as responders should know where their legitimacy comes from and who are the groups that are most supportive of them. Schwarz and Bless (1992, 576) point to research in social cognition that suggests that individuals who have already formed a judgment are unlikely to start from scratch when asked to make a second related judgment. There is a methodological discussion in regards to trust repair and how to collect empirical evidence.

### **3.4 How and why should trust repair be applied**

An important part of understanding how and why trust repair should be applied is in uncovering and classifying important strategies for rebuilding trust. A strategy in this case has to be understood as an effort with the purpose to mitigate the damage on trust, therefore either intentionally or unintentionally, an organization works to rebuild trust. The main goal of this chapter is to develop a set of tools to classify strategies for rebuilding trust.

Are there any indications that there were efforts to rebuild trust in Vik and Hemnes? To understand this, the used literature gives insight to how these efforts can be described and understood within its context? The core understanding of the strategies for rebuilding trust is based on the eighth propositions presented by Gillespie and Dietz (2009). The research provided by these authors is an important tool in addressing the research gaps which I have described earlier and functions to describe the development of possible strategies to rebuild trust after the Terra-scandal. Before diving into the propositions presented by Gillespie and Dietz (2009) I will explain the theoretical landscape, or framework of where the authors are located. This is done both to understand the context of which the propositions exist in, as well as defining important definitions as concepts as Elsbach (1994) brings forward. Furthermore the literature on trust repair focuses on the role of legitimacy. I have used the theoretical understandings presented by Koerber (2014) to try and further pinpoint how legitimacy should be understood in relation to rebuilding trust.

The understanding of trust repair and the connection between Gillespie and Dietz (2009) and Koerber (2014) stands in contrast to the tradition of reputation repair. This is where my theoretical understanding differs from the literature presented below. It is not about weathering the storm and securing the image of an organization. My focus goes in line with the theory on trust repair focusing on securing the legitimacy of an organization. As Gillespie and Dietz (2009) make the cornerstone of my understanding of trust repair, Elsbach (1994) constitutes an important part of the building blocks of the foundation of which my theoretical understanding builds upon. Elsbach (1994, 60) focuses on controversial events that threatens the legitimacy of organizations in the California cattle industry

The contrast to my core understanding of securing legitimacy for an organization by using trust repair is illustrated by Rhee and Valdez (2009, 151) who argue researchers have focused mainly on the characteristics of reputation-damaging events or management's response to those events. Furthermore, the authors argue that the majority of attention in most prior studies on reputation repair has been devoted to categorizing the reputation damaging events and examining their differential effects. And presenting effective repair strategies in response to such events.

Looking at this contrast to my understanding it is important to make a clear distinction between rebuilding the reputation of an organization and rebuilding the trust in an organization as an effort to secure its legitimacy. Working with the theoretical framework of my master thesis I have experienced a divide in the literature. It goes in the cross section between trust repair and communication. The classical perspective is the theory of image restoration presented by Benoit (1997) and it includes denial, evading responsibility, reducing offensiveness of the event and mortification. Another classic example is Benoit (2000, 40) and his theory of image restoration where the focus is heavily on image. He argue that the audience's perception is important and that image is defined by the perception of a person, group or organization held by the audience. The contrast towards my understanding of rebuilding trust is further widened by the arguments by Benoit (2000, 41) that emphasize the vitality of realizing that there can be multiple audiences with different interests and that has important implications. The author uses Texaco as an example on how they successfully weathered the storm.

First of all, the arguments presented by Benoit (2000) represent a difference in my approach to trust repair. The way my focus and understanding differs is through the arguments of Koerber (2014, 318) that crisis responders need to understand their communities and those communities' ideas of legitimacy. The focus should be on the core community, not the aspects of an audience. The difference in my understanding and the more reputation oriented understanding of Benoit (2000) goes on to whom one focuses on. Benoit (2000, 41) emphasizes the vitality of realizing that there can be multiple audiences with different interests and that has important implications.

Benoit (2000) and his theory of image restoration has been criticized by Burns and Bruner (2000, 28-29) for being easily misinterpreted as a simple, stimulus-response sequence. According to the theory there are five general options for self-defense, to include: denial, evading responsibility, reducing offensiveness, corrective action and mortification. This criticism should be taken into account in understanding my strategies for rebuilding trust. There is no simple, stimulus-response quick fix to manage the damage of trust, or reputation in this context, that an organization experiences.

Before selecting any strategy to rebuild trust, I view it as important to not focus on the quick fix solutions as presented by Benoit (2000), but rather first of all create an understanding of one's community and its notion of legitimacy. This argument is outlined by Koerber (2014, 320) who argue that before choosing and applying strategy one needs to understand one's community and their ideas of legitimacy. This argument should be seen as an extension to the criticism from Burns and Bruner (2000) that there are no quick fixes. The efforts to rebuild trust have to be embedded in the community's understanding of legitimacy. This understanding is bound to differ within different social conditions and within different communities. In the wider literature on trust, reputation and communication there seems to be a divide between the communication aspect, and the one of trust and reputation. This divide is addressed by Picci (2015, 50) by his warning that communications campaigns always run the risk of being perceived by the public as mere attempts at spinning in a way to effectively modify a reputation of the public organization as a trustworthy communicator.

My focus is not on restoring the image of an organization, but rebuilding trust. I view that restoring the image of an organization is just about weathering the storm and keeping revenue and income afloat through hard times. This is fundamental for selecting the correct approach

for an organization struggling with issues of legitimacy and reduced trust. A communication professional would most likely focus on how one can survive the initial crisis that surrounds the organization. I would rather look at the impacts and consequences that occur after a crisis or a scandal have impacted the organization. The crisis is only an external force that may remove trust, and the important work cannot only be reduced to handling the crisis, but also to how one implements strategies to rebuild trust.

Continuing on this related topic in regards to theoretical framework looking at the distinction between a reputation management tradition and rebuilding trust the article of Christensen and Læg Reid (2015) on reputation management in times of crisis, focusing on the Norwegian police's role in the terror attacks of July 22nd in 2011, which may offer a sense of middle ground in the theoretical frameworks between reputation management and trust repair. Christensen and Læg Reid (2015, 95) discuss and define an organizational reputation as a collective perception of an organization's past actions and achievements and its ability to deliver valuable results to multiple stakeholders as well as a set of beliefs about an organization's capacity, intentions, history and mission that is embedded in a network of multiple audiences. It is important to look at the definition presented here in context with the understanding of trust repair.

If trust is broken, or violated, one crucial question is why should a governmental actor rebuild trust. One of my central viewpoints for the tenacity of applying trust repair is its connection to legitimacy, as understood by Schwarz and Bless (1992, 574) since a democratic system is not able to survive for long without the support of a majority of its citizens. Gillespie and Dietz (2009, 132) view public reputation as how employees take cues from how their organization's reputation for ability, benevolence and integrity is perceived by external stakeholders. This is without a doubt an interesting aspect, but I view it as somewhat as a side note to the core of trust repair, which should be understood in line with Dirks, Lewicki and Zaheer (2009, 69) occurring when a transgression causes the positive state that constitutes the relationship to disappear or negative states to arise, as perceived by one or both parties.

One of the key aspect in the research on reputation management by Christensen and Læg Reid (2015, 97) follows an instrumental perspective where a public organization, when engaged in reputation management, leaders and specialist will seek to control the processes whereby certain symbols, values and identities are used consciously to further the instrumental goals

of the organization. The perspectives according to the using symbols, values and identities are an interesting take away from the framework provided by the authors. In line with the instrumental perspective presented by Christensen and Lægreid (2015), Elsbach (1994, 59) presents a framework that brings together both symbolic management perspectives by linking concepts from both impression management and institutional theories in a model describing the management of organizational legitimacy.

The two major components of this model are impression management, which according to Elsbach (1994, 58), should be understood as using verbal accounts by individual spokespersons or explanations to avoid blame or gain credit for controversial events that may affect organizational legitimacy. The other component according to Elsbach (1994, 59) is institutional theories, which focuses on how organizations build support for legitimacy by maintaining normative and widely endorsed organizational characteristics by strategically and manipulatively using links to organized structures or procedures to demonstrate the organization's worthiness and acceptability. The framework presented by Christensen and Lægreid could in this context be regarded as a major contributor to understanding the symbolic values, which Elsbach (1994, 83) argue that by linking these two theories, presented above, the findings of her study enrich both impression management and institutional theories by filling gaps in the discussion of the construction and effectiveness of symbolic management.

In other words, the framework presented by Christensen and Lægreid (2015) should be understood within the theoretical framework of which I operate, and as an explanatory element and great supplement to the model presented by Elsbach (1994) combining both impression management and institutional theories. An important element that offers contrast to the framework which I use in my thesis, is that Christensen and Lægreid (2015, 95) emphasize that organizational reputation is a set of beliefs about an organization's capacity, intentions, history and mission that is embedded in a network of multiple audiences. Furthermore, an important aspect emphasized is that the more consistent the message, the better (Christensen and Lægreid 2015, 97). At this point there is some differentiation between my approach and applied framework and the one just presented. An important distinction could be seen as Elsbach (1994, 57) note that effectiveness appears to depend on audiences' perception of controversy and expectations of organizational responses.

Elsbach (1994) can be placed in the same theoretical landscape as Gillespie and Dietz (2009) when it comes to rebuilding trust. Through both inductive and deductive studies Elsbach (1994, 57) describes how spokespersons from the California cattle industry constructed and effectively used verbal accounts to manage perceptions of organizational legitimacy following controversial events. It is important to emphasize that an inductive reasoning only brings probability to a categorical claim, it does not prove it (Bukve 2016, 62). In deduction, if the premises formed as a hypothesis or a law is true, then the conclusion will necessarily follow the given premises (Bukve 2016, 66). A careful process of induction and deduction can be used to identify the ordering principles of the world, as to determine its components parts and their causal relations (Moses and Knutsen 2012, 95).

Elsbach (1994, 60) presents a model grounded in three studies of organizational legitimacy that was carried out in the California cattle industry. In the first study, which is most relevant to my master thesis, it is focused on controversial events that threatened the legitimacy of organizations in the California cattle industry. In the second study, a qualitative analysis of cattle industry constituents to examine the effectiveness of those accounts in protecting organizational legitimacy. And the third study is done as a test of three propositions on the effectiveness of accounts in an experimental vignette involving cattle industry constitutions.

Furthermore, Elsbach (1994, 60) brings her focus to the role of the spokesperson of an organization in managing organizational legitimacy. I would argue that both the mayor and municipality director in its function serves as spokespersons for the municipality, while the members of the municipal council<sup>2</sup> also may be identified as a spokesperson for their political community through the function of their political office. Looking at these roles in a theoretical perspective, Christensen et. al. (2010, 172) classifies the differences between mayor and municipal director as being the two positions with the clearest leader responsibility in a holistic coordination of the municipal management. Christensen et. al. (2010, 172-173) assess that the mayor is the face of the municipality in the public, but that political cleavages are seldom stable and locked in different municipalities, where consensus driven orientation is the foundation. While Barber (2013, 102) on the other hand, argue that mayors are shaped more by what cities are and need, than by factors inherent in political systems or the ideology they bring to the office. Christensen et. al. (2010, 174) point to the

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<sup>2</sup> Municipal council - Kommunestyre

fact that the municipal council can delegate decisions to the municipal director, who then delegates within the administration.

Elsbach (1994, 57) conducted three studies on the California cattle industry and its spokespersons. The first study suggest that organizational accounts are constructed by linking two forms of accounts: acknowledgement or denials, with two contents of accounts where it is referred to institutional or technical characteristics of the organization. The findings of the second and third studies suggest that in protecting organizational legitimacy acknowledgments are more effective than denials, references to institutionalized characteristics are more effective than references to technical characteristics. And that accounts combining acknowledgments with references to institutionalized characteristics are more effective than accounts with only one of these components.

Looking at the theoretical framework constructed by Elsbach (1994), I view it as appropriate to first look at the differences presented in the text between impression management theories and institutional theories and how that relates to strategies for rebuilding trust. The function of this is to serve as an overarching theoretical framework that describes the landscape of which rebuilding trust is a dominating landmark. After navigating through this landscape I will separate between the first study by Elsbach and the second and third studies. I remain more skeptical about the second and third study due to the fact that the former does not fit directly to my study due to operating with the term moderately negative events in her three propositions (Elsbach 1994, 74, 76, 77). I would not classify the Terra-scandal as a moderately negative event. It had far more comprehensive negative effects to be described as moderate. My implications with the latter is related to the fact that the third study presents methodical work that is contested within the literature on trust repair, and I will present the arguments by Koerber (2014) in explaining my concerns for the research methods impacts on the findings presented by Elsbach (1994).

A central argument by Elsbach (1994, 57) is that institutional and impression management theories may be combined to improve our understanding of organizational accounts and thus enhance models of symbolic management; these elements could be combined between impression management theories and institutional theories. The first can be described as being focused on how individual spokespersons use verbal accounts or explanations to avoid blame or gain credit for controversial events that may affect organizational legitimacy.

Effective forms include enhancing explanations of company practices following good news and excuses or justifications following bad news (Elsbach 1994, 58). While the latter, institutional theories, is described as focusing on how organizations build support for legitimacy by maintaining normative and widely endorsed organizational characteristics. Institutional theorists have suggested that organizations may strategically and manipulatively use links to institutionalized structures or procedures to demonstrate the organization's worthiness and acceptability (Elsbach 1994, 59).

The findings of the first study is according to Elsbach (1994, 70), that organizational accounts may be defined by their content as well as their form, and that four common prototypes are strategically constructed from two primary forms and contents of accounts. Furthermore Elsbach (1994, 64) specifies it as being organizational verbal accounts may be defined by both their form and their content. It is separated between **denials**, **acknowledgments**, **institutional characteristics** and **technical characteristics**. **Denials** are described by Elsbach (1994, 64) as forms of accounts that proposed that one was not involved and where a spokesperson appeared to use denial to separate their organizations from controversial events. Moving on to **acknowledgment**, Elsbach (1994, 65) describes it as being forms of accounts that argue a recognition of the negative events that have occurred, but that the organization had no fault in it. Or that one had a good reason for one's actions or that the ultimate outcome was positive. **Institutional characteristics**, is defined by Elsbach (1994, 65) as a type of account content that consists of normative and socially endorsed organizational practices. These characteristics signaled legitimacy with broad segments of society and matched organizational traits defined by institutional theorists as institutional structures, procedures, goals and structural decoupling. The final account made by Elsbach (1994, 66) is **technical characteristics**, which signaled efficiency and effectiveness in organizational performance. Where spokespersons appeared to refer to technical characteristics to support their accounts. The author point to the fact that technical arguments appeared to be directed toward more informed or affiliated audiences.

Elsbach (1994) performs an interesting separation between the forms of strategies spokespersons may use. She links denials and acknowledgements towards institutional characteristics and technical characteristics and how they differ and what could be done in the different instances. When it comes to **denials linked to the institutional characteristics** Elsbach (1994, 67-68) point to the fact the spokesperson in her study appeared to argue that

they had adhered to socially endorsed and normative laws, programs and regulations, they were innocent of wrongdoing. Furthermore Elsbach (1994, 68) note that the spokesperson commonly denied wrongdoing by claiming that they were structurally decoupled from those responsible for controversial actions. Organizational spokesperson used structural decoupling to split off legitimate parts of their organizations from parts responsible for the controversy. When it comes to **denials linked to technical characteristics** Elsbach (1994, 68) point to the fact that spokespersons also linked denials to technical practices in cattle ranching organizations. Thus, the spokesperson often denied wrongdoing because to commit such an act would be ineffective or inefficient. Spokespersons may have believed that technical references would make their denials appear more logical and believable. The author argue that several studies have shown that similar logical and detailed references improved the adequacy of explanation of unpopular decisions.

Moving over to the aspect of acknowledgement. Elsbach (1994, 68) explain **acknowledgment linked to institutional characteristics** where spokesperson commonly linked acknowledgment to institutional procedures. Following this logic, Elsbach (1994, 69) argue that controversial actions should be excused because they were “only following the rules”. Spokespersons claimed their actions led to the implementation of legitimate structures that were actually beneficial and desirable to outside audiences. Which to outsiders signal and symbolize legitimacy. The socially endorsed ends of the actions justified more controversial means. Looking at **acknowledgments linked to technical characteristics**, Elsbach (1994, 70) explain it through showcasing that spokespersons may have linked these technical characteristics to acknowledgments the technical aspect would reinforce their credibility as rational actors. An example used by the author is spokespersons justifying a controversial event of filing for bankruptcy by defining it as a rational action that permitted their organization to proceed in a direction that would have been impossible otherwise.

There are several strong suits to the article by Elsbach (1994), but the relevance of the article is limited to study one, not the subsequent two. The strength of the first study, and the reason for using it is that it serves as a sufficient tool to help identify possible strategies for rebuilding trust. The third study by Elsbach (1994) moves over to assessing the efficiency of the strategies, this is not my aim and another reason for not applying it to my work here. The second, and most impacting reason not to go for a study based on experimental work based on Koerber’s (2014, 315) words that PR practitioners may feel that the similar research

findings on crisis response in these studies prove that one should always choose to respond with, for example, an apology. An example made by Koerber (2014, 322) to illustrate this, was when pastor Jimmy Swaggart apologized after a sexual transgression. The Christian community respected it as a confession of sins. The response worked because the community expected and valued it. An important issue raised by Kim et. al. (2004, 116) is that trust repair efforts would largely depend on how the violations have been framed. The difference in selecting strategy for trust repair on the basis of competence or integrity can be connected to the seventh proposition by Gillespie and Dietz (2009, 140-141) that separate failure due to ability or competence. Knowing to frame the trust repair on one of these remains crucial for succeeding in trust repair. Selecting the right strategy remains the single most crucial choice an organization makes in securing legitimacy to rebuilding trust.

### **3.5 Conceptual framework for classifying strategies for rebuilding trust**

A major motivation behind the development of this conceptual framework based on the eighth propositions by Gillespie and Dietz (2009) is due to the somewhat winding and bewildering way the eighth propositions are presented. There are four stages within their framework; stage 1 is concerned with immediate responses (Gillespies and Dietz 2009, 137), but this does not include the first three propositions, only proposition four. The second stage is diagnosis (Gillespie and Dietz 2009, 138), compromising only the fifth position. The third stage is reforming interventions (Gillespie and Dietz 2009, 139) compromising the sixth and seventh proposition. And then the fourth stage is evaluation (Gillespie and Dietz 2009, 140) and compromising the eighth propositions. To make matter even more intricate and entangled, the propositions should be understood within two foundational premises. The first being that the employees perceptions of organizational trustworthiness are influenced by six system components, 1) leadership and management practice, 2) culture and climate, 3) strategy, 4) structures of policies and processes, 5) external governance 6) public reputation (Gillespie and Dietz 2009, 132). The second premise is surrounding the organizational level failures as being systematic in nature (Gillespie and Dietz 2009, 133). This somewhat confusing framework functions well within the article, but removed from its original disposition the eighth propositions, and the stages functions more against its purpose only to confuse the reader. Bringing the theories out of the original dispositions, giving them names that are easily recognizable while at the same time being faithful to the original meaning is necessary to have the best form of analysis later on as well.

The initial framework of Gillespie and Dietz (2009, 127) focuses on trust repair related to how an organization shapes employees perceptions of the organizational trustworthiness. My framework is focused more on how an organization could rebuild trust towards its inhabitants. Thus lifting the scope of trust repair from internal matters of an organization, and to the relation between an organization, in this case two municipalities, and its inhabitants. The rationale for giving titles to the propositions is that Gillespie and Dietz (2009) offer to some extent titles that fit into a different strategy of their established approach to trust repair, and are of such a technical aspect that it could be hard to understand without in depth knowledge of their research paper. Such an example is related to the sixth proposition by Gillespie and Dietz (2009, 140) which they have given the title communication post diagnosis, while it incorporates elements of both organizational responsibility and apologies it could be more confusing than helpful, thus my given title here is apology. Making it easier to understand and apply the framework.

I aim to give titles that can easily and without any preexisting knowledge be understood and applied. I follow some of the titles given by the authors, or I base my titles to the preexisting to some extent. The given titles function as an effort to help connect the theory and analytical approach within the conceptual framework presented below. The titles and main attributes of each prestended propositions is as follows:

- 1) **Acknowledgement and readiness**, based on the first proposition by Gillespie and Dietz (2009, 134) and should be viewed as a strategy which contains untrustworthy behavior in an organization, for instance through terminating the employee. The other aspect which constitutes a strategy is symbolizing, or initiating examples of benevolence, which may be done through media articles.
- 2) **Congruence**, based on the second proposition by Gillespie and Dietz (2009, 136) and should be viewed as a strategy where the trust repair interventions are moderated to which extent they achieve congruence across organizational components. This strategy should be understood in line with achieving coordination within the organization, where all the components of the organization work in synchronization with each other. Congruence is achieved across all organizational components.
- 3) **Comprehensiveness**, based on the third proposition by Gillespie and Dietz (2009, 136-137) and should be viewed as a strategy of showcasing trustworthiness in the organization's ability, presenting benevolence for any wrongdoings, and integrity. As the latter strategy is regarding organizational coordination, comprehensiveness should

be viewed as to what extent all parts of the organization works to rebuild trust. It is not necessarily a coordinated matter.

- 4) **Timeliness**, based on the fourth proposition by Gillespie and Dietz (2009, 138) and should be viewed as a timely, initial interventions that prevent or constrain a re-occurrence of the failure will positively impact employees' perceived organizational trustworthiness. The initial response for managing trust repair should be applied when there is a natural window of opportunity.
- 5) **Diagnosis**, based on the fifth proposition by Gillespie and Dietz (2009, 139) and should be viewed as a strategy for rebuilding trust as having a diagnosis of the situation that is applied at the right time, thus mirroring some of the aspects of the fourth proposition. This strategy on the other hand should be viewed in relation to how accuracy and transparency are addressed to demonstrate trustworthiness. To premature or to slow diagnosis will be associated with low trustworthiness, whereas a timely diagnosis is associated with high trustworthiness. The initial response for managing trust repair should be applied when there is a natural window of opportunity.
- 6) **Apology**, based on the sixth proposition by Gillespie and Dietz (2009, 140) and should be viewed as a strategy for rebuilding trust as to directing an apology both internally and externally, thus adapting the apology to whether or not it is a breach of ability or integrity. An extension of this strategy should be looked at in line with the arguments presented by Koerber (2014, 320) that before selecting a strategy there has to be an established understanding of one's community and their ideas of legitimacy. An apology, both in accordance with ability and integrity, only makes sense if it is expected.
- 7) **Context sensitivity**, based on the seventh proposition by Gillespie and Dietz (2009, 140-141) and should be viewed as a strategy for rebuilding trust only if one makes the distinction between a breach of ability or a breach of integrity. Acknowledgement should be executed after a competence-based trust violation, while denials should be applied after integrity-based trust violation, thus following the notion of Kim et. al (2004, 107). The proposition presented should be regarded as two folded with different approaches as to the cause of the breach of trust. The forms of acknowledgment or denials are tied up to the different characteristics by Elsbach (1994) separating between technical and institutional characteristics.

- 8) **Evaluation**, based on the eighth proposition by Gillespie and Dietz (2009, 141) and should be viewed as a strategy for rebuilding trust by evaluating the processes that have occurred. I viewed this as the least functional of the eighth propositions due to the fact that an evaluation in itself is an inactive strategy that is not an immediate part of managing threats to organizational legitimacy, but rather a strategy that is occurring a time after the storm has settled, figuratively speaking.

Connecting theory and the analytic approach is an important element of creating an understanding on how Vik and Hemnes could have developed strategies for rebuilding trust, and the possible difference between them, through these eighth classification, be described in a matter that brings light to my research question. A clear strength of classifying these propositions is that it can be applied as a conceptual framework that helps describe the possible developed strategies for rebuilding trust. The eighth strategies presented above should be applied in such a manner that the studied cases of Vik and Hemnes could be analyzed to where the empirical data could be described and placed to the conceptual framework for strategies of rebuilding trust. The empirical data could fit into this framework and thus being described as a strategy, it could not be applied, thus not being a strategy, or that it to some degree, either to some extent, or to a lesser extent being partly described as a strategy for rebuilding trust.

A major rationale in looking at the wider theoretical context of the conceptual framework is related to the arguments by Gillespie and Dietz (2009, 130) who understand organization-level trust repair in context with system theory which depicts organizations as converting external inputs (resources, investments) into outputs (products and services) via a throughput stage which comprises the organization's entire operations and activities. This is an interesting starting point where the authors place their presented propositions into this given theoretical framework. I ask myself whether or not that the theoretical framework connected to my conceptual framework could be viewed in a wider context than system theory. Therefore mirroring the notion by Gillespie and Dietz (2009) who understands the propositions in a wider context, as I understand my conceptual framework within the context of the performance perspective, the impression management perspective and the organizational perspective.

Another crucial aspect is to look at how the presented conceptual framework, and the connection between theory and empirical results described in the analysis can be applied to a wider set of theoretical frameworks. The description of the strategies, and classification of them connects a major Norwegian municipal scandal with relevant theory on rebuilding trust. It is thus important to address that aspects of rebuilding trust again could be placed into a wider set of theory that pinpoints the location of my contribution, while offering a classification of strategies for rebuilding trust and where it is located in a wider theoretical context. In doing so, there are three major theoretical categories where my eighth presented propositions in the conceptual framework could be placed.

The first is related to **the performance perspective**, which could be viewed in line with Elsbach's (1994, 66) description of technical characteristics which focuses on accounts that signal efficiency and effectiveness in organizational performance. A major point by the author is that technical arguments appeared to be directed toward more informed or affiliated audiences. Performance should be understood in line with the explanation given by Hopkins (2009, 55) that good performance relies on the provision of information, suitability and capacity to use equipment and the desire to do the job well. This definition is to some extent focused on the internal aspect of an organization, and the performance of an organization should be viewed in line with the definition of political trust which Hooghe and Zmerli (2011, 3-4) view as a primary reaction to the performance of government institutions.

The overall understanding of performance should be viewed in line with Borgonovi, Anessi-Pessina and Bianchi (2018, x) who argue that in public administration there are financial performance indicators, but that these financial performance indicators are differently interpreted as reflecting success or failure under different political, institutional, socioeconomic situations. Borgonovi, Anessi-Pessina and Bianchi (2018, xi) point to understanding performance and the issues in the public sector by looking at it from an internal to an external perspective with focus among others on shifting from silos responsibility and financing to unitary responsibility and financing.

The performance perspective could also be described in the line with the quality of governance, as outlined in the theoretical chapter 3.2. By viewing these two aspects as related to each other it can bring a further understanding to how this perspective relates to trust repair. The notion by Rothstein (2005, 202) related to what the institutions in fact produce in

society could be argued to be the basis of a citizen's reaction to the perceived degree of their political trust towards the government. Since both the quality of governance tradition and performance perspective focus on the outcome and what the institutions produce in the society it is reasonable to assume that the negative economic impact of the Terra-scandal impacted what Vik and Hemnes as institutions were able to produce. Therefore when the scandal struck, and brought with it sudden changes where the foundation of trust is undermined it would be natural to assume that an initial strategy was to manage the economy and get the organization back on track. Why should the performance perspective, or the outcome produced be regarded as important? This can best be illustrated by Rose (2011, 106) who point to the fact that 31 percent agreed to the statement that “local democracy is not as important, as long as the public services are maintained.” The performance, the outcome or that the public services are maintained could be viewed as important aspects of this perspective. Making it a natural reaction in times of crisis to focus on the performance perspectives when rebuilding trust.

The separation within the framework made by Elsbach (1994) is between denials and acknowledgement linked to technical characteristics, thus in turn a part of the performance perspective. A denial linked to technical characteristics, or the performance, is described by Elsbach (1994, 68) as denying wrongdoings due to the fact that such an act would be ineffective or inefficient. Thus the efficiency, or the performance of an organization, is a crucial point in this perspective. The same can be applied by looking at acknowledgment linked to technical characteristics, as Elsbach (1994, 70) describes it, acknowledgments made by spokespersons was done due to a belief that the use of technical characteristics would reinforce the organization’s credibility as rational actors.

Looking at the presented conceptual framework with the eighth categories of strategies for rebuilding trust, I would argue that **acknowledgment and readiness, diagnosis and evaluation** should be viewed as elements within the performance perspective. Underlying all of these strategies for rebuilding trust within the performance perspective should be viewed in line with the arguments by Hopkins (2009, 55) where good performance relies on information, suitability and capacity and desire to do the job well. All the mentioned strategies above are at its core an effort to demonstrate trustworthiness, by for example constraining untrustworthiness. This should be viewed as good performance and a desire to do the job well, by constraining or removing those who do not.

The first strategy of **acknowledgment and readiness** should be viewed within this perspective, or theoretical framework due to being a strategy that in its containment of untrustworthy behavior in an organization. This demonstrates the notion by Elsbach (1994, 66) that technical characteristics, also in this case the performance perspective, focuses on accounts that signal efficiency and effectiveness in organizational performance. The strategy of acknowledgment and readiness should also be viewed in line with Borgonovi, Anessi-Pessina and Bianchi (2018, xi) where understanding performance and issues in the public sector as an internal to an external perspective. by symbolizing examples of benevolence publicly through media articles.

Furthermore the notion presented by Hopkins (2009, 55) that good performance relies on the provision of information, suitability and capacity to use equipment and the desire to do the job well could be applied to this strategy. This is due to the fact that the strategy of acknowledgement and readiness is focused around both terminating untrustworthy behavior, but also that it constitutes a strategy symbolizing, or initiating examples of benevolence, which may be done through media articles. This relies on both sufficient information, suitability for the actions and capacity to use this strategy so that the job is performed in a satisfactory manner.

The second strategy that should be viewed in line with the performance perspective is **diagnosis**. Which should be viewed as a strategy where a diagnosis both has to be timed at the right moment and demonstrate accuracy and transparency which are addressed to demonstrate trustworthiness. First of all this strategy should be seen in line with the arguments by Elsbach (1994, 66) and the technical characteristics which focus on accounts that signal efficiency and effectiveness in organizational performance. A major point by the author is that technical arguments appeared to be directed toward more informed or affiliated audiences. A diagnosis of what went wrong could build on the technical characteristics signaling efficiency and effectiveness in the fact that the organization is willing and capable of diagnosing the faults, and managing them.

A diagnosis of what went wrong, could build legitimacy for the organization by demonstrating that the organization is willing to learn from mistakes made. This implies a necessity of admitting culpability, which again could have legal ramifications. Furthermore

the notion presented by Borgonovi, Anessi-Pessina and Bianchi (2018, xi) that understanding performance and the issues in the public sector by looking at it from an internal to an external perspective with focus among others on shifting from silos responsibility and financing to unitary responsibility and financing should be viewed as a crucial step in the diagnosis. Thus moving the focus from the internal faults to the external presentation of the diagnosis, and the demonstration of trustworthiness. Here framing constitutes a crucial role. Framing should here be understood in the context of problem definition, as a policy consequential that sets the stage for the other components of the decision making process, because the way the problem is defined to a certain extent determines the feasible set of policy responses through which the problem can be resolved (Knill and Tosun 2012, 98).

The third strategy that should be viewed in line with the performance perspective is **evaluation**. Which should be understood as evaluating the processes that occurred. As mentioned earlier it is somewhat of an inactive strategy that does not play an immediate part of managing threats to the organizational legitimacy. It could be described as being the last strategy that could be applied after a trust violation. Evaluation should be understood both by Gillespie and Dietz (2009, 141) as assessing the progress and effectiveness of the interventions used as a distrust mechanism. Or in the line of Knill and Tosun (2012, 175) which separate, in their instance policy evaluation, between the formative and summative. This strategy for rebuilding trust is best described as a summative evaluation, after the initial scandal or violation of trust has settled.

The strategy of evaluation should be viewed in line with Hopkins (2009, 55) that good performance relies on the provision of information, suitability and capacity to use equipment and the desire to do the job well. Evaluation as described above should be viewed as a summative assessment of whether or not there was a good performance, and how the provision of information, suitability and capacity has been applied within the organization to determine whether or not the job could be evaluated as being conducted in a good manner. Furthermore the notion by Borgonovi, Anessi-Pessina and Bianchi (2018, xi) as understanding performance and the issues in the public sector by looking at it from an internal to an external perspective should be applied to this strategy at hand. This is due to the fact that the evaluation should be applied to understand the movement from the internal perspective and to the external perspective.

The second framework applied in the conceptual framework is the **impression management perspective**, which Elsbach (1994, 58) and the description of how individual spokespersons manage legitimacy in response to legitimacy threats by individuals' use of verbal accounts to defend, excuse, justify or enhance organizational behaviors and protect legitimacy. Marcus and Goodman (1991, 283) describes impression management as how people engage in self-presentation in order to manage the identities that others assign to them. The authors point to when someone attributes negative or undesirable qualities to an actor, the actor must offer an explanation and may attempt to excuse or justify its behavior, apologize and express remorse, guilt or shame or make attempts at restitution. Furthermore this perspective should be viewed in line with the arguments made by Salancik and Meindl (1984, 238) that management of unstable firms, lacking real control over organizational outcomes, strategically manipulate causal attributions to manage impressions of their control. Although Salancik and Meindl have a corporate focus it gives an useful insight to the different sides of the impression management perspectives that I will connect to the propositions and framework presented by Gillespie and Dietz (2009).

An interesting notion presented by Salancik and Meindl (1984, 238) is the role of causal attribution, which is the statements one individual makes to another to account for the events contributing to an outcome, usually represented by linguistic connectors such as: *because, leads to, results from, caused by* and so on. The authors explain that by this definition, attributions are explicitly communications and may serve political and social functions as well as representing causal knowledge. This notion is further built on by Elsbach (1994, 58) who point to the fact that impression management researchers have focused on how individual spokesperson use verbal accounts or explanations to avoid blame or gain credit for controversial events that may affect organizational legitimacy. Furthermore, the main characteristics of impression management separate in the response regarding positive events or negative events. Staw, McKechnie and Puffer (1983, 595) argue that impression management implies significant management of information, so that positive events are credited to internal sources and negative events are blamed on external factors.

Looking at the presented conceptual framework with the eighth categories of strategies for rebuilding trust, I would argue **timeliness, apology** and **context sensitivity** should be viewed as elements within the impression management perspective. At the core of these three strategies, it should be viewed in line with the arguments by Marcus and Goodman (1991,

283) on how impression management is about the way people engage in self-presentation in order to manage the identities others assign them. If assigned negative attributes one must offer an explanation and attempt to excuse or justification.

Within this perspective the first strategy for rebuilding trust is **timeliness**, where the initial response for managing trust repair should be applied with timing that is constituent of a natural window of opportunity. Too late of an acknowledgement, or management of the issue at hand, it would not function to repair trust. In other words, the notions presented by Marcus and Goodman (1992) should be timed and performed in a natural setting, not forced. The notion by Salancik and Meindl (1984, 238) that management of unstable firms, or in my case municipalities, could be strategically manipulated to manage impressions. This strategic element should be viewed as an important part of understanding how and when the timeliness should be engaged. When the timing is right, this strategy for rebuilding trust should be, in the words of Staw, McKechnie and Puffer (1983, 595) managing information so that positive events are credited to internal sources and negative events are blamed on external factors.

The second strategy within the impression management perspective is **apology**. Where rebuilding trust by apologizing, directed both internally within the organization and externally to the wider public could be applied if one makes the distinction between breach of ability or breach of integrity. As Gillespie and Dietz (2009, 140) note, individuals tend to weigh positive information more heavily than negative information when related to ability, but negative information more heavily than positive information when related to integrity. The strategy of apologizing should be viewed in line with Koerber (2014, 320) who emphasizes that before selecting a strategy there has to be an established understanding of one's community and their ideas of legitimacy.

An apology, both in accordance with ability and integrity, only makes sense if it is expected by one's community. Looking at this strategy within the impression management perspective and the arguments by Salancik and Meindl (1984, 238) that management of unstable firms, lacking real control over organizational outcomes can strategically manipulate causal attributions to manage impressions of their control. An apology could be used, either if it is wholeheartedly or not, to strategically manipulate causal attributions to rebuild trust. This notion should be viewed in accordance with Staw, McKechnie and Puffer (1983, 595) who argue that impression management implies the significant management of information so that

positive events are credited to internal sources and negative events are blamed on external factors. This leads to the next strategy for rebuilding trust, which demands a high sense of context sensitivity.

The third strategy that should be applied within this framework is **context sensitivity**, which should be understood as rebuilding trust only one one makes the distinction between a breach of ability and breach of integrity. To make the further distinction between the two Gillespie and Dietz (2009, 140) explain that after an ability violation positive demonstration of competence will reduce the likelihood that the violation is seen as a reliable indicator of incompetence. People believe intuitively that those with competence can exhibit performance at a variety of levels, whereas those who are incompetent cannot. This stands in contrast to failures of integrity, which Kim et. al. (2004, 106) explain as people intuitively believe that those with high integrity will refrain from dishonest behaviors in any situations, while those with low integrity may exhibit dishonest behavior depending on incentives and opportunity. As a basis of context sensitivity an apology should be ultimately more effective than denial for repairing trust after an alleged competence based trust violation, while apologizing for integrity-based trust violation would confirm guilt, and be perceived as a signal that one lacks integrity (Kim et. al 2004, 107).

The nature of context sensitivity as a strategy for rebuilding trust demands some clarifications to be made, as done above, to see the two folded aspects of it and knowing which approach to choose after different accounts of trust violations. In line with the impression management perspective the argument by Salancik and Meindl (1984, 238) that management of unstable firms lacking real control over organizational outcomes can strategically manipulate causal attributions to manage impressions of their control. The difference within the strategy related apology that this differs between when to apologize, if it is a breach of ability, an apology could be more effective than denial, but in an integrity breach an apology could confirm not only guilt but be perceived as a lack of integrity (Kim et. al 2004, 107). This being sensitive about the context, whether or not the violation, or breach of trust has been either ability or integrity is important to define as a introducing element for an actor or organization using the strategy of context sensitivity.

Furthermore, this strategy should be placed within the impression management perspective as how it relates to Staw, McKechnie and Puffer (1983, 595) and credit positive events to

internal sources and negative events blamed on external factors. As with the former strategy on apology this notion presented by the authors could be applied to the differentiation between a breach of ability or integrity. The context sensitivity aspect related to this strategy should be viewed in line with the notion by Kim et. al. (2004, 107) that matters of competence individuals will exhibit positive trusting belief in the accused party apology rather than denial. And related; violation of integrity where individuals will exhibit more positive trusting beliefs in the accused party if one responds with denial, rather than apology.

The third and final perspective which constitutes the broader theoretical framework is the **organizational perspectives**. This perspective is influenced by Elsbach (1994, 59) describes institutional theories as focusing on how organizations build support for legitimacy by maintaining normative and widely endorsed organizational characteristics. Furthermore, the author argue that institutional theories have neglected the use of individual-level tools, such as spokespersons's accounts in managing organizational legitimacy. This perspective, or approach should be understood in line with Brint and Karabel's (1991, 15) definition of an institutional model inspired by classical sociological tradition in the study of organizations where the fundamental feature is the organizations themselves which are the starting point. Furthermore, Brint and Karabel (1991, 16) adds that within this perspective, neither the consumer-choice nor the business-domination model pays sufficient attention to the beliefs and activities of the administrators and professionals who typically have the power to define what is in the "interest" of the organizations over which they preside.

Looking at the presented conceptual framework with the eighth categories of strategies for rebuilding trust, I would place **congruence** and **comprehensiveness** within the organizational perspective. Underlying these two strategies for rebuilding trust is that it entails a dependency on an organizational framework that provides the arena for developing these strategies. This understanding mirrors the notion presented by Brint and Karabel (1991, 15) that the organizations themselves are the starting point.

The first strategy for rebuilding trust within the organizational perspective is **congruence**. Which is based on the second proposition by Gillespie and Dietz (2009, 136) and should be viewed as a strategy for achieving coordination within the organization, where all the components of the organization work in synchronization with each other. Congruence is achieved across all organizational components. This strategy should be viewed in line with

the argument by Elsbach (1994, 59) focusing on how organizations build support for legitimacy by maintaining normative and widely endorsed organizational characteristics. The characteristics of the organization could be viewed in the way coordination is achieved in the organization, as congruence define the effort where all components are to some extent synchronized with each other and working towards the same goals. Furthermore the notion presented by Brint and Karabel (1991, 16) that the beliefs and activities of the administration to define what is the interest of the organization could be done through congruence by having organizational coordination.

The second strategy for rebuilding trust within the organizational perspective is **comprehensiveness**, which is based on the third proposition by Gillespie and Dietz (2009, 136-137) and should be understood as showcasing trustworthiness in the organization's ability, presenting benevolence for any wrongdoings, and integrity. As the latter strategy is regarding organizational coordination, comprehensiveness should be viewed as to what extent all parts of the organization works to rebuild trust. It is not necessarily a coordinated matter but the effort of organizational components to showcase ability, benevolence and integrity. This strategy should be understood in line with the definition of an insitutional model by Brint and Karabel (1991, 15) that the fundamental feature of the organization is themselves as the starting point for any study. Or understood in this context, the fundamental feature of comprehensiveness is a strategy where the starting point is within the organization. Furthermore, comprehensiveness should be viewed in line with the argument by Brint and Karabel (1991, 16) that the beliefs and activities of the administrators are the ones who typically have the power to define what is in the interest of the organizations over which they preside. As noted in the description of this strategy, it is not necessarily about organizational coordination, thus the administrators of internal components of the organization, presiding over their jurisdiction, could separately have the power to define their own interest over the part of the organization over which they preside. This can be assumed differently within different parts of the organization.

Having presented these three perspectives which serves as an overarching theoretical framework for which the conceptual framework operates. An important rationale for connecting my conceptual framework to these perspectives is summarized by Elsbach (1994, 60) who note that impression management and institutional theories may be described as distinct aspects of symbolic management that can fulfill complementary goals when

combined in organizational accounts. Furthermore the performance perspective adds a valuable insight to how good performance, as Hopkins (2009, 55) describes it, relies on the provision of information suitability and capacity to use equipment and the desire to do the job well. It is of my understanding that all three perspectives presented above focus on fulfilling the aim of either symbolic actions, or the performance of the organization. All three perspectives should be viewed not only in line with securing organizational legitimacy, but in the context that political trust is a primary reaction to the performance of government institutions (Hooghe and Zmerli 2011, 3-4). The performance should in this context be understood as both the performance perspective that signal efficiency and effectiveness in the organization. The impression management perspective which implies significant management and strategically manipulation of information. As well as the organizational perspective which focuses on the organization's role of procedures with attention to who has the power to define the interest of the organizations. This could be done through institutional processes as diagnosis and evaluation as strategies for rebuilding trust.

My contribution to the research of trust repair is to apply the strategies for rebuilding trust within a larger theoretical framework. Looking at the performance perspective, the impression management perspective and the organizational perspective. Trust can be built on these three perspectives, but so should rebuilding trust. The conceptual framework aim is to classify the strategies for rebuilding trust within these three perspectives.

All my applied perspectives create the basis for an individual, or the publics, understanding and reaction to the government, or in my case, how the municipalities of Vik and Hemnes operate within the context of political trust and that the reaction is to all of the three perspectives as the performance of government institutions. The different perspectives applied for classify the strategies for rebuilding trust within a larger conceptual framework is presented in the table below:

**Table 1 - Conceptual framework for classifying strategies to rebuild trust within applied theoretical framework**

<b>Theoretical framework</b>	<b>Strategies for rebuilding trust</b>	<b>Indicators of the strategies within the framework</b>	<b>Applied authors to connect the strategies to the theoretical framework</b>
Performance perspective	Acknowledgement and readiness. Diagnosis. Evaluation.	Signal efficiency and effectiveness in the organization. Performance and issues in public sector by viewing it from an internal to an external perspective	Gillespie and Dietz (2009) Elsbach (1994) Hopkins (2009) Borgonovi, Anessi-Pessina and Bianchi (2018) Rothstein (2005) Rose (2011)
Impression management perspective	Timeliness. Apology. Context sensitivity.	Implies significant management and strategically manipulation of information. Engagement in self-presentation to manage identities others assign. Apology after ability violation. Denial after integrity violation.	Gillespie and Dietz (2009) Elsbach (1994) Marcus and Goodman (1991) Salancik and Meindl (1984) Staw, McKechnie and Puffer (1983) Koerber (2014) Kim et. al. (2004)
Organizational perspective	Congruence. Comprehensiveness.	The organization's role of procedures with attention to who has the power to define the interest of the organizations. Through the diagnosis and evaluation.	Gillespie and Dietz (2009) Elsbach (1994) Brint and Karabel (1991)

Having presented the developed conceptual framework for classifying strategies to rebuild trust within applied theoretical framework it is important to further explain the different sections of the table. The section to the left is dividing the conceptual framework into three

overarching perspectives in which the strategies are classified. The performance perspective, the impression management perspective and the organizational perspective. The second section is devoted to the classifying of the strategies into which perspective they belong. The third section is regarding indicators of the strategies within the framework, or explained differently, what are the main characteristics of these strategies within each perspective. Thus describing the interplay between the characteristics of the strategies within the given perspective. The fourth section, to the right, is devoted to giving an explanation to which authors have been applied to connect the strategies to the theoretical framework which separate the performance perspective, the impression management perspective and the organizational perspective from each other.

#### **4. Methodological approach**

This methodological chapter will present the effort of data collection and applied research design. Looking at the descriptive case study and rationale behind the selection of both written sources and selection of informants. Furthermore the way of conducting the semi-structured interviews with the informants is explained, focusing on the selections done in approaching the informants as well as the processes leading up to the interviews. This is done with emphasis both on theory explaining the process, as well as the ethical assessments and storage of the data. The last chapter under this topic focuses on validity.

##### **4.1 Data collection and research design**

Looking at my two selected cases there are striking similarities between them. As an extension of this I have to some extent based my methodological approach by using most similar system design to conduct my research. I differ from the traditional use of this design as I am not looking to connect how (Z) impacts and correlates with (Z). As Gerring (2017, 79-80) explain *most similar* as a research design that employs a minimum of two cases that exhibit similar background conditions (Z) and different outcomes (Y). My focus is not to look at the background conditions, but focusing on describing the outcomes (Y) and connecting them up to the theory used on trust repair. My research question has a descriptive focus aiming to describe, not connecting and looking for the reason for the outcome.

I am focusing on the time period from when the scandal broke in 2007 to the court settlement in 2015 in line with the argument presented by Gerring (2017) to look at describing the events and changes that occur through time. My effort to describe Vik and Hemnes possible

development of strategies to rebuild trust, and the difference between them. My effort is to describe this and understand by asking what the development of strategies and possible differences is. My case study can be defined as descriptive case studies of an organization, which according to Yin (2018, 232) use separate sections to cover an organization's genesis and history, its ownership and employees, its product lines, its formal lines of organization and its financial status. The product lines or services provided by the municipalities of Vik and Hemnes are absolutely covered in my case study, as well as the formal lines of organization where I have asked my informants in which forum the management of the scandal occurred. Financial status, or managing of a negative economy within the organization is also covered in my approach, putting my approach in line with a descriptive case study.

Before I explain my methodological approach and research design it is crucial to define what a case study is, and build on the notion presented above of a descriptive case study. Bukve (2016, 121) define a case study as an intense qualitative study with one or few topics of focus. Swanborn (2010, 13) explain a case study as the study of a social phenomenon carried out within the boundaries of one social system (the case) or within the boundaries of a few social systems. This can be people, organizations, groups, local communities or nation-states. Also Gerring (2017, 27) define a case as a phenomenon, but focuses on theoretical significance. Furthermore Gerring (2017, 28) define a case study as an intensive study of a single case or a small number of cases that draws on observational data and promises to shed a light on a larger population of cases.

Having established the understanding of the case study as a methodical approach the next key step is to explain the rationale for selecting my cases of Vik and Hemnes. They are selected based on their many similarities. The two municipalities were both led by labour party mayors when the scandal struck. This was indeed the case in seven out of the eighth municipalities involved in the Terra-scandal (Ask, Lynum, Stenseng 2007). The labour party held a strong position in the local communities in the local election of 2007. In Vik, the party received 35 percent of the vote (Poll of Polls 2020). As for Hemnes, it reached a soaring 45,8 percent in 2007 (Poll of Polls 2020). It is not only the political composition that is similar<sup>3</sup>. Both municipalities can be classified as small, with the number of inhabitants under 5000. In 2007,

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<sup>3</sup> Comparing the Labour party's position in Vik and Hemnes is based on my submitted paper in AORG332 research design spring 2020.

Vik had 2835 inhabitants (Sogn og Fjordane Fylkeskommune 2019). Hemnes had in the same year 4510 inhabitants (SSB 2020). Another similarity of the municipalities is their connection to hydropower and usage of it (Sølje 2007).

By the help of certain introduced and applied tools the research question is answered, these tools are linked to my conceptual framework. The aim of the conceptual framework is to connect theory to the analytical by adapting certain concepts which are based on theory, and analyzed and described through the empirical data at hand. My contribution is to add a classification and a conceptual framework building on the eighth propositions by Gillespie and Dietz (2009) to further understand and describe strategies for rebuilding trust. My approach to answer the research question and applying the descriptive case study as a tool comes mainly from the eighth propositions by Gillespie and Dietz (2009) and from Elsbach's (1994, 61) first study, which focus at how 40 percent of all media coverage of the cattle industry in California in 1991 was negative, thus creating a desire to respond to these controversies makes the appropriate setting for a study of managing organizational legitimacy. There are several similarities here to my approach, where I look at to what extent Vik and Hemnes developed a strategy to rebuild trust after the Terra-scandal, and look at differences and how the strategies of trust could have been implemented. The overall need for doing this is to secure the legitimacy of the organization, as both Schwarz and Bless (1992, 574), and Elsbach (1994, 57) emphasizes the need for. The latter manages organizational legitimacy, and the first as a democratic system needs support from the majority of the public.

The rationale of selecting Elsbach's (1994) approach as a tool to answer the research question builds on a notion by Yin (2018, 46-47) is that a good guideline for doing case studies is therefore to conduct the research so an auditor in principle could repeat the procedure and hopefully arrive at the same results. For those reasons it is important to emphasize and explain my approach to my case study and how I have selected my approaches. I build my approach to the case study with the same methodical approach as Elsbach (1994, 61), who used five major California newspapers as a basis for explaining eighth controversial events occurring between 1989 and 1992. Following the tools presented in the Elsbach's (1994) approach I have used national media coverage of the scandal as well as applying local news outlets to further describe the possible strategies for rebuilding trust. Here the local newspapers *Sogn Avis* and *Rana Blad* constitute important tools, as well as other regional

media to further embroider important aspects. This written source has been combined with official records from municipal council meetings in the two municipalities.

My final tool used to answer the research question and methodological approach is based on my interviews and informants which through their responses have contributed with important perspectives. I will in the next chapter look at more of the processes done in line with the interviews themselves, but before that I view it as necessary to explain who the informants are and the rationale and basis for selecting them, as well as explaining the symmetry between the selected informants in Vik and in Hemnes. In the selection of my informants there have been several methodological choices that have been made to find good informants. A crucial aspect in this regard is related to who the informants are, and if they can be viewed as sufficient and good actors that can contribute with information that helps in answering the research question.

My initial aim in selecting informants was to create a wide notion of perspectives so that the information given did not reflect one single viewpoint or organizational culture. By aiming to interview the mayor, the municipal director and a member of the political opposition this could be avoided, thus creating a wider perspective and insight to different cultures, both political and organizational. In the instance of Vik, I was able to connect to informants representing the three mentioned groups. As for Hemnes, former mayor Juvik and a member of the opposition agreed to participate, it was more difficult to find a member of the administration. This difficulty could be caused by the resignation of the municipal director due to an internal conflict (Krossli 2010) and that the new municipal director who replaced him still fills the role and is required to manage the municipalities response to the Covid-19 pandemic as well as ordinary budgetary processes. To fill in the gap left by this vacancy I see it as sufficient to use written documents, both internal and official documents from the municipality, as well as newspaper articles that demonstrates the role the administration could have played developing strategies for rebuilding trust.

Another central aspect is selecting the informants so that they could be strong attributes in my master thesis. In both Vik and Hemnes the incumbent mayor at the time the scandal struck and the municipal director in that period were logical choices. As mentioned, both mayor Marta Finden Halset in Vik, and mayor Kjell-Idar Juvik in Hemnes wanted to participate with their thoughts and reflections. A crucial point for me was to underscore that my task was not

to assign blame, but look at the aftermath of the scandal and the development of possible strategies in rebuilding trust. This resonated with my informants and created an environment where the informants could share openly and honestly about their experiences and their view on rebuilding trust. This was an important emphasis on my behalf since there had been intensive media coverage of both mayors, thus creating the possibility that some would be hesitant to participate.

It is therefore crucial to get to know the informants, or more importantly, the positions which they represent. Or in line with Miles' law, *where you stand depends on where you sit* (Miles 1978, 399). The law can best be illustrated by the notion by Miles (1978, 401) that the law is when a person changes positions organizationally, he or she changes both perspective and responsibility and for both reasons changes his or her position on the issues. The contributions of my informants should be viewed in line with Miles' law. On this basis it is crucial to not only know the positions of the informants, but the rationale behind the selection of them. It is important to emphasize that several of the informants, especially the mayors of Vik and Hemnes were some of the most discussed and sought after people in the media in parts of 2007 and 2008. They stood in the midst of a national scandal, and became to some extent a public face known for their affiliation with the scandal. Having them sharing their thoughts and reflections 14 years later helps to understand the Terra-scandal within a theoretical framework. The key informants and their title, as well as who they represent, is outlined in the table below.

**Table 2 - Key informants in Vik and Hemnes**

<b>Key informants in Vik</b>	<b>Title</b>	<b>Represents</b>
Marta Finden Halset	Mayor	The political position
Oddbjørn Ese	Municipal director	The administrative leadership
Morten Midlang	Municipal council member	The political opposition
<b>Key informants in Hemnes</b>	<b>Title</b>	<b>Represents</b>
Kjell-Idar Juvik	Mayor	The political position
Inga Kvalbukt	Municipal council member	The political opposition

Starting with the informants in Vik, and mayor Marta Finden Halset who served two terms as mayor representing the Labour Party. She was elected mayor in 2007, reelected in 2011 and she served in the municipal council since 1992 (Krossli 2013). Based on Miles' law, my expectation was that her reflections could pinpoint and give insight to how the political leadership stood in relation to the development of strategies for trust repair. The informant representing the administrative perspective is Oddbjørn Ese, who served as municipal director for twelve years, until leaving his post in 2019, the local newspaper noted that the twelve years of the Terra-scandal now was over, and that the director was given the credit for the management of the scandal (Eggum 2019). In fact, there seems to have been such a dependency on the municipal director that when he was absent due to a sick leave, both meetings in the municipal presidency<sup>4</sup> and the municipal council were postponed (Skau 2018).

In selecting the informant from the political opposition the logical rationale in selecting based on position alone is not sufficient. Therefore my strategy was to read through both the official municipal council archive and local newspaper coverage of topics related to the Terra-scandal, such as managing the budget for instance. It was quite an extensive operation looking through written sources in the period between 2007 to 2015. What I looked for was a member of the opposition who stood out in arguments or by proposals. My first initial thought was to contact the leader of the Progress Party, Rune Wold. Due to his presence in the local media in relevant political cases. But there was no contact information to be found about Wold, and the Progress Party in Vik is described as a sleeping party with few active members (Vange 2010). The party did not receive any votes in 2019 (Poll of Polls 2020) and should be classified still as a sleeping party. Another member of the opposition that took my attention was Morten Midlang, a member of the municipal council and representative for the Conservative party. He stood out as both an ideological and critical actor. What caught my attention was that he cursed in the municipal council due to the implementation of property tax (Kleven 2008). The participation of Midlang is relevant in accordance with Miles' law due to the fact that he represents both a critical voice, but also differs ideologically from the mayor and the political position. Thus he may be inclined to give different perspectives.

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<sup>4</sup> Municipal presidency - Formannskap

Starting with the informants in Hemnes, mayor Kjell-Idar Juvik is central. He was elected mayor in 2003, re-elected in 2007 before losing his bid for office again in 2011 (Nygård 2011). Juvik was elected as a member of parliament in 2013, serving four years (Stortinget 2021). The rationale in selecting Juvik as an informant is based on the same basis as selecting the mayor of Vik, thus based on Miles' law the expectation was that Juvik's reflections could give insight to the perspectives attributes to the role of mayor, and give insight to the political leadership in Hemnes' thoughts on developing strategies for rebuilding trust. As noted earlier, I was not able to procure the participation of either municipal director Sørensen who had the position until 2010, or the current director Amund Eriksen, despite several attempts to contact both of them. As for Sørensen, I would assume that him being 62 at the time of his resignation (Krossli 2010), thus 71 now, could be a natural explanation for not participating. And for the current director Eriksen, the pressure of the job and not prioritizing inquiries from a student in the daily management of the organization.

As for the member of the opposition I followed the same rationale as in Vik, not basing my selection on position alone, but looking at actors in the opposition who stood out from the crowd and defined the debate. It could be said that my informant Inga Kvalbukt did this. She is a long time member of the Centre Party. She played a major role in director Sørensen leaving his role as municipal director, voicing criticism in both local and national media (Krossli 2010). Kvalbukt was also involved in the mayor Juvik's departure from the mayoral office. After the local election in 2011, mayor Juvik depended on the support of Kvalbukt and the Centre party, ending with them not supporting Juvik in his bid for mayor (Karlsen 2011). As an informant Kvalbukt should be described as an experienced politician, serving as a member of parliament from 1993 to 1997. She made her debut in Hemnes municipal council in 1979 (Stortinget 2021).

#### **4.2 Semi-structured interviews with well informed informants**

Following the approach presented above about the rationale for my research design and use of both informants and written sources I see it as suitable to present my involved informants and how the semistructured-interviews with them were arranged, conducted and how it follows guiding principles presented in relevant methodology literature. Moses and Knutsen (2012, 131) point to the fact that the interview is one of the most common ways of accumulating solid facts, and that the interview provides a quick and convenient means of collecting information. Furthermore Moses and Knutsen (2012, 133) argue that an

interviewer in the naturalist tradition is seeking to uncover the world as it really is, in a way that can be thoroughly documented and replicated by subsequent researchers.

Swanborn (2010, 74) makes a distinction, when it comes to interviews, between informants and respondents. Key personnel are designated as informants, in selecting key persons one does not do it randomly, but focus on interviewing people who have a leading role in the organization or who otherwise have an important position. The selection can, according to the author, both be a snowball procedure or an accidental initial contact. I have selected to go for informants and not respondents in working with my interviews. This is due to the fact that I would define all my involved actors as key personnel, who in different ways had a leading role or an important position in the organization.

My informant in Vik, mayor Marta Finden Halset, municipal director Oddbjørn Ese and opposition politician Morten Midlang. I first approached mayor Halset and asked for her participation in my master thesis, she agreed and that started a snowball procedure described by Swanborn (2010) where she gave me the contact information to former municipal director Ese. As for Midlang, his involvement occurred as a result of accidental initial contact. I aimed for having a split between positions, administration and opposition. I had the same for contacting informants from Hemnes, which were mayor Kjell-Idar Juvik and member of the opposition Inga Kvalbukt. As a contrast to working with my informants in Vik, there did not occur any snowball procedure and I experienced it as much harder to gain contact with a representative from the administration, as explained in the previous chapter.

All of these informants were first approached by text message, where I presented the terms and topics for the interview and their rights and how I was to secure the raw data and transcribed interviews. The interviews were then either conducted by Zoom or by telephone. Before any of the interviews were conducted I got permission from the Norwegian centre for research data to conduct the interviews. This was important from an ethical perspective due to the fact that the involved informants talked about political opinions, which has strict rules to privacy policy. This is also due to the fact that several of the informants opened up on personal experiences of being involved in the Terra-scandal, which is not decent to make public, but also that some things should remain private also for people who have held public office or worked in the administrative leadership.

A part of the permission here was that during my work with the transcribed materials it had to be stored in a secure way. The material has during the process been secured by UiB safe, a secure service provided by the University of Bergen. All informants agreed to participate and received information about their right connected to participation in the project. Securing their possibility to leave the project at any time and that all the statements used in my thesis by the involved informants, were approved by the informants. The information sent to the informants regarding participation in the master thesis is available in the appendix, as is the interview guide that I used. All informants have also been presented the text used in this master thesis regarding their answers. In both the original transcribed version, and the translated English version used in the text itself. All participants have approved the text being used, and some had some minor changes they wanted to add to the text to make the arguments made more clear and consistent. I viewed this confirmation from the informants of the text as an important aspect of the research ethics of this master thesis, making both the premises, the question and their answers presented in written form a few months after the interview so that they could view their own statements as it would be presented in this master thesis.

The master project, as well as the interview guide and the informational letter for participation in the master thesis has been approved by the Norwegian centre for research data (NSD), granting me access to transcribe and conduct the semi-structured interviews with the informants. An important aspect of having the NSD involved is due to interviewing people and having them explain political views, which is regulated by law on how it should be managed and stored. My approach to use UiB Safe was approved by NSD. The transcribed data is archived within the project at UiB Safe and is available for access upon request. This way of archiving the data is done to secure verifiability. The selection of UiB Safe as the place to archive the raw data has been approved by NSD.

Another crucial aspect when it comes to possible pitfalls surrounding the interview is what Yin (2018, 120) describes as reflexivity: my perspectives may have unknowingly influenced the interviewee's response, but those responses may have also unknowingly influenced my line of inquiry. The author point out that being sensitive to its existence should allow one to make better case study interviews. I have tried to solve this matter through minimizing personal contact, like talking on the phone or having a video meeting just once. as well as having the communications go more on what the topic of my master thesis is about, and what

rights the informants in regards to participation. The initial interview, or talk have been conducted through personal communication just once, in an hour or so in order to limit personal contact over time. Several of the informants have put themselves available for follow up questions or clarification that could help me while collecting the data.

### 4.3 Validity

According to Yin (2018, 42), a research design is supposed to represent a logical set of statements one can use to judge the quality of any given research design according to certain logical tests based on construct validity, internal validity, external validity and reliability. Bukve (2016, 99) argue that a good research design has to meet certain sets of demands, and base these demands on the same topics of validity as Yin (2018). In this section I will look at these demands and how I aim to solve them.

The first of the demands presented by Yin (2018) and Bukve (2016) is **construct validity**. To meet the test of construct validity one must define neighborhood change in terms of specific concepts and identify operational measures that match the concepts. One can increase construct validity in case studies by using multiple sources of evidence (Yin 2018, 44). Said differently, it is about whether or not one measures the theoretical aspects that one though measures (Bukve 2016, 99). My aim to solve this first issue is to use a wide variation of sources, including official documents from the municipalities, what the local papers have written about the subject under study and the perspectives of the informants. The reason for this is explained earlier in regards to following the research design in the first study of Elsbach (1994).

The second demand presented by Yin (2018) and Bukve (2016) is in relation to **internal validity**. I will look at this topic to a greater extent later, here the focus is on how the criteria presented can be met. Internal validity is a concern for explanatory case studies, where one tries to explain how and why  $x$  led to the event  $y$  (Yin 2018, 45). It is a question related to how good arguments one uses to tell if there is a connection between the theoretical model and the patterns in the observation and data (Bukve 2016, 100).

The third demand presented by Yin (2018) and Bukve (2016) is on the matter of **external validity**. As with internal validity, I will also focus on external validity to a greater extent than to just explain how I meet the demands in my research design. To avoid having

problems with an analytic generalization using how and why questions is helpful (Yin 2018, 46). External validity is to what extent the conclusions made about the causality in the material can be generalized from the study at hand to other situations (Bukve 2016, 100).

The fourth and final demand used by both Yin (2018) and Bukve (2016) is related to **reliability**. The goal of reliability is to minimize the errors and biases in a study (Yin 2018, 46). Reliability is to what extent the research is reliable. The empirical measurements and connections are in focus and not the relation between theory and the empirical. The research is reliable when others conduct the same research again and come to the same results (Bukve 2016, 101). A central part of meeting this demand comes from having transparency in how my research has been conducted and keeping my results available for others who want to cross examine my results.

There has been an effort to achieve a representative selection of informants in Vik and Hemnes. My informants have been selected to constitute a representative selection of informants from both Vik and Hemnes, thus aiming to have the selected actors from different parts of the organization. My thesis is not only on looking at how these two municipalities experienced and managed the aftermath of the Terra-scandal. It is about organizations that are experiencing swift and sudden changes, a crisis or a scandal where the foundation of trust is undermined thus threatening the legitimacy of the organization. These two selected municipalities are cases of that. They do not constitute cases only of the Terra-scandal, but as a larger phenomenon. Cases of something more generally.

## **5. Empirical data**

To get the best use of my empirical chapter it is important to have my research question clear in mind: *To what extent did Vik and Hemnes develop a strategy to rebuild trust after the Terra-scandal and what are the differences in these potential strategies of trust?* For the chapters related to the empirical data I have selected the same outline for both my cases. Focusing on the differences in the strategies of rebuilding trust in Vik and Hemnes, before I separate the two and introduce the case, empirical findings and the rationale in selecting the key informants. From there I look at the matter of reduced trust towards the municipality to establish whether or not there was a need to rebuild trust. From there I look at describing the strategy of rebuilding trust in the cases. The rationale for doing this is to have a clear

understanding of the empirical data so that it can be connected to the relevant theory in the analysis chapter.

### **5.1 Introduction to Vik and empirical data**

How did Vik end up in a situation that could create the need for a strategy for rebuilding trust? The municipality had over several years worked to build a tunnel that was open all year, and not closed during the winter, like the road connecting them to their neighbors. Due to the Terra investments some district schools were closed forcing school children to travel twice a day on a road exposed for landslides (NRK Skole 2014). A landslide closed the school road in 2012 causing concern among parents for the kids school road (Lavik and Gytri 2012).

The Terra-scandal broke in the fall of 2007, but local critical voices raised their concern way before the national media got attention of what was about to happen. In an editorial, the local newspaper Sogn criticized the deal between Terra and Vik municipality for being so complicated that it was impossible to understand. As of July 2007, Vik had a deficit of almost 20 million kroners due to the investments months before the scandal broke. The editorial argued that the local elected officials should clean up the mess, but that far stronger measures were needed to correct the trust towards the municipality (Skau 2007). This is interesting due to the fact that already before the scandal broke out the local newspaper calls for a strategy to rebuild trust. The situation developed to a more critical phase, when the deficit closed in on 116 million kroner in 2008 (071/08 kommunestyret). The Washington Post writes that in the little Norwegian towns, mayors and council members are struggling to make up the losses. One of the biggest losses was to their reputations (Cody 2009). I would describe it not only as a loss of reputation, but reduced trust creating the need for strategies of rebuilding trust in line with the arguments from Skau (2007).

### **5.2 Reduced trust towards the municipality in Vik**

To understand the extent Vik had a strategy to rebuild trust I will first of all point the focus to when the scandal struck and how involved informants experienced the impact on trust. Was it so that a rebuilding of trust was necessary? With the editorial above in mind, trust was a defining part of the public discussion leading up to the fall of 2007. When the complexity and the comprehensive negative consequences of the scandal was made public for the inhabitants of Vik municipality as the scandal broke.

So how did the locals view the Terra investments? One local man interviewed argue that if the investments had been successful the people at town hall would have been heroes today. A local woman point to the fact that she views it as bad behavior risking the money of the inhabitants (Sogn Avis 2008). When the scandal broke it did not necessarily result in a public outcry locally. Looking through the local newspaper for the time period of the Terra-scandal burst I have only found two locals voicing their outcry towards the municipality. The first is addressing the fools of the municipality where complete idiocy and contempt for politicians is a major theme (Rutledal 2007). The second focuses on that hard work creates values, value is not to be found in stocks. The luck of a municipality on the stock market should not determine the quality of the local government's services (Geithus 2007). The hardest and most consistent account of criticism towards the municipality were from the local newspaper *Sogn*. In an editorial it's argued that the scandal only had losers and was a threat to the local democracy (Sogn Avis 2007). Criticism only mounted towards Vik with the exposure of the fact that it was Terra, and not the administration, who wrote the legal documents the politicians got presented before making the investments (Sogn Avis 2008).

I view it as important to have people with different perspectives to share their insight on strategies of rebuilding trust. If there are similar answers from all three there may be reason to assume that the notion at hand was viewed that way by the majority of the actors involved with rebuilding trust. An important aspect of my interview guide was how the informants had or had not experienced a sense that there was a general perception in the public that the trust towards the municipality was weakened. The involved informants contributed with these perspectives on the matter of reduced trust:

*“It was a shock for everybody in the municipality. But after a while everybody saw that the municipal council had a tough job and that the waistband had to be tightened. It was an understanding public, even though everybody was in despair. The municipality had a high level of the services, as its starting point. But to tighten the waistband would hurt regardless”* (Marta Finden Halset, personal communication by phone call, 22nd of January 2021).

*“No, we did not have any strategy to rebuild trust. We had no strategy, what we had strategies for was how to manage the economical situation we ended up in. And we*

*worked really hard with that. I did not have blood on my fingers in being involved in it (the investments). I believe this was an important prerequisite for having the trust that one could clean up”* (Oddbjørn Ese, personal communication by Zoom, 28th of January 2021).

*“Yes, it was probably that (weakened). It was a form of gambling that went wrong. The intentions were probably good, but the risk was too high. And then it burst”* (Morten Midlang, personal communication by Zoom. 28th of January 2021).

The mayor and municipality director share several of the same reflections, while the member of the opposition views the trust towards the municipality as reduced. It is important to note that trust has to be perceived as weakened by an actor so they are able to rebuild it. This difference could be described as a result of different perspectives of the involved actors, and to what degree they were involved in the management of the scandal. Being heavily involved in the crisis management of the scandal, which the mayor and municipality director was, may create a bubble where they were far more focused on managing the situation and not be concerned about what the general public may think of the trust towards the municipality.

### **5.3 Description of strategies for rebuilding trust in Vik**

Before any possible strategies for rebuilding trust can be looked at, it is crucial to define the beginning phase of the scandal, and how the involved informants in Vik worked with managing the damage inflicted by the Terra investments and how these were corrected. All informants were asked the following question; *how did you work with correcting the damage that happened, and were there any measures initiated?* The municipal director answered the following:

*“There was not a process to rebuild trust. But it was a process concerned with measures that were necessary to initiate to manage the economics. I believe that this process was so good that it had a consequence for the trust as well. But we never discussed strategies to regain trust. A positive effect of the scandal was that we were forced to have a critical review of the effectiveness in the service production”* (Oddbjørn Ese, personal communication by Zoom, 28th of January 2021).

There are several indications of good economic governance in the available source material in the archives of Vik municipality. As noted earlier, Vik had in 2008 a deficit of almost 116 million kroner in 2008. By 2015 the municipality and the organization had through constant savings and strict economic governance saved approximately 14,5 million kroner each year, through an eighth year period, to get rid of the deficit (071/08 kommunestyret).

In 2015, Vik got their economy back on track. In the yearly report accounting for 2010 it is argued that it can become a challenge to keep focus on the crisis at hand and to avoid an uncontrolled rise in expenditures. Furthermore, the report address a concern for the reduction of administrative resources and its impact on the administration's ability to give politicians meaningful tasks (11/1908, Rekneskap og årsrapport). After several years of budget deficit, the budget in 2015 ended up with a profit. This was due to the fact that a court settlement cleared the remainder of Vik's debt from the Terra investments (Wolden Fredriksen and Sundberg 2015). On the matter of good economic governance, municipality director Oddbjørn Ese point to a crucial point in navigating through the challenging task of turning a deficit into profit. He note that:

*"I have a degree as a civil economist. That has been a prerequisite for managing the clean up. It would have been impossible with such a crisis, as municipal director, if I had to play on others' " (Oddbjørn Ese, personal communication by Zoom, 28th of January 2021).*

The role of apology and acknowledgment plays a crucial part in understanding the theory on trust repair. Therefore these matters have also played an important part in my semi-structured interviews with the informants in Vik. The political debate in Vik was to some extent intensive due to the fact that the public pressure mounted towards the political leadership to come forward with an apology. This pressure was not directed towards the incumbent mayor Halset, but it was addressed to the former Labour mayor Elring Stadheim, who initiated Vik's investments in Terra (Fardal 2008). In the aftermath of the Terra-scandal public pressure mounted. The former mayor responded to the pressure and apologized to the entire municipality stating that he had never regretted anything as much in his whole life and that the last few months had been terrible for him (Fardal 2008). Most critical of the former Mayor was a representative from the Progress Party Rune Wold demanding an apology.

Arguing that the involved never estimated the danger and failed to observe the many laws and rules on the matter (Heimdal Reksnes, Blaalid Oldeide and Løset 2008).

Another important part of describing the strategies for rebuilding trust is looking at the practical efforts applied in developing the strategies. In this matter I am focusing on a central aspect of my interview guide in an effort to further understand the development of the strategies. This empirical data will also help describe the strategies, or the lack of strategies in rebuilding trust. The focus is to describe which persons participated in the discussion of how the damage could be fixed, in which forums this occurred. Whether or not this was an open or closed process or if there were many or few persons involved. Furthermore, were the measures discussed in informal forums, and was there a disagreement around these strategies? In an effort to describe and understand the development of strategies, and the possible strategies of rebuilding trust the were asked informants to which persons participated in discussing how the damage could be fixed. The informants had the following contribution on the matter:

*“The whole political milieu contributed to this work. All the eighth  
“Terra-municipalities' connected both juridically, professionally and to economic  
competence. In the work in the municipality both the organizations and the  
professional environments participated, but it was of course the municipal council  
who took the decisions” (Marta Finden Halset, personal communication by phone  
call, 22nd of January 2021).*

*“It was me and my leader group. So the whole organization, all the leaders from  
education, healthcare. All areas had to come up with possible measures for cutting  
costs. It was worked with very systematically. And of course we focused on finding  
income potential. And we received very good help from the county governor<sup>5</sup>, and I  
believe that was one of the factors for success” (Oddbjørn Ese, personal  
communication by Zoom, 28th of January 2021).*

*“It was to a significant degree mayor and municipal director. And the auditor. They  
were the ones who did the job. But, they presented the political cases for both the*

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<sup>5</sup> County Governor - Statsforvalter/Fylkesmann

*municipal presidency and the municipal council” (Morten Midlang, personal communication by Zoom, 28th of January 2021).*

Moving on with a related topic to the previous in understanding and describing the strategies the informants were informants in which forums the previous discussions occurred. The informants Ese and Midlang in Vik contributed with the following thoughts and perspectives on the matter. As for the reflections from mayor Halset she touch this topic in her previous answer:

*“We had a lea­dergroup, so primarily there. And then we had meetings to discuss with union representatives and involved them as we are required to by law. But the arena for creating possible measures was in the municipal director’s lea­dergroup. It was discussed politically gradually as we were to vote on the measures. But it was probably internally in the municipality, internally in the administration, that the job was done” (Oddbjørn Ese, personal communication by Zoom, 28th of January 2021).*

*“It was significantly in the municipal presidency and the municipal council” (Morten Midlang, personal communication by Zoom, 28th of January 2021).*

A central aspect of explaining and describing the development of possible strategies for rebuilding trust is in understanding the process leading up to the possible development. The informants were asked if they regarded the process as an open one, or a closed one. The informants shared the following reflections:

*“All the political work was an open process, the municipal presidency and the municipal council did not have the possibility to close a meeting due to reasons for being comfortable, If the meetings had been closed it was due to the investigation, and then it is a paragraph in the municipal law that gives the possibility to close the meeting, Closed meeting is always to be embedded in the paragraph from the municipal law” (Marta Finden Halset, personal communication by phone call, 22nd of January 2021).*

*“If you think of open related to the outside world, it was open in the cases it was to political treatment. But it was never arranged for any public town hall meeting to*

*explain what had happened. A lot about the Terra court disputes was generally exempt from the public. And that was after advice from our lawyers. It was due to being in the court process. And then it is important to keep the cards close to your chest” (Oddbjørn Ese, personal communication by Zoom, 28th of January 2021).*

*“It was a completely open process, in my opinion. There was not a lot of secrecy in this other than what the lawyers were doing. And it is clear that us representatives in the municipal council did not know everything the municipal director and mayor knew. But that was also not necessary. As I perceived it. There were a lot of tactics in this” (Morten Midlang, personal communication by Zoom, 28th of January 2021).*

It is an interesting observation that the strategies, or processes all have occurred within the established democratic organs in the municipality. Both mayor Halset and municipal director Ese put focus on internal democratic processes that in its nature are open to the public. The other dimension to this aspect is as all the informants address which relates to the court disputes. And the need for secrecy, or keeping some details exempt from public due to judicial processes between the municipality and Terra in the court. The only instance where I have found that the municipal council had a case exempt from public was in relation to the political conflict surrounding a public town hall meeting and the process surrounding this (002/08, kommunestyret), as I have described earlier. The fact that this meeting did not reach a conclusion resonates what municipal director Ese argue that there were no town hall meetings to explain what happened, but ordinary preparations for the cases treated (Oddbjørn Ese, personal communication by Zoom, 28th of January 2021).

Moving on to the next step in describing development of strategies it was crucial for me to understand the scope of the management. Therefore the informants were asked if there were many or few people involved in the process. The informants shared the following:

*“To fix the damage is a far too easy assertion. The political processes dealt with the issues for which we could be sure that the municipality had justifiable services provided to the inhabitants. The county governor as the overall regulatory authority had the whole time insight in the situation for securing a justifiable offer in our services and the politicians mainted the municipal obligations in a justifiable manner.*

*It was often meetings between the politicians and the county governor” (Marta Finden Halset, personal communication by phone call, 22nd of January 2021).*

*“It was probably few. I sat with this very much alone and built strategies. But when we were to figure out different specific measures we had to have support from different professionals in the organization. But related to putting together an overall strategy for what was to be put forward politically, I alone worked with it. And made case preparations and propositions to be treated politically” (Oddbjørn Ese, personal communication by Zoom, 28th of January 2021).*

*“There were at most a handful of people from the municipality who fronted it. And when it was time for a decision it went on to the municipal presidency and the municipal council. But we got oriented all the time. The Terra-case was a regular case for years” (Morten Midlang, personal communication by Zoom, 28th of January 2021).*

Another aspect that contributes in describing the possible strategies developed is to focus on which forums this could have occurred, and the characteristics of the forums. Therefore the informants were asked if the measures were discussed in informal forums. The informants contributed with the following:

*“There were no informal forums that participated in the discussions. Every meeting regarding the Terra-case is referred to and archived after the municipal standards. Everything can be examined in accordance with public management” (Marta Finden Halset, personal communication by phone call, 22nd of January 2021).*

*“Not that I am aware of. But I would assume that people had opinions about this around town. I was spared from being influenced. Even though I did not isolate myself in any way I never felt any pressure. Neither politically or from my own organization. Not from informal pressure groups. I never experienced this. I assessed these matters in a decent and objective manner” (Oddbjørn Ese, personal communication by Zoom, 28th of January 2021).*

*“No, I don’t believe that, not established forums. But we had a welfare centre for elderly that was a popular place to visit. And there people could visit during the days, five days a week. And it had to be reduced to cut the budgets, down to four days, and I wonder if it is only two days a week now. It was to cut wage expenses, and it is there we cut most costs”* (Morten Midlang, personal communication by Zoom, 28th of January 2021).

The final aspect in regards to this topic focusing on describing the practical efforts of developing a possible strategy for rebuilding trust is related to if there were disagreement surrounding the strategies. The informants were asked if there were any disagreements surrounding these strategies. The informants offered the following reflections:

*“They probably realized that it was necessary. We had the county governor who approved our budgets. Approval of budget cuts and everything. And the services, especially. Then the county governor was the supervision authority who returned to us and overlooked our services. We had to balance the budget. It was a world that had to be balanced”* (Marta Finden Halset, personal communication by phone call, 22nd of January 2021).

*“Yes, in the school area. We did not achieve as comprehensive measures as I proposed. I meant that we should be more drastic. We had three junior high schools in our little municipality. One was closed, or moved. Other than that five schools lived on”* (Oddbjørn Ese, personal communication by Zoom, 28th of January 2021).

*“No, not really. But it was of course a discussion of who we should take first. It was prioritizing debates but there was not a disagreement about whether we had to do something. The county governor was at our back the whole time”* (Morten Midlang, personal communication by Zoom, 28th of January 2021).

#### **5.4 Political competition as an enabler for rebuilding trust in Vik**

To understand how rebuilding trust and its strategies can take place, I view it as crucial to understand the political milieu where the scandal and possible trust repair have unfolded. After an intensive study of every political meeting in the municipal council and the municipal presidency in the time period between January 2007 and December 2015 it strikes me how

often there was political agreement between the competing political parties. The lack of political competition struggle is illustrated by looking at what usually can be the biggest chime of conflict. Which is voting over the budget. Looking at the eighth budgets at hand, almost every budget has been passed unanimously. This is the case for the budget for 2008, 2010, 2011, 2013 and 2015. (097/08 kommunestyret, 09/7298 budsjett 2010, 057/10 kommunestyret, 078/12 kommunestyret and 076/14 kommunestyret). There are just two budget votes where there have been any form of disagreement and competitive struggle. In 2009 the Conservative Party with Morten Midlang was the only vote against changing the school structure while the Liberal Party disagreed with closing a doctors office (214/08, formannskapet). In 2014 the Conservative party voted against parts of the budget, but not the budget in its entirety (065/13, kommunestyret). I have not been able to find the vote on the budget from 2012, only the budget proposal is available in the archives (147/11, formannskapet).

The budget process is important due to the fact that handling the Terra-scandal and getting the economy back on track happened with managing the economy in the municipal council. This is where rebuilding trust may have taken place and strategies could have been implemented. These claims are supported by the arguments by Oddbjørn Ese that there was a process about implementing necessary measures to handle the economy. As mentioned earlier, Ese believes that this process was so good that it had consequences for the trust as well (Oddbjørn Ese, personal communication by Zoom, 28th of January 2021).

The political conflicts I have been able to identify goes on political ideology, differences between the administration and a member of the municipal council and a heated discussion in the aftermath of the Terra-scandal if there should be held a public town hall meeting. **The first instance of conflict** was regarding property tax that was implemented as a measure to handle the economic consequences of the Wall Street investments. This debate caused harm with Conservative member Morten Midlang, who cursed in frustration and described property tax as theft (Kleven 2008).

**The second conflict** was between the Municipality director and Labour politician Werner Madsgård were the first proposed to cut more in the budgets, than the demands from the County Governor. Madsgård fought for establishing a local park (Kleven 2009). This can be explained as an effort from the Labour Politician to take a stand against the Municipality

director's strict economic rule. In 2011 the Municipality director warned the politicians about an worsened economy and that the political majority chose to ignore the recommendations from the administration, which explain the negative economic results (11/3249, budsjett 2011 - revidert pr. 1. tertial). This conflict can be understood as a mechanism in which the political actors try to not only secure the support of their own grass root constituents, but also meet what the public demands.

**The third and last conflict** is in relation to a discussion about arranging a public town hall meeting. This can be viewed as an active discussion related to a strategy for rebuilding trust. It can be difficult to identify the intention of this discussion. It may not necessarily have a connection to rebuild trust, but rather as a political conflict in the competition for the electorate's votes. Looking at the third of the three conflicts I have been able to identify it clearly is an active discussion about a strategy for rebuilding trust, though it is not addressed directly that the need for a town hall meeting was to rebuild trust. A few weeks after the scandal burst, Sogn Avis published an editorial criticizing the mayor and municipality for not arranging town hall meetings, where citizens could voice their concern and ask questions to the responsible actors. The newspaper criticized the decision by mayor Halset to only address an apology on the municipal website, and not directly to the people at a town hall meeting (Sogn Avis 2007).

The local newspaper continued its criticism of Vik for not arranging a town hall meeting, and mayor Halset was criticized for blaming Terra (Sogn Avis 2008). Initially the political and administrative leadership in Vik struggled with finding the right strategy for apologizing, or as it also can be called, finding a strategy for rebuilding trust. The municipal council discussed the matter of a town hall meeting exempt from the public. I have been granted insight to the case document from that municipal council meeting. In the discussion the Centre party and the Progress party agreed that there was no need for a town hall meeting. The Liberal party and the Socialist Left party wanted the meeting, while the Labour party were split in their views on the matter. There was no conclusion on the matter (002/08, kommunestyret).

It is interesting to note that the sometimes heated discussion ended up with a meeting where few people even voiced their concern. It is worth noting that the apology from former mayor Erling Stadheim, who initiated the process, came several weeks before the Town Hall

meetings (Holm and Løset 2008). This may have taken the edge away from the debate and people may have been satisfied with the response. The demand for an apology was pushed on the agenda by the Progress party who participated in the competitive struggle for the votes and demanded that former mayor Stadheim to apologize (Heimdal Reksnes, Blaaid Oldeiede and Løset 2008).

Mayor Halset note that she had to guard her words due to the fact that it could be used against her in court. As for the apology it was not expressed directly by Mayor Halset, but the former Mayor Stadheim who initiated the investments with Terra (Holm and Løset 2008). And the organization as well took responsibility for the consequences of its actions when the municipal council voted that: “The municipal council apologizes for the situation the municipality has come in and ask the the municipality director to come back with an orientation on how the municipality can build up satisfying routines to avoid this from happening in the future” (041/08, kommunestyret).

In my semi-structured interviews with the three informants several questions related to how the municipal council participated in rebuilding trust and through these questions. Asked to which extent there was disagreement between the political parties in the municipal council the informants answered as following:

*“In such a situation nobody could predict it and it was nobody who was capable of seeing the consequences. In hindsight one could say that this should not have been done, but it was an assembled municipal council who went for the case when it was revised in the council. The opposition wanted to bring forward a scapegoat, the political position was not occupied by that, when everything had been done with good intentions and a good faith with no one having any personal gains of this”* (Marta Finden Halset, personal communication by phone call, 22nd of January 2021).

*“In the case there was disagreement, it was more about geographical cleavages. There were no clear political cleavages. The great majority agreed on how this should be solved”* (Oddbjørn Ese, personal communication by Zoom, 28th of January 2021).

*“It was mostly about what measures should be prioritized”* (Morten Midlang, personal communication by Zoom. 28th of January 2021).

Looking at what role the municipal council played in rebuilding trust the involved informants were asked if they experienced that all parties were with, or if there were some parties that did not partake in rebuilding trust. The informants shared the following reflections on this matter:

*“It lies in the political nature that the opposition is searching for a scapegoat within the position. I had in spite of this the feeling that everybody understood the gravity and had to stand together if the municipality were to come out of this situation. It was a lot of good cross-political work.”* (Marta Finden Halset, personal communication by phone call, 22nd of January 2021).

*“It is not to rebuild trust. The agenda was to manage the economy, which again could mean something for the trust. So it has to be indirect”* (Oddbjørn Ese, personal communication by Zoom, 28th of January 2021).

*“Everybody participated, we did not really have a choice. Of course the measures were discussed, but we gathered in the end”* (Morten Midlang, personal communication by Zoom. 28th of January 2021).

Continuing with a related topic, there was a need to clarify if the political position received any accounts of criticism. To this extent it is also a need to clarify why this critique occurred. I asked if the position got criticized for the work they did. The informants contributed with the following thoughts and perspectives on the matter:

*“There was criticism that the municipality ended up in such a situation, but my impression was that the people understood the difficult situation. There was a lot of good will and understanding among the public. It was both trust and encouragement to be gathered. I was encouraged to run for reelection, something I regarded as a declaration of trust. Of course there was also criticism. To reduce the welfare benefits and closing down small community schools are not passed through without pain. But the population was decreasing and the schools would have probably been closed down, but the Terra-case could be the cause of the closing down being accelerated, made the situation agitated at times”* (Marta Finden Halset, personal communication

by phone call, 22nd of January 2021).

*“The management of the Terra-case in Vik municipality was relatively free of conflicts. With a little passive political level. The job was done by the administration. By the municipal director and administration, with some embroiders from the political. There were no great skirmishes in the politics of those who participated”* (Oddbjørn Ese, personal communication by Zoom, 28th of January 2021).

*“It was a great deal of collaboration across the whole line. We did not have a choice, and the opposition is pretty small”* (Morten Midlang, personal communication by Zoom. 28th of January 2021).

As a concluding remark it is important to look at the political opposition's role and efforts related to the possible strategies of trust repair. Looking at the opposition's role may help determine to what extent there were developed any strategies of rebuilding trust. Asked how the opposition parties worked with rebuilding trust, the two “political” informants from both sides of the aisle responded the following:

*“The opposition parties, the political milieu is small in a small municipality with under 2700 inhabitants, so it was not easy to make a mark politically. It was the unity that was decisive”* (Marta Finden Halset, personal communication by phone call, 22nd of January 2021).

*“We did not have anything to contribute to repair it. So we had to be join the team and work collectively”* (Morten Midlang, personal communication by Zoom, 28th of January 2021).

### **5.5 Court disputes as a possible strategy for rebuilding trust in Vik**

Looking through the eighth year period from 2007 to 2015, there is one constant factor that keeps on repeating itself and may have served as an important strategy for rebuilding trust for Vik municipality. The court disputes between the eighth involved municipalities and Terra demonstrates how consistent Vik was in arguing that they were deceived and that they had no blame at all. Already in 2008 Mayor Halset was convinced that they would win the court dispute where Vik refused to pay the mortgage after the scandal. A main argument by Halset

was that they looked forward to putting the Terra-scandal behind them and winning the case (Svartefoss 2008). These kinds of arguments were repeated in different court disputes and lawsuits. After a lawsuit against CitiBank Mayor Halset emphasized that this was a confirmation of the arguments of the municipalities, they were deceived into the investments. She also point to the fact that if they succeed with the lawsuit could give the municipality 26 million kroners in return from the investments (Brekke 2009).

As of 2015 there was a court settlement where Vik, and the seven other involved municipalities, got its debt deleted. Mayor Halet celebrated and emphasized the Terra-debt had impacted her period as Mayor, but now the tables were cleared (Wolden Fredriksen and Sundberg 2015). The settlement ended with over 95 million kroners back to the municipality (039/15, kommunestyret).

During the semi-structured interviews with the informants they were asked which role the court disputes between the municipality and Terra played in rebuilding trust.

*“In the cases we could not go out public with, about what was related to the court trial. As mayor I had to guard my words at all times. So it was not used against the municipality in the trial”* (Marta Finden Halset, personal communication by phone call, 22th of January 2021).

*“I believe so. The case turned economically with the settlement with DNB in 2015. And repuationwise, it did also do that. We made it visible and explained why this had happened”* (Oddbjørn Ese, personal communication by Zoom, 28th of January 2021).

*“It was exposed that Terra had framed us. That was some sort of comfort. We were saved by what we got in return, but we have lost more than we got back. Probably”* (Morten Midlang, personal communication by Zoom. 28th of January 2021).

With the court settlement in 2015, and getting back a significant sum of their lost resources, the settlement gives credibility to the claim that Vik was indeed deceived and without guilt. A financial expert concluded in a hearing that the administration lacked the financial competence when it came to the investments (Sogn Avis 2008). Municipality director Oddbjørn Ese expressed his view on the settlement by arguing that the court decision is an

improvement to the municipalities and that it confirms the municipalities view on the consulting from Terra (Svartefoss 2016). Furthermore, the statement by Mayor Halset that the settlement covers the deficit of 36 million kroner and gives 20 million kroner to free expenses (Wolden Fredriksen and Sundberg 2015) is a testament to the fact that the bad situation was turned around.

## **5.6 Introduction to Hemnes and empirical data**

How did Hemnes end up in a situation that created a need for a strategy for rebuilding trust? Leading up to the fall of 2007, when the Terra-scandal became public there were already several heated debates as to whether or not the investments should have been made. In June 2007 the municipal council of Hemnes debated whether to opt out of the Terra-investments. The administration wanted to draw up a new deal for the placement of the water power income. Labour proposed to postpone the vote in the municipal council meeting. While representative Øystein Meier Johannessen, leader of the Society party (samfunnspartiet), proposed that the municipality should refrain from investing in the American stock market. The majority of the council did not support either Labor or Meier Johannessen and voted to give the municipal director authority to draw up a new deal (32/07 kommunestyret).

In the months leading up to the scandal there were tendencies for intensive discussions as to whether these investments should be made. In a debate article in August, Øystein Meier Johannessen argued that the municipality never should have risked 100 million kroner in the American stock market, and that these investments had to be cancelled (Meier Johannessen 2007). Following this argument Johannessen asked in another debate article whether or not incumbent mayor Juvik could be trusted and argued that the mayor did vote for placing 100 million kroner in the American stock market (Meier Johannessen 2007). In response to the criticism, mayor Juvik argued that both he and Labour could be trusted. In regards to the investments made the mayor pointed to the fact that Labour proposed to postpone the decision on the investments, but that Johannessen and the rest of the majority voted against this (Juvik 2007).

After the election and the public debate surrounding the investments the situation developed into a more critical phase as the scandal became public. In October of 2007 the municipal council regretted its decision of raising the risk in the effort to secure more profit, and they wanted out as soon as possible without losing their investments (Forbord 2007). Mayor Juvik

admitted that the law had been broken due to the fact that investments were illegal, but he point to the fact that the deals were made before he was elected mayor (Skjåstad Lysvold, Holand and Gullaksen 2007). The total loss after the investments left the municipality with over 73 million kroners in deficit (40/08 kommunestyret).

### **5.7 Reduced trust towards the municipality in Hemnes**

To understand to what extent Hemnes had a strategy to rebuild trust I'm focusing on when the scandal struck and how the involved informants experienced the impact on trust. Are there any indications that a rebuilding of trust was necessary? With the discussion regarding if the mayor could be trusted in mind, the concept of trust was a defining part of the public discussion leading up to the fall of 2007, when the scandal broke and the complexity and the comprehensive negative consequences of the scandal was made available for the public of Hemnes after the scandal was known.

How did the locals view the Terra investments? There are indications that suggest a heated public debate surrounding the investments as the scandal broke. As noted in the previous chapter, it was debated in the local election whether or not the mayor could be trusted. Looking through the local newspaper for the time period there seems to be a clear divide between supporters and opponents of the scandal and the involved actors. One debate article argued that he would remember a mayor who dared stand up and did not deserve to be framed as neither stupid or naïv (Smørvik 2007). Another local argue that the mayor has represented the local politicians in an excellent matter in the media. That he seems both down to earth and as a decent man that has the inhabitants of the municipality in his thoughts and that he does not seem eager to fill his own pockets, therefore he has the trust of the people (Remmen 2007).

As earlier, I base my rationale for selecting my informants on Elsbach (1994). I view it as important to have people with different perspectives to share their insight on strategies of rebuilding trust. If there are similar answers from all three there may be reason to assume that the notion at hand was viewed that way by the majority of the actors involved with rebuilding trust. An important aspect of my interview guide was to ask my key informants whether or not they experienced that there was a general perception in the public that the trust towards the municipality was weakened. The involved informants contributed with these perspectives on the matter of reduced trust:

*“Yes, it was that. In 2007 in the local election we had never done as good of an election since the war. It was at least a trust towards Labour and me as mayor. When we lost the mayoral power, and that we lost the mayor office, there is no doubt that it was mainly due to the Terra-case. So that way one could say that every party was responsible, but there were after a while more and more who tried to place the blame on me in politics. That it was my fault. And I thought that was unfair” (Kjell-Idar Juvik, personal communication by Zoom. 25th of January 2021).*

*“Yes, it was absolutely weakened. And we have seen that in the election here afterwards. We have had some periods with the Conservative, and we have had the Centre party and Labour” (Inga Kvalbukt, personal communication by phone call. February 1st, 2021).*

Both the mayor and the member of the opposition share the same reflections on the matter of reduced trust. What is interesting to note is that both point to the election results as an indication that trust was weakened. This same perception is shared across the political axis which may indicate that this was a general view that the trust had been affected in a negative manner.

### **5.8 Description of strategies for rebuilding trust in Hemnes**

Before any possible strategies for rebuilding trust can be looked at, it is crucial to define the beginning phase of the scandal, and how the involved informants in Hemnes worked with managing the damage inflicted by the Terra investments and how these were corrected. All informants were asked the following question; *how did you work with correcting the damage that happened, and were there any measures initiated?*

*“It was a tighter budget. I believe that we tried to shelter the statutory tasks as far as possible. Some areas got more tightening than they normally would have. But if you go out and ask the individual citizen, they have not, to a large extent, felt it on the body. I don't believe so. We have not closed down schools. We still have five district schools, five or six kindergartens in all urban settlements. We have two nursing homes. That has not been impacted to a great extent” (Kjell-Idar Juvik, personal communication by Zoom. 25th of January 2021).*

*“Yes, we in the opposition meant that we had to start using the sleeping fonds. We had several fonds. So we started taking from them. Instead of closing down schools. We have not had water in the swimming pool in my urban settlement”* (Inga Kvalbukt, personal communication by phone call. February 1st, 2021).

After the scandal broke there was arranged a town hall meeting in Hemnes where the mayor and municipality oriented the public on the matter. Over ten percent of the inhabitants in Hemnes participated in the town hall meeting, and a local priest praised the mayor for being open about the mistakes that had been made (Forbord 2007). The meeting had national media coverage and the meeting's start was broadcasted directly on NRK in prime time. Where mayor Juvik emphasized that they had been deceived by Terra and that he hoped to have the lost investments returned (Dagsrevyen 2007). The national media focused to a great extent on the criticism expressed in the town hall meeting. Aftenposten (2007) focused on the sarcasm and criticism, where mayor Juvik admitted that they should have been more critical. Dagens Næringsliv focused on the accusation that the involved had been naive (Vartdal Riise 2007).

Another organizational reaction was that the municipal presidency voted to criticize Terra by voicing strong criticism towards the counseling given by Terra. And the municipal presidency apologised that the municipality had been put in a situation without possibilities to make a thorough assessment of the guidance given by Terra (73/07 formannskapet). Furthermore, there was an organizational reaction to competence and acknowledgement where the municipal council voted to initiate necessary competence enhancing measures. And the council voted to apologies and directed the apology towards the inhabitants of Hemnes in conjunction with the economical loss (45/08 kommunestyret). This was conducted in the spring of 2008, several months after the scandal struck. This apology was followed by the personal apology from mayor Juvik. Where he apologized to the inhabitants for what they had done. The mayor emphasized that his reaction to fix and manage the budget was more important than his apology (Berget 2008). A further admission was made by the mayor as he admitted that the investments made broke Norwegian law, but pointing out that the named investments were initiated before he assumed office as mayor Skjåstad Lysvold, Holand and Gullaksen 2007).

Another important part of describing the strategies for rebuilding trust is looking at the practical efforts applied in developing the strategies. In this matter I am focusing on a central aspect of my interview guide in an effort to further understand the development of the strategies. This empirical data will also help describe the strategies, or the lack of strategies in rebuilding trust. The focus is to describe which persons participated in the discussion of how the damage could be fixed, in which forums this occurred. Whether or not this was an open or closed process or if there were many or few persons involved. Furthermore, were the measures discussed in informal forums, and was there a disagreement around these strategies?

As an important effort to describe and understand the development of strategies, and the possible strategies of rebuilding trust the informants were asked to which persons participated in discussing how the damage could be fixed. The informants had the following contribution on the matter:

*“It was really the administration in collaboration with the politicians. Therefore, we agreed that we had to step up. And in my opinion that was really cross party lines. There was no one who tried to be populists in that period there”* (Kjell-Idar Juvik, personal communication by Zoom. 25th of January 2021).

*“I believe it was mostly the man in the street, and the ones who had political power. All parties were represented, so we can not exempt anyone. The former mayor, Juvik, got a slaughterhouse established in this region, and that was great. It has also been criticized that he went beyond his authority”* (Inga Kvalbukt, personal communication by phone call. February 1st, 2021).

Moving on with a related topic to the previous in understanding and describing the strategies the informants were asked in which forums the previous discussions occurred. The informants contributed with the following thoughts and perspectives on the matter:

*“It was actually the more political ones. I would assume that the unit managers and leaders in the organization had strict guidelines from the municipal director to keep control of the economy. And they were firm in using Terra as an argument to keep strict control of the economy. Then there were budget processes where the*

*administrasjon made the case and with discussions between politicians. It was not the fact that we made a plan or a program. Or hired someone in or that came assistance from either county, municipal or the state” (Kjell-Idar Juvik, personal communication by Zoom. 25th of January 2021).*

*“All the committees in the municipalities participated. Both technical and agriculture, everybody had to cut costs. So politically there were many who participated. And when we say the man in the street, it was cafes. Where people met to talk and discuss” (Inga Kvalbukt, personal communication by phone call. February 1st, 2021).*

A central aspect of explaining and describing the development of possible strategies for rebuilding trust is in understanding the process leading up to the possible development. Therefore the informants were asked if they regarded the process as an open one, or a closed one. The informants shared these reflections:

*“It was not really a lot of open meetings and such. It occurred really just in the ordinary operation” (Kjell-Idar Juvik, personal communication by Zoom. 25th of January 2021).*

*“I would say it was an open process” (Inga Kvalbukt, personal communication by phone call. February 1st, 2021).*

It is interesting to note the difference in the answers from my two informants. What is noteworthy is that mayor Juvik point to the process not having open meetings occurring on a regular basis. While at the same time pointing to the fact that the managing of the Terra-scandal occurred within the ordinary operation of the municipality. Managing this in the administration and the municipal council could be regarded in itself as an open process due to the fact that the latter is a democratic organ. This could be the understanding of which municipal council member Inga Kvalbukt has in her response emphasizing it being an open process. Due to the fact that it happened within ordinary operations.

Moving on to the next step in describing development of strategies it was crucial for me to understand the scope of the management. Therefore the informants were asked if there were many or few people involved in the process. The informants shared the following:

*“I would say that everybody participated in this. Both administration and politicians, everybody participated to make this right again. We had to introduce property tax, which we had never had before, for two years. It was as a consequence of Terra. While I was mayor. We said it should be temporary, and had it in the long term budget until we had paid the issues with Terra. But it is clear that it was used politically. There was not a wide political agreement on it. So the political right used this”* (Kjell-Idar Juvik, personal communication by Zoom. 25th of January 2021).

*“There were rather few people in the work itself. Mostly the mayor, and then the municipal director”* (Inga Kvalbukt, personal communication by phone call. February 1st, 2021).

Another aspect that contributes in describing the possible strategies developed is to focus on which forums this could have occurred, and the characteristics of the forums. Therefore the informants were asked if the measures were discussed in informal forums. The informants contributed with the following:

*“There is probably a difference in places and parties. But I feel that the party culture in Hemnes has really been quite strong. That the processes have occurred in the parties. And Labour has always stood strong and had a significant role either in position or opposition. Probably the least public open process per the ones discussed within the administration. One does not know it before the proposition is there. The internal processes”* (Kjell-Idar Juvik, personal communication by Zoom. 25th of January 2021).

*“Yes, and I believe that all these forums are much more important than one realizes. For the municipality to develop itself, I believe that it is important to create meeting places where people can sit and talk informally”* (Inga Kvalbukt, personal communication by phone call. February 1st, 2021).

It is interesting noting the difference in the answers given by my informants. As mayor Juvik point to the process occurring within the parties by elected officials he demonstrates more concern with the administration's informal processes of managing the process. While

municipal council member Kvalbuk point to the informal forums outside of the organizations where the citizens can meet and discuss. The fact that Kvalbuk point to informal forums outside of the organization is interesting and strikes me as a consistent answer from Kvalbuk.

The final aspect in regards to this topic focusing on describing the practical efforts of developing a possible strategy for rebuilding trust is related to if there were disagreement surrounding the strategies. The informants were asked if there were any disagreements surrounding these strategies? The informants offered the following reflections:

*“I believe that maybe it was the case. I was at least a supporter of extending the period for down payments, even though it is not comfortable to do over a long period of time. Both myself and Labour were concerned that the down payment should be over time, when we had the possibility for it. There was probably some disagreement between the parties. The political right tried to argue that the municipality was neglected with the money spending”* (Kjell-Idar Juvik, personal communication by Zoom. 25th of January 2021).

*“There were people who were afraid of maybe making too big an allocation. After being on the ROBEK list, many people feared ending up there again. And at the same time some argue that it is not the end of the world, that it should not be exaggerated. It is important to continue, to make the decisions that help the municipality move forward. At the same time we know that the municipality consists of individuals, therefore it is important that no one gets to great power without the whole of the public participating in the decisions. And that the public feels heard”* (Inga Kvalbuk, personal communication by phone call. February 1st, 2021).

Although it is difficult to pinpoint a clear cut development of a strategy to rebuild trust, there seems to me as there have been several strategies of managing the scandal, which again may function as a strategy for rebuilding trust. Having the discussions and processes occurring within the ordinary operation and processes that exist in the municipality have me wondering if the development of strategies occurred within the established processes within the municipality.

## **5.9 Political competition as an enabler for rebuilding trust in Hemnes**

As noted in the previous chapter in regards to Vik, to understand how rebuilding trust and its strategies can take place it is crucial to understand the political milieu where the scandal and possible trust repair have unfolded. I performed the same extensive study in Hemnes, as I did in Vik. I have studied every political meeting in the municipal council and municipal presidency in the time period between January 2007 and December 2015. And it strikes me how severe the conflicts have been in this time period between both the political parties, but also between the political leadership and the administrative leadership in the organization.

The great extent of political struggle can be illustrated by looking at the budget process, which can be assumed to be a natural cause of political conflict. The votes surrounding the budget often tell something about the political landscape as a whole. Looking at the budgets for this time period, there were only a few budgets that had a unanimous vote. This occurred in 2009, 2012 and 2015. And in these cases there were several amendments to the original budget proposals (2/09 kommunestyret, 52/11 kommunestyret, 4/14 formannskapet). An interesting tendency can be illustrated by the budget proposal in 2011 where mayor Juvik presented several amendments to the original budget proposal from the administration, having the political override the administrative (106/10 formannskapet).

There seems to be a large extent of political competition in the budget process. There was competition in the budgets of 2008, 2011 and 2013. (59/07 kommunestyret, 1/11 kommunestyret, 79/12 kommunestyret). In all these instances the large majority voted for the budget, while a smaller minority voted against it. It is important to emphasize that the majority shifted in 2011, when Labour lost the mayoral office. Having them being a part of the smaller minority voting against the majority. As for the budget of 2010 it is important to note the municipal presidency voted to give the municipal director to hire external support to conclude the budget work (7/10 formannskapet). I have not been able to find the protocols for the budget for 2014. There seems to be a gap in the municipal archives where there has been a change of systems, perhaps the archives are incomplete.

A crucial emphasis is that the budget process is due to the role of economic governance as a possible strategy for rebuilding trust, indirectly. As noted earlier the municipal council vote on the budget and the managing of the economy are important arenas where the rebuilding of trust may have occurred. The managing or governing of the economic situation in the

aftermath of the scandal can be connected to the statements by mayor Juvik that it was a tighter budget, and that some areas got more tightening than they normally would have. But the individual citizen did not experience these cuts (Kjell-Idar Juvik, personal communication by Zoom. 25th of January 2021).

The political conflicts in which I have been able to identify are in regards to competition in the local election of 2007 and 2011, where the integrity and trust of the mayor were criticized. Furthermore, conflicts between political actors and the administrative leadership have played a key role and has been clear tendencies of conflict between the local inhabitants and the political leadership. And the final conflict is in relation to the power play in competition for the mayoral office.

**The first instance of conflict** surrounds one of my informants, mayor Juvik, and the leader of the Society party Øystein Meier Johannsen. As noted earlier Meier Johannsen fought an intensive fight against the incumbent mayor, reporting him to the police both in the election of 2007 (Gabrielsen 2007) and of 2011 (Hansen 2011). In both cases the Terra-scandal was the decisive factor. In the aspect of rebuilding trust this conflict is important due to the fact that Meier Johannsen constantly frames mayor Juvik in a negative manner. This may become a public image, at least among some inhabitants.

**The second conflict** constitutes a competitive struggle between political actors, represented by my informants from the political position and opposition, and the administrative leadership represented by the municipal director. It is worth noting that the municipal director at the time of the conflict got employed due to the fact that the previous municipal director had been forced out of his job by mayor Juvik (Marthinsen 2007). The second conflict is in other words not a one time occurrence. The second conflict is regarding how municipal director Sørensen gave therapy to his employees, which had mayor Juvik go out publicly and criticize the practice (Borkamo 2009). My informant Inga Kvalbukt argued that several of the employees were mentally drained and that the municipal director created an anxiety culture in the organization (Larsen 2009). The therapy offered cost the municipality one million kroner and Inga Kvalbukt argued that the director gained a position of power above the employees who had to share their personal weak sides (Krossli 2009). Municipal director Sørensen resigned from his position in 2010 after a substantial pay raise (Krossli 2010).

**The third conflict** is a clear political competition that involves my two informants on opposite sides of the conflicts and can be identified as a pure political conflict in the pursuit of the mayoral office. After the local election of 2011 the Labour party and mayor Juvik suffered a blowback, and lost over ten percent of their electoral support (Poll of Polls 2020). The Centre party and opposition politician Inga Kvalbukt made it clear that mayor Juvik had to find something else to do than being mayor, and that the Centre party were disappointed over not gaining the mayoral office, and therefore supporting the Conservative candidate for mayor (Karlsen 2011). The Centre party and mayoral candidate Inga Kvalbukt was offered the vice mayoral office, but declined and pointed to the fact that the Terra-scandal had taken its toll on the municipal council, and that there were a strong desire for the new leadership to not have been involved in the scandal. Kvalbukt declined to answer the question surrounding the fact that the Centre party had the mayor when the investments were initiated (Solbakken 2011). This conflict resonates both the first and second due to the fact it seems like mayor Juvik has the Terra-scandal attached to his name and position, at least to some extent. And the second conflict since this was another aspect were the two key actors Kvalbukt and Juvik were involved in a leading actor's departure from office.

**The fourth and final conflict** is surrounding the matter of the public town hall meeting arranged shortly after the scandal broke. As mentioned earlier in the town hall meeting can be identified as a strategy for rebuilding trust in Hemnes. But it also functioned as a political conflict that showcased the difference between the political and administrative viewpoint on the scandal and that of the inhabitants. This conflict can be viewed as an extension of the first conflict where Meier Johannessen repeatedly made an effort to frame mayor Juvik and the Labour party as untrustworthy (Meier Johannessen 2007). At the town hall meeting there were tendencies of a severe frustration towards the municipality and the key actors, where people demonstrated shock and disbelief over the investments made. At the meeting Meier Johannessen criticised the mayor for granting Terra large sums of money in a meeting exempt from the public during the election (Røsvoll 2007). Meier Johannessen criticized the mayor further for granting 13 million kroners to Terra and questioning the municipal presidency's power of attorney in doing this (Forbord 2007). In the aftermath of the fourth conflict the frustration seems to grow among the political leadership in Hemnes as the mayor voiced his resentment that the national media focused on framing them as idiots from the start, but as new sides of the matter were exposed, there were some moderation (Marthinsen 2007).

In the semi-structured interviews with the informants in Hemnes they were asked several questions related to how the municipal council participated in rebuilding trust and through these questions the effort was to identify which strategies may have been implemented and what role the political parties have played in the possible effort to rebuild trust. Asked to which extent there was disagreement between the political parties in the municipal council the informants answered as following:

*“No, actually I don’t believe it has been, if you say it in big words, it has been small. I can recall any obvious greater things that have had consequences”* Kjell-Idar Juvik, personal communication by Zoom. 25th of January 2021).

*“We can say that Labour were the ones who maybe got the most criticism. There was one of my colleagues, from the Centre party who received unreasonable criticism. He was mayor when the first stocks were (initiated). I believe so. We have a local radio and many called there and expressed their irritation”* (Inga Kvalbukt, personal communication by phone call. February 1st, 2021).

Looking at what role the municipal council played in rebuilding trust the informants were asked if they experienced that all parties were with, or if there were some parties that did not partake in rebuilding trust. The informants shared the following reflections on this matter:

*“No, I believe that, in retrospect, we did not have a clear enough plan. And that we maybe should have had a more clear plan on this. Related to the reputation. And the construction of it. I felt that we really did not talk about it. It was discussed in relation to the operating budget. But we have not really made an intentional plan that was agreed upon and how. In retrospect it could be that this would have been clever. When the election draws close, not the first year after, but in the later elections there are some that have tried to make some distance to Terra. They would like to have someone to blame”* (Kjell-Idar Juvik, personal communication by Zoom. 25th of January 2021).

*“No, I really think that everybody participated. Even the Progress party was involved. They were early out and warned against property tax. And I agreed with them. I voted against my own party, because I was strongly against the property tax. People have*

*paid tax on all the material they have used to build their residence. We want people moving to the municipality again” (Inga Kvalbukt, personal communication by phone call. February 1st, 2021).*

Continuing with a related topic, there was a need to clarify if the political position received any accounts of criticism. To this extent it is also a need to clarify why this critique occurred. The informants were asked if the position got criticized for the work they did. The informants contributed with the following perspectives on the matter:

*“Well, we had the mayoral office. So I believe we did. There were some who tried to do so” (Kjell-Idar Juvik, personal communication by Zoom. 25th of January 2021).*

*“They probably received criticism, because people thought they did too little. And it was these hedgefonds which were strongly criticized and warned against. And a tendency to use money one did not have” (Inga Kvalbukt, personal communication by phone call. February 1st, 2021).*

As a concluding remark, it is important to look at the political opposition's role and efforts related to the possible strategies of trust repair. Looking at the opposition's role may help determine to what extent there were developed any strategies of rebuilding trust. Asked how the opposition parties worked with rebuilding trust, the two political informants from both sides of the aisle responded the following:

*“There was a battle between the Centre party and Labour to have the mayoral office, but we had a great election (in 2007) and then it burst at the end of 2007, and 2008. And then I felt that we really had a great collaboration, especially with the Centre party, who sat calmly in the boat. Because it was they who had the mayor when the partnership (with Terra) was initiated. And I believe that they appreciated that we... There were some municipalities that were soon to say that I was not the mayor when this started. Now, I was involved, and the party was involved. So I thought that at least I should not have that strategy to blame others. We should show what the facts are. We shall take responsibility. No one in the opposition tried to make a political game. But, if you understand, indirectly, they wanted to point to Labour. I had that impression. But I felt it was a cross-party support and agreement that this we had to*

*pull up our sleeves and achieve*” (Kjell-Idar Juvik, personal communication by Zoom. 25th of January 2021).

*“I don't believe that I have participated and had it as motivation. Rebuild trust, no”* (Inga Kvalbukt, personal communication by phone call. February 1st, 2021).

### **5.10 Court disputes as a possible strategy for rebuilding trust in Hemnes**

After an intensive study of the eighth year period from 2007 to 2015 the court dispute between Hemnes and Terra keeps on repeating itself. It is possible that the court disputes, and Hemnes' response to the matter have functioned as a strategy for rebuilding trust. The court dispute at hand showcases that Hemnes demonstrates a consistency in the argument presented. Just as with Vik, the main argument from the moment the scandal broke was that Hemnes had been deceived (Marthinsen 2007). The notion that Hemnes had been deceived and received wrongful information was argued in national media by mayor Juvik where he pointed to the information Hemnes received about the investments were wrong and edited to look better than they actually were (Grønli 2007).

This arch of arguments were repeatedly put forward. After the 2010 lawsuit against CitiBank mayor Juvik argued that this was an important win that would help in the court disputes against Terra (Skjåstad Lysvold 2010). The main arch of arguments broke to some extent when it was exposed that mayor Juvik had worked to get a bigger return of the investments, while at the same time raising the risk (Haraldsen 2007).

As of 2015 the court settlement gave Hemnes, and the other seven involved municipalities a cancellation of their debts. The conservative mayor Petersen Øverleir, who replaced Juvik in 2011 (Nygård 2011) expressed content with the hard work to manage the debt cancelling, admitting that the scandal had been a substantial economic burden for the municipality (Ulriksen 2015). The court settlement ended with 40 million kroners back to the municipality (12/15 kommunestyret).

During my semi-structured interviews with my participants the informants were asked which role the court disputes between the municipality and Terra played in rebuilding trust:

*“The trust towards Terra was of course broken. And which was fine was that they*

*received a stamp on them. And it probably took away little of the pressure pretty early. Even though the municipality still received great attention around it. But, I believe that after time passed that we sat with more information than the normal man. When we won partial victories in the court. So it is not necessarily certain that this is well known among the people. Even though we are pleased with that, our claims from day one were substantiated. It is not certain that this has taken root, and that we have been good enough to get it out. And since it was the Conservative party that governed, it was really in favor for the job we did” (Kjell-Idar Juvik, personal communication by Zoom. 25th of January 2021).*

The conclusion of the court settlements marks the end of the Terra-scandal in Hemnes, and with receiving over 40 million kroners in return after the failed investments it may indicate the matter that Hemnes was indeed deceived. Economically it meant that Hemnes was out of the Robek list and could now manage their own economy without supervision from external authorities (Ulriksen 2015).

## **6. Analysis of possible developed strategies for rebuilding trust**

This chapter is focused around the findings of my master thesis. By using the conceptual framework developed in the chapter related to the framework by Gillespie and Dietz (2009) my aim is to use the six concepts in looking at the research question that has been guiding my work. The research question is the following: *To what extent did Vik and Hemnes develop a strategy to rebuild trust after the Terra-scandal and what are the differences in these potential strategies of trust?* The aim of my research has been descriptive and to explain and describe to what extent there have been any strategies for rebuilding trust as well as the possible differences. By working with the basis of the strategies for rebuilding trust within the conceptual framework I hope to both analyse if there has been any development of strategies for rebuilding trust. Through the concepts applied, I strive to look and see if there are any differences if the strategies for rebuilding trust did occur.

In analyzing each presented conceptual framework I will first look at Vik followed by an analysis of Hemnes and connect each of them to the research question. I will first look at Vik, and then Hemnes and connect it to the research question. The possible difference in these potential strategies of trust should be viewed in line with the difference from the findings between the cases.

The analysis of the empirical data at hand has the conceptual framework for classifying strategies to rebuild trust within applied theoretical framework as its point of departure. The applied perspectives create the basis for an individual, or the publics, understanding and reaction to the government, or in my case, how the municipalities of Vik and Hemnes operate within the context of political trust. The different perspectives applied to classify the strategies for rebuilding trust within a larger conceptual framework is repeated here to function as a basis for the analysis, serving to bridge the theoretical framework and the underlying propositions which constitutes the conceptual framework with the empirical data at hand to answer the research question. The analysis builds on my developed conceptual framework classifying the strategies for rebuilding trust into a wider theoretical framework. Table 1 can be found in chapter 3.5 regarding the conceptual framework for classifying strategies for rebuilding trust.

My contribution to the research of trust repair is to apply the strategies for rebuilding trust within a larger theoretical framework by applying the performance perspective, the impression management perspective and the organizational perspective. Trust can be built on these three perspectives, but so should rebuilding trust. The conceptual framework aim is to classify the strategies for rebuilding trust within these three perspectives. The following analysis is separated into three main perspectives, based on the conceptual framework the basis for the analysis will be the performance perspective, the impression management perspective and the organizational perspective. After having described and classified how the strategies could be analyzed within the framework of the perspectives I will compare these and the findings and summarize with the main findings.

### **6.1 Strategies within the performance perspective**

The performance perspective should be understood in line with Elsbach's (1994, 66) description of technical characteristics which focuses on accounts that signal efficiency and effectiveness in organizational performance and Hopkins (2009, 55) that good performance relies on the provision of information, suitability and capacity to use equipment and the desire to do the job well. The performance of an organization should be viewed in line with the definition of political trust which Hooghe and Zmerli (2011, 3-4) define as a primary reaction to the performance of government institutions.

The overall understanding and analysis of how the strategies of **acknowledgement and readiness, diagnosis and evaluation** could be applied to the developed conceptual framework as a basis for the analysis. Thus lifting the strategies for rebuilding trust up to a larger theoretical framework. The performance perspective should not only be defined, but understood in this analysis in line with Borgonovi, Anessi-Pessina and Bianchi (2018, x) who argue that in public administration there are financial performance indicators which differently interpreted as reflecting success or failure under different political, institutional, socioeconomic situations.

In the following chapters I will aim to describe to what extent Vik and Hemnes developed strategies for rebuilding trust within the performance perspective. Thus analysing the development of the strategies within a larger theoretical framework based on the developed conceptual framework applied in this thesis. Then I will describe the development of acknowledgement and readiness, diagnosis and evaluation and analyzing them within the performance perspective and understanding these strategies for rebuilding trust within the performance perspective the main findings will be described.

Before the analysis itself is conducted, it is important to keep in mind how the different strategies are understood and classified within the conceptual apparatus. The strategy of rebuilding trust connected to **acknowledgement and readiness** is based on the first proposition by Gillespie and Dietz (2009, 134) and should be viewed as a strategy which contains untrustworthy behavior in an organization, for instance through terminating the employee. The other aspect which constitutes a strategy is symbolizing, or initiating examples of benevolence, which may be done through media articles.

The strategy of rebuilding trust connected to **diagnosis** is based on the fifth proposition by Gillespie and Dietz (2009, 139) and should be viewed as a strategy for rebuilding trust as having a diagnosis of the situation that is applied at the right time, thus mirroring some of the aspects of the fourth proposition. This strategy on the other hand should be viewed in relation to how accuracy and transparency are addressed to demonstrate trustworthiness. To premature or to slow diagnosis will be associated with low trustworthiness, whereas a timely diagnosis is associated with high trustworthiness. The initial response for managing trust repair should be applied when there is a natural window of opportunity.

The strategy of rebuilding trust connected to **evaluation** is based on the eighth proposition by Gillespie and Dietz (2009, 141) and should be viewed as a strategy for rebuilding trust by evaluating the processes that have occurred. I argued in the presentation of evaluation as a strategy within the conceptual framework should be viewed as the least functional of the eighth propositions due to the fact that an evaluation in itself is an inactive strategy that is not an immediate part of managing threats to organizational legitimacy, but rather a strategy that is occurring a time after the storm has settled, figuratively speaking.

### **6.1.1 Acknowledgment and readiness as developed strategy**

Looking at Vik, an important entrypoint to understanding acknowledgment and readiness is to identify any forms of termination of untrustworthy behavior within the organization in the municipality. An interesting aspect regarded as containing untrustworthy behavior, it seems that the election of 2007 naturally removed the agents that could have been put to blame and constrained for possible untrustworthy behavior. As noted earlier, both the mayor and the municipal director were new at their jobs. The municipal director has an interesting reflection that: *“I did not have blood on my fingers in being involved in it (the investments). I believe this was an important prerequisite for having the trust that one could clean up”* (Oddbjørn Ese, personal communication by Zoom, 28th of January 2021). Although there are no indications that there were terminations of untrustworthy behavior, the symbolizing of benevolence could be said to have occurred. I will look at this notion more detailed in chapter 6.1.4 which understands the strategies for rebuilding trust within the performance perspective.

An interesting look at how the strategy of acknowledgement and readiness has been the level of political competition in the development of it. Looking at the rally round the flag phenomenon where Baum (2002, 264) argue that political and economic circumstances will weigh heavily in influencing whether and to what extent different groups will rally. This could be said to have occurred in Vik. Especially when looking at the lack of termination of untrustworthy behavior, as both the mayor and municipal director were new in their positions when the scandal struck. The lack of political competition in voting on the budgets, where almost every budget was passed unanimously. An unanimous vote occurred in the budget for 2008, 2010, 2011, 2013 and 2015. (097/08 kommunestyret, 09/7298 budsjett 2010, 057/10 kommunestyret, 078/12 kommunestyret and 076/14 kommunestyret). This could indicate that

there was a rally round the flag phenomenon, thus limiting the political competition and again finding any indications of forms of terminations of untrustworthy behavior.

As for Vik, it is hard to identify any indications that there were forms of termination of untrustworthy behavior within the organization. Answering the research question related to what extent, in this case Vik had developed a strategy for rebuilding trust based on acknowledgment and readiness, my analysis would be that this did not occur in Vik. Since the data at hand does not describe any similarities between the conceptual framework and the empirical data.

In Hemnes there seems to be indications that acknowledgment and readiness could be described as having been developed. Both internally within the organization and in regards to the political competition there has been efforts to contain untrustworthy behavior. Though the containing of untrustworthy behavior is not necessarily directly linked to the Terra-scandal, but more indirectly. Looking at the second conflict that occurred in Hemnes, there was a competitive struggle between the political agents and the administrative leadership. It is important to note that the second conflict occurred only a few years after the former municipal director had been forced out of his job by incumbent mayor Juvik (Marthinsen 2007).

Furthermore, this conflict should be viewed in line with acknowledgment and readiness when it comes containing untrustworthy behavior. Looking at the controversies surrounding the former municipal director Sørensen who conducted therapy on his employees, which had the mayor go public and criticize the practice (Borkamo 2009) is evident of having containment occurring. Though not directly connected to the Terra-scandal, the municipality was in the public and in the media strongly connected to the scandal, making any indications of untrustworthy behavior being connected to a wider set of the organization's ability. In fact the article uncovering the practice of therapy is introduced by saying that the therapy has cost the crisis struck "Terra-municipality" one million Norwegian kroners (Borkamo 2009), thus implying that this controversy is connected to the scandal. Within this conflict there was a competitive struggle between the political agents and the administrative leadership. It is important to note that the second conflict occurred only a few years after the former municipal director had been forced out of his job by incumbent mayor Juvik (Marthinsen 2007).

The conflict at hand should be viewed as a result of the development of acknowledgment and readiness as a strategy to rebuild trust since there is an occurrence of containing untrustworthy behavior as the municipal director Sørensen conducted therapy on his employees, which had the mayor go public and criticize the practice (Borkamo 2009). What demonstrates the constraining of untrustworthy behavior is both the public criticism given by the mayor, but also the fact that the public pressure mounted towards the municipal director, where member of the opposition Inga Kvalbukt argued that the director gained a position of power above the employees who had to share their personal weak sides (Krossli 2009). This criticism could also be viewed in line with the one from mayor Juvik in an effort to constrain untrustworthy behavior.

Another instance in Hemnes where the strategy of acknowledgment and readiness could be described as being developed is by looking at the political conflict after the local election in 2011. The difference from the latter conflict is that the strategy for rebuilding trust was not driven by the political leadership, but rather by the political opposition. This role was taken by my informant and member of the Centre Party, Inga Kvalbukt, who argued that the Terra-scandal had taken its toll on the municipal council, and that there was a strong desire for the new leadership to not have been involved in the scandal (Solbakken 2011). This finding should be understood through the rally round the flag phenomenon. This should be understood in line with Mueller (1970, 21) focusing on an international event that is dramatic and can rally people. The assumption that could be made in the case of Hemnes is that the rally phenomenon eventually decreased and the political milieu were defined more by conflict and party competition.

Looking at both how mayor Juvik were framed as the one to blame for the investments, while at the same time having the political opposition wanting to remove him from his mayoral duties it could be understood as constraining untrustworthy behaviour, thus demonstrating ability, benevolence and integrity by removing untrustworthy agents. Whether or not the agents could be regarded as untrustworthy would at least in a political perspective be the matter of perspectives.

As a contrast to Vik, there are several indications that there were forms of termination of untrustworthy behavior within the organization, or that the political competition impacted a re-election or termination of untrustworthy behavior within the organization, or that the

political competition impacted a re-election. This could be described as having occurred to a large extent in Hemnes based on both the political leaderships and mayor Juvik's termination of municipal director Sørensen. And in the aftermath of the local election in 2011 when the political opposition, represented by municipal council member Kvalbukt's interference in the mayoral election, removing incumbent mayor Juvik from office due to his connection to the Terra-scandal. The extent to which acknowledgment and readiness has been developed as a strategy to rebuild trust in Hemnes, my assessment and analysis is that it had a strong impact on the organization.

### **6.1.2 Diagnosis as developed strategy**

Looking at Vik in an effort to describe the development of diagnosis as a strategy. An important aspect is how Vik managed the diagnosis as the scandal broke out in the fall of 2007. Some of the initial criticism as the scandal broke out was from the newspaper Sogn, who in an editorial argued that this case only had losers and that the scandal was a threat towards local self government and local democracy (Sogn Avis 2007). Asked about how the mayor worked with correcting the damaged that happened, and if there were any measures initiated municipal director Ese replied: *“There was not a process to rebuild trust. But it was a process concerned with measures that were necessary to initiate to manage the economics. I believe that this process was so good that it had a consequence for the trust as well. But we never discussed strategies to regain trust. A positive effect of the scandal was that we were forced to have a critical review of the effectiveness in the service production”* (Oddbjørn Ese, personal communication by Zoom, 28th of January 2021).

It is interesting to note that the diagnosis by administrative leadership manage the economy. It is difficult to pinpoint whether or not the timeliness of this could be described as in line with the third concept presented here. Though the measures were important, it may not have necessarily impacted the diagnosis in the short run, but rather in the long run. The deficit was in 2008, 116 million kroner (071/08 kommunestyret), and by 2015 it ended up with a profit (Wolden Fredriksen and Sundberg 2015). This diagnosis of the problem at hand worked in line with managing the economy, but the initial timeliness of the response was not in line with the framework of which this analysis is based. I would argue that the debate surrounding the arrangement of a public town hall meeting could be viewed as a discussion of the timeliness of the diagnosis. Thus showcasing that a too late or an avoidance of diagnosis could create further conflicts.

As for Vik, it is possible to identify indications that the diagnosis has been developed as a strategy. There are several strong similarities with the previous strategy based on timeliness, this is albeit natural as these are strongly linked to each other. That both the administrative leadership point to the management of the economy demonstrates an understanding of the diagnosis. In answering the research question related to what extent, in this case Vik developed a strategy for rebuilding trust based on diagnosis, my analysis would be that this occurred in Vik.

A crucial part of the diagnosis in Hemnes is due to the fact that the municipal presidency in Hemnes voted to criticize Terra, by voicing strong criticism towards the counseling given, and where the presidency apologises for the situation that the municipality had been put in (73/07 formannskapet). An important part in describing how Hemnes relates to executing either a premature or slow diagnosis, associated with low trustworthiness, or a timely diagnosis is associated with high trustworthiness. My assessment is that the combination of a public town hall meeting when the scandal broke (Forbord 2007) combined with the official apology (73/07 formannskapet) address this strategy's need of timing which leads to a higher associated trustworthiness. The initial response of Hemnes in developing this strategy was applied in a natural window of opportunity.

As for Hemnes, it is possible to identify and describe a development of the strategy for rebuilding trust in line with diagnosis. My assessment is that the combination of a public town hall meeting when the scandal broke (Forbord 2007) combined with the official apology (73/07 formannskapet) address this strategy's need of timing which leads to a higher associated trustworthiness. Thus, in answering the research question related to what extent, in this case Hemnes developed a strategy for rebuilding trust based on diagnosis, my analysis would be that this occurred in Hemnes.

### **6.1.3 Evaluation as developed strategy**

The strategy of rebuilding trust connected to evaluation is based on the eighth proposition by Gillespie and Dietz (2009, 141) and should be viewed as a strategy for rebuilding trust by evaluating the processes that have occurred. I argued in the presentation of evaluation as a strategy within the conceptual framework should be viewed as the least functional of the eighth propositions due to the fact that an evaluation in itself is an inactive strategy that is not

an immediate part of managing threats to organizational legitimacy, but rather a strategy that is occurring a time after the storm has settled, figuratively speaking.

Looking at the available data at hand, this impression repeats itself. I would argue that the diagnosis of the problem in the cases of both Vik and Hemnes has overshadowed, and possibly taken the natural space a strategy of evaluation could have, at least when it comes to vik. Where the timeliness of the diagnosis was done over a half a year after the scandal struck apologizing for the situation that had occurred, and asked the municipal director to build satisfying routines to avoid this from happening in the future (041/08, kommunestyret). Thus indicating that the strategies of timeliness and diagnosis could fill the void of the evaluation strategy. Furthermore, there seems to have been much more focus on the court settlements in the years after the scandal, than prioritizing an evaluation. If there has been any, I have not been able to acquire or identify it.

As for both Vik and Hemnes, it is not possible to identify any indications that evaluation has been developed as a strategy to rebuild trust. My analysis would be that the development of this strategy could be described as not being developed.

#### **6.1.4 Understanding the strategies within the performance perspective**

Having looked at the development of the acknowledgment and readiness, diagnosis and evaluation as strategies to rebuild trust in Vik and Hemnes, it is necessary to analyse it through the performance perspective. An important entryway to understand these developed strategies within the performance perspective, is how the services provided by the municipality were impacted by this strategy.

An interesting finding from Vik is that the performance, or the services provided were in focus. Asked about how they worked with correcting the damage that happened, and were there any measures initiated? The municipal director in Vik answered the following: *“There was not a process to rebuild trust. But it was a process concerned with measures that were necessary to initiate to manage the economics. I believe that this process was so good that it had a consequence for the trust as well”* (Oddbjørn Ese, personal communication by Zoom, 28th of January 2021). This could be understood as a part of the performance perspective due to the fact that the output or the performance of the organization through the management of the economy is in focus.

The focus that the municipal director in Vik shares is also addressed in Hemnes. Asked the same question as director Ese, mayor Juvik replied that: *“It was a tighter budget. I believe that we tried to shelter the statutory tasks as far as possible. Some areas got more tightening than they normally would have. But if you go out and ask the individual citizen, they have not, to a large extent, felt it on the body. I don’t believe so ”* (Kjell-Idar Juvik, personal communication by Zoom. 25th of January 2021). As with Vik, this statement could also be understood as a part of the performance perspective as it is about securing the services provided, and that the outcome of these services did not impact the citizens to a large extent.

This is an interesting notion since the informants have different organizational positions, especially looking at the statement based on Miles’s law; *where you stand depends on where you sit* (Miles 1978, 399). That both the administrative leadership in Vik and the political leadership in Hemnes point to the performance side of their initial response could indicate the presence of the performance perspective. That the organizations aimed to secure the outcome despite the challenging economy that was a result of the investments made. This response could be explained through the statement presented by Rose (2011, 106), that 31 percent of the asked agreed with the statement that local democracy is not as important, as long as the public services are maintained. This notion illustrates that the produced outcome of the local democracy is an important aspect. Based on the reflections presented above both Vik and Hemnes adhered to this notion that the services were maintained.

These arguments should be viewed in line with Rothstein (2005, 202) who emphasizes that what the institutions in fact produce in society could be argued to be the basis of a citizen's reaction to the perceived degree of their political trust towards the government. The response of both Vik and Hemnes indicates that they wanted to secure performance of the services under challenging circumstances, thus avoiding a negative reaction from the citizens that could impact the perceived degree of political trust. This is in line with the definition of political trust which Hooghe and Zmerli (2011, 3-4) view as a primary reaction to the performance of government institutions.

Furthermore, the argument by the both municipal director in Vik and mayor in Hemnes should be viewed in line with Borgonovi, Anessi-Pessina and Bianchi (2018, x) who argue that in public administration there are financial performance indicators, but that these

financial performance indicators are differently interpreted as reflecting success or failure under different political, institutional, socioeconomic situations. The focus of Vik within the performance perspective is related to the financial performance indicators, thus implying that the management of the economics is to have the financial performance indicators reflecting success of the performance.

In the initial response to the scandal, the core aspects of the performance perspective could be said to be present in Vik and Hemnes. An interesting notion is that the municipal director in Vik argued that “*There was not a process to rebuild trust*” (Oddbjørn Ese, personal communication by Zoom, 28th of January 2021). But the initial response to the scandal suggests that the performance perspective, and managing the economy so it would not have negative impacts on the services provided. This could be seen as leading up to the strategy of acknowledgement and readiness, through symbolizing or initiating examples of benevolence. The example of benevolence here could be understood as not having the services impacted in a way that the inhabitants noticed it in their daily life in a negative manner. Despite the initial findings that it is difficult to find any indications of forms of termination of untrustworthy behavior within the organization, the argument by Ese should be viewed as a partial account of the acknowledgement and readiness strategy, with weight on symbolizing benevolence.

The notion presented by municipal director Ese that there was no process to rebuild trust is two folded, and he illustrates the performance perspective in his argument that: “*I believe that this process was so good that it had a consequence for the trust as well*” (Oddbjørn Ese, personal communication by Zoom, 28th of January 2021). Having both Vik and Hemnes focusing on the performance perspective through not letting the services be impacted is an indication that this perspective was present and influenced the strategies for rebuilding trust.

### **6.1.5 Main findings within the performance perspective**

Having analyzed the strategies of acknowledgement and readiness, diagnosis and evaluation there are indications that the performance perspective has been present in both Vik and Hemnes. A core understanding of how the performance perspective unfolded in both Vik and Hemnes is by looking at it through the statements by municipal director Ese in Vik, and mayor Juvik in Hemnes, focusing on securing the services provided despite a challenging economy. This should be viewed in line with Rothstein (2005, 202) who emphasizes that what the institutions in fact produce in society could be argued to be the basis of a citizen's

reaction to the perceived degree of their political trust towards the government. And in line with the definition of political trust which Hooghe and Zmerli (2011, 3-4) view as a primary reaction to the performance of government institutions.

As for **acknowledgement and readiness in Vik** it is difficult to find any indications that this strategy was developed. There are no forms of termination of untrustworthy behavior within the organization, or that the political competition impacted a re-election. As for **acknowledgement and readiness in Hemnes** there were forms of termination of untrustworthy behavior within the organization. As for **diagnosis in Vik** it is possible to identify indications that the diagnosis has been developed as a strategy. As for **diagnosis in Hemnes** it is possible to identify and describe a development of the strategy for rebuilding trust in line with diagnosis. As for **evaluation in Vik and Hemnes** it is not possible to identify any indications that evaluation has been developed as a strategy to rebuild trust. My analysis would be that the development of this strategy could be described as not being developed.

## **6.2 Strategies within the impression management perspective**

The impression management perspective should be understood in line with Elsbach (1994, 58) and the description of how individual spokespersons manage legitimacy in response to legitimacy threats by individuals' use of verbal accounts to defend, excuse, justify or enhance organizational behaviors and protect legitimacy. Furthermore, it could be understood in line with the description by Marcus and Goodman (1991, 283) that impression management is how people engage in self-presentation in order to manage the identities that others assign to them. The authors point to when someone attributes negative or undesirable qualities to an actor, the actor must offer an explanation and may attempt to excuse or justify its behavior, apologize and express remorse, guilt or shame or make attempts at restitution.

The overall understanding and analysis of how the strategies of **timeliness, apology** and **context sensitivity** could be applied to the developed conceptual framework as a basis for the analysis. Thus lifting the strategies for rebuilding trust up to a larger theoretical framework. The impression management perspective should be understood as the effort to strategically manipulate causal attributions to manage impressions (Salancik and Meindl 1984, 238).

In the following chapters I will aim to describe to what extent Vik and Hemnes developed strategies for rebuilding trust within the impression management perspective. Thus, analyzing the development of the strategies within a larger theoretical framework based on the developed conceptual framework applied in this thesis. After describing the development of timelines, apology and context sensitivity and understanding these strategies for rebuilding trust within the impression management perspective the main findings will be described.

Before the analysis itself is conducted, it is important to keep in mind how the different strategies are understood and classified within the conceptual apparatus. The strategy of rebuilding trust connected to **timeliness** which is based on the fourth proposition by Gillespie and Dietz (2009, 138) and should be viewed as a timely, initial interventions that prevent or constrain a re-occurrence of the failure will positively impact employees' perceived organizational trustworthiness. The initial response for managing trust repair should be applied when there is a natural window of opportunity.

The strategy of rebuilding trust connected to **apology** is based on the sixth proposition by Gillespie and Dietz (2009, 140) and should be viewed as a strategy for rebuilding trust as to directing an apology both internally and externally. Thus adapting the apology to whether or not it is a breach of ability or integrity. An extension of this strategy should be looked at in line with the arguments presented by Koerber (2014, 320) that before selecting a strategy there has to be an established understanding of one's community and their ideas of legitimacy. An apology, both in accordance with ability and integrity, only makes sense if it is expected.

The strategy of rebuilding trust connected to **context sensitivity** is based on the seventh proposition by Gillespie and Dietz (2009, 140-141) and should be viewed as a strategy for rebuilding trust only if one makes the distinction between a breach of ability or a breach of integrity. Acknowledgment should be executed after a competence-based trust violation, while denials should be applied after integrity-based trust violation. Thus following the notion of Kim et. al (2004, 107). The proposition presented should be regarded as two folded with different approaches as to the cause of the breach of trust. The forms of acknowledgment or denials are tied up to the different characteristics by Elsbach (1994) separating between technical and institutional characteristics.

### **6.2.1 Timeliness as developed strategy**

Looking at Vik in the effort to describe the development of timeliness as a strategy, it is difficult to pinpoint whether or not the timeliness has been developed in line with the strategy at hand. There seems to have been more focus on managing the economy, than timeliness. The deficit was in 2008, 116 million kroner (071/08 kommunestyret), and by 2015 it ended up with a profit (Wolden Fredriksen and Sundberg 2015). This developed strategy of timeliness of the problem at hand worked in line with managing the economy, but the initial timeliness of the response was not in line with the strategy of which this analysis is based. I would argue that the debate surrounding the arrangement of a public town hall meeting could be viewed as a discussion of the timeliness of the diagnosis. Looking at the timely, initial interventions that prevent or constrain a re-occurrence of the failure which have positive impacts it is possible to identify it as a constraint of future recurrence asking apologizing for the situation that had occurred, and asked the municipal director to build satisfying routines to avoid this from happening in the future (041/08, kommunestyret). The initial problem of this approach is that the timeliness of it is rather late, having the scandal bursting in November of 2007, the vote by the council occurred in the end of June of 2008 (041/08, kommunestyret). Apologizing and constraining future recurrence over half a year later is too slow of a timeliness to be described as part of the strategy to rebuild trust.

Therefore it is necessary to bring forward the third conflict presented in regards to Vik, where there was a discussion about arranging a public town hall meeting. The motivation for doing so could be described in the words of an editorial from the newspaper Sogn arguing that citizens could voice their concern and ask questions to the responsible agents. The newspaper was further disappointed by the mayor for only addressing an apology online at the municipal website, and not directly to the citizens at a town hall meeting (Sogn Avis 2007). In dealing with the development of a possible strategy for rebuilding trust there are indications that political competition arose which further disabled the possibility for the timeliness of the diagnosis. The timeliness of the diagnosis seems to have fallen within a spiral where there was discussion if the meeting should be arranged or not, having a municipal council meeting exempt from the public to discuss the matter, but not reaching any conclusions (002/08, kommunestyret). When the meeting finally was organized, it seems that there was no great public engagement, with only one of the attendees asking about Terra (Kleven 2008), thus indicating that the timeliness had taken too much time since there were few of the participants who talked about the matter. The scandal struck in the late November of 2007,

while the town hall meeting where arranged in April, several months later, thus demonstrating that the timeliness of the strategy should not be viewed as developed in accordance with the presented strategy.

As for Vik, it is difficult to identify that the timeliness of the diagnosis has been developed as a strategy, due to the fact that it seems like an hesitation to arrange an open meeting, or apologize publicly that was criticized by the local newspaper. The timeliness could in Vik be described as having been developed, but that it was a too slow timeliness, thus falling into the spiral of discussing whether or not to arrange a public town hall, rather than timing the diagnosis to address the concerns by the public. The vote in the council to constraint future recurrence was made over half a year later than when the scandal broke. This is demonstrated by the fact that the town hall meeting was held several months after the scandal struck. In answering the research question related to what extent, in this case Vik developed a strategy for rebuilding trust based on timeliness, my analysis would be that it was not developed.

In Hemnes, I would argue that the situation was rather opposite of that in Vik. The public town hall meetings were arranged rather quickly after the scandal broke. In fact, having over ten percent of the inhabitants participating at the meeting (Forbord 2007) indicates that there was a great deal of public interest to voice concern and get explanations from their elected officials. As opposed to Vik, where this was not the case. The great public attention, as well as national media coverage may indicate that the timeliness of the diagnosis was in line with the timeliness of the strategy which can be associated with high trustworthiness. I would argue that a crucial part of diagnosing what went wrong where the fact that the municipal presidency in Hemnes voted to criticize Terra, by voicing strong criticism towards the counseling given, and where the presidency apologises for the situation that the municipality had been put in (73/07 formannskapet). The scandal broke in late November, mayor Juvik addressed the public straight after the scandal became known, and the municipal presidency apologized even before the mayor addressed the town hall meeting (73/07 formannskapet).

As for Hemnes, it is possible to identify indications that timeliness, as a strategy for rebuilding trust have been developed and was initiated at the right time, thus being associated with trustworthiness. In answering the research question related to what extent, in this case Hemnes developed a strategy for rebuilding trust based on timeliness, my analysis would be

that it was developed in Hemnes. Due to the fact that they made an official apology and that the mayor addressed the public soon after the scandal broke.

### **6.2.2 Apology as developed strategy**

Starting with Vik an important entrypoint to understanding how apology is related to any forms of identification of how this strategy was developed. Looking at the political debate in Vik, there was a great deal of public pressure towards the political leadership for apologising, thus demonstrating congruence across the organization. The pressure was not directed towards incumbent mayor Halset, but former mayor Erling Stadheim who initiated the investments in Terra. Having the former mayor offering a sincere apology stating that he had never regretted anything more in his entire life and that the last few months had been terrible for him (Fardal 2008), should be viewed as a heartfelt and sincere apology. The former mayor became the public face of a regretful man, thus taking some of the edge off a further apology since there already had been one.

The apology from the former mayor should not be regarded as a strategy for rebuilding trust developed by the municipal organization, but rather a regretful man in need to remove a heavy burden through the act of apologizing. The organizational development of apology as a strategy for rebuilding trust in Vik should be described and understood through the municipal organization acknowledgment of the responsibility for the consequences of its actions by voting on a resolution apologizing for the situation that had occurred, and asked the municipal director to build satisfying routines to avoid this from happening in the future (041/08, kommunestyret). Though, not necessarily as a heartfelt apology as the one of the former mayor, this strategy could be viewed as the development of a strategy to rebuild trust through apologizing. The interesting aspect of this apology is that the municipal council apologizes for the situation that one had ended up in, not necessarily admitting culpability, but putting focus on the measures that could be initiated in the future to avoid something like this from occurring again.

As for Vik, it is possible to identify indications that apology, as a strategy for rebuilding trust have been developed to such an extent that the municipal council voted on initiating the strategy. Albeit with some differences from a pure strategy of merely apologizing. In answering the research question related to what extent, in this case Vik developed a strategy

for rebuilding trust based on apology, my analysis would be that this occurred in Vik. With some modifications and differences from the presented conceptual framework.

Moving on to Hemnes, the story is similar, although the mayor in this case played a more significant role in apologizing. In Hemnes there are indications that this strategy could be described as having been developed. This is based on the instance where mayor Juvik addressed his apology, that no warning bells had alarmed them and admitting that they should have been more critical (Aftenposten 2007). An important element should be related to the statement made by mayor Juvik in the interview in regards to this master thesis, where he pointed out that: *“I should not have that strategy to blame others. We should show what the facts are. We shall take responsibility”* (Kjell-Idar Juvik, personal communication by Zoom. 25th of January 2021). This approach was acknowledged by a participant at the mentioned town hall meeting praising the openness about the mistakes that had been made (Forbord 2007).

As in Vik, the municipal presidency in Hemnes did also vote on a motion to apologize. The apology voted on, focused on acknowledging the situation that had occurred and that the municipality has been put in a situation without possibilities to make a thorough assessment of the guidance given by Terra (73/07 Formannskapet). Analyzing the effort to apologize through this vote it could best be described as an apology without substance more focused on assigning blame to Terra than admitting own culpability.

As for Hemnes, it is possible to identify indications that apology, as a strategy for rebuilding trust have been developed to such an extent that the municipal presidency voted on initiating the strategy for apologizing. Albeit with some differences from a pure strategy of merely apologizing through the fact that the formal apology focuses more on Terra than the municipal organizations own culpability. Furthermore, the apology made by mayor Juvik at the town hall meeting in 2007 after the scandal broke further strengthens the indications that there was a development of a strategy to rebuild trust focused on apology. In answering the research question related to what extent, in this case Hemnes developed a strategy for rebuilding trust based on apology, my analysis would be that this was developed.

### **6.2.3 Context sensitivity as developed strategy**

Starting with Vik an important entrypoint to understanding how context sensitivity may have been developed is related to any accounts given between denials or acknowledgment. As for the differentiation between apology and denial the strategy of apology is to some extent present in Vik, as I have described in the previous chapter. There are indications that both acknowledgment and denials have been developed as a part of the strategy of context sensitivity. As defined by Elsbach (1994, 68) as an effort to deny wrongdoing by claiming that the organization was structurally decoupled from those responsible for controversial actions.

In the case of Vik's involvement in the court dispute could be viewed as denials linked to institutional characteristics. The rationale for this analysis is the arguments based on the structural decoupling from those responsible for controversial actions. Mayor Halset argued after a lawsuit in CitiBank that it was a confirmation that the municipality was deceived into making the investments (Brekke 2009). Thus decoupling the organization from those pointed to as being responsible, in other words Terra.

An interesting aspect is that after the court settlement in 2015 the denial linked to the institutional characteristics again was repeated to build the notion that the municipalities involved were in fact without guilt due to the fact that they were deceived, which structurally decouples the organization from the responsible actor that Terra represents. Municipal director in Vik, Oddbjørn Ese expressed his view on the court settlement by arguing that the court decision is an improvement to the municipalities and that it confirms the municipalities view on the consulting from Terra (Svartefoss 2016). With the settlement in 2015 where the municipalities received a large part of their lost sums in return it gives a notion of credibility, or it could be said to symbolize legitimacy for the trustworthiness of the organizations in their claim that they were structurally decoupled from the responsibility.

As for acknowledgment the closest indication that this has been developed as a part of context sensitivity is in relation to Vik municipality's official apology made by the municipal council could be understood as an acknowledgement with technical characteristics. Which Elsbach (1994, 68) understands as linking the technical part with the acknowledgment this reinforces the organization's credibility as rational actors. This could be described to the

instance in Vik, where the council both apologized for the situation, and urged the municipal director to come back with an orientation on how to build satisfying routines to avoid this from happening in the future (041/08, kommunestyret). With this acknowledgement made by the municipal council it is demonstrated that the technical part and make procedures that prevent this from occurring again, as well as the initiative could be said to reinforce the organization's credibility as rational actors.

As for Vik, it is possible to identify indications that context sensitivity, as a strategy for rebuilding trust have been developed due to the instances of denials linked to institutional characteristics and acknowledgement linked to technical characteristics. My analysis would be that the development of this strategy could be described as having been developed.

Looking at Hemnes, it is possible to identify indications that there has been a developed strategy based on context sensitivity. There are several similarities here with Vik, just after the scandal broke mayor Juvik made a statement that resonates with a denial linked to institutional characteristics in an effort to structurally decouple the municipality from Terra as the latter was the responsible one. The mayor emphasized that they had been deceived by Terra and that he hoped to have the lost investments returned (Dagsrevyen 2007). And furthermore, he introduced an argument claiming that Hemnes had both been deceived and received wrongful information, where the mayor pointed to the fact that the information about the investments was wrong and edited to look better than it actually were (Grønli 2007). This is another instance that should be viewed as denial of any wrongdoing and thus linking it to the institutional characteristics with the effort to structurally decouple the municipality by bringing forward information that supported this claim.

Related to the notion of acknowledgment, there are no clear indications which I have been able to identify in regards to acknowledgment on either institutional or technical aspects. As a part of developing a strategy related to context sensitivity. The apology voted on in the municipal presidency could be viewed as a technical characteristics since there is an acknowledgement of the situation the municipality has been put in, but I would argue that it is more of an apology without substance, as it also focuses on that the municipality has been put in a situation without possibilities to make a thorough assessments of the guidance given by Terra (73/07 formannskapet). Thus indirectly assigning blame by the act of apologizing. Looking at the apology made by mayor Juvik at the public town hall meeting

after the scandal broke, he came with an acknowledgment that no warning bells had alarmed them and admitting that they should have been more critical (Aftenposten 2007). It is difficult to place this either linked to institutional or technical characteristics due to the fact that it seems to be more of an admission of own culpability and shortcomings of the organization. Rather than linked to either of the two characteristics.

As for Hemnes, it is possible to identify indications that context sensitivity, as a strategy for rebuilding trust, have been developed due to the instances of denials linked to institutional characteristics. Although there are indications of an acknowledgment, which I have not been able to identify in line with linkage to institutional or technical characteristics My analysis would be that the development of this strategy could be described as having been developed to the extent based on denials as a part of the context sensitivity, but more limited on the basis of acknowledgement.

#### **6.2.4 Understanding the strategies within the impression management perspective**

Having looked at the development of timelines, apology and context sensitivity as strategies to rebuild trust in Vik and Hemnes, it is necessary to analyse it through the impression management perspective. An important entryway to understand these developed strategies within the impression management perspective is related to the effort to strategically manipulate causal attributions to manage impressions (Salancik and Meindl 1984, 238).

An interesting finding from both Vik and Hemnes is the role of the court disputes between the municipalities and Terra. There are indications of efforts to strategically manipulate causal attributions to manage impressions (Salancik and Meindl 1984, 238) by repeating the argument that the municipalities were deceived by Terra. This argument has been made by both the mayor in Vik and Hemnes. As the scandal broke mayor Halset argued that Vik had been deceived (Svartefoss 2008). The same effort was done in Hemnes after the scandal broke and mayor Juvik presented this argument on national TV (Dagsrevyen 2007).

The notion of strategically manipulating causal attributions to manage impression (Salancik and Meindl 1984, 238) should be viewed in line with the argument by Marcus and Goodman (1991, 283) that impression management is how people engage in self-presentation in order to manage the identities that others assign to them. This could best be illustrated through the strategy of context sensitivity where both mayors framed their involvement in the scandal as

deception and by presenting this argument it is an active effort to both strategically manipulate attributions to manage impression, but also an engagement in self-presentation to manage the municipalities identities that others had assigned to them. It would be logical to assume that this manipulation occurred due to national media framing the involved actors in the municipalities as greedy and without knowledge of the risks of the investments (Sølje 2007). Not only were they framed as greedy, but also naive (Vartdal Riise 2007).

Another interesting notion based on the argument of deception and how it relates to the impression management perspective is looking at it through denial linked to technical characteristics. As Elsbach (1994, 68) define it as an effort to deny wrongdoing by claiming that the organization was structurally decoupled from those responsible for controversial actions. Furthermore, this could be applied to the strategy of apology as well. The official apologies voted on in the municipal council and municipal presidency in Vik and Hemnes demonstrates an interesting finding where apology is used to decouple itself from the controversial actions.

In Vik the municipal council apologises for the situation that had occurred, and asked the municipal director to build satisfying routines to avoid this from happening in the future (041/08, kommunestyret). In Hemnes it was apologized, or acknowledged the situation that had occurred and that the municipality has been put in a situation without possibilities to make a thorough assessment of the guidance given by Terra (73/07 formannskapet). Looking at both definitions by Elsbach (1994) related to acknowledgement linked to technical and inscharacteristics, as showcasing that the technical aspect would reinforce their credibility as rational actors (Elsbach 1994, 70). And the acknowledgement linked to institutional characteristics, as linking it to institutional procedures (Elsbach 1994, 69). There are no indications that these could be applied to the acknowledgments made. What both apologies does symbolie is an active effort to strategically manipulate causal attributions to manage impression by decoupling themselves from the controversial event. The investments in Terra.

### **6.2.5 Main findings within the impression management perspective**

Having analyzed the strategies of timeliness, apology and context evaluation there are indications that the impression management perspective has been present in both Vik and Hemnes. A core understanding of how the impression management perspective unfolded in both Vik and Hemnes is by looking at the effort to strategically manipulate causal attributions

to manage impressions (Salancik and Meindl 1984, 238) and as an effort to engage in self-presentation in order to manage the identities that others has assigned to them (Marcus and Goodman 1991, 283). There are several indicators that within both the strategy of apology and context sensitivity that there has been an effort to strategically manipulate to manage the impression and identities others have assigned. This goes especially on how the municipalities of Vik and Hemnes were framed as both greedy (Sølje 2007) and naive (Vartdal Riise 2007).

Related to the point above the impression management has been related particularly to the argument that both Vik and Hemnes were deceived by Terra. This should be viewed as a core argument within this perspective as it is an effort to structurally decouple themselves from those responsible for the controversial event, in line with the arguments presented by Elsbach (1994, 68).

As for **timeliness in Vik** it is difficult to identify that the timeliness of the diagnosis has been developed as a strategy. As for **timeliness in Hemnes** it is possible to identify indications that timeliness, as a strategy for rebuilding trust have been developed and was initiated at the right time. As for **apology in Vik** it is possible to identify indications that apology, as a strategy for rebuilding trust have been developed. As for **apology in Hemnes** it is possible to identify indications that apology, as a strategy for rebuilding trust have been developed to such an extent that the municipal presidency voted on initiating the strategy for apologizing. As for **context sensitivity in Vik** it is possible to identify indications of context sensitivity, due to the instances of denials linked to institutional characteristics and acknowledgement linked to technical characteristics. As for **context sensitivity in Hemnes** it is possible to identify indications that context sensitivity, as a strategy for rebuilding trust, have been developed due to the instances of denials linked to institutional characteristics.

### **6.3 Strategies within the organizational perspective**

The organizational perspective should be understood in line with Brint and Karabel (1991, 15) who define an institutional model as inspired by classical sociological tradition in the study of organizations where the fundamental feature is the organizations themselves which are the starting point. There is an institutional basis for the organizational framework that can best be illustrated through Elsbach (1994, 59) who describes that institutional theories as

focusing on how organizations build support for legitimacy by maintaining normative and widely endorsed organizational characteristics.

The overall understanding and analysis of how the strategies of **congruence** and **comprehensiveness** could be applied to the developed conceptual framework as the basis for this analysis. Thus lifting the strategies for rebuilding trust up to a larger theoretical framework. The organizational perspective should also be understood in line with Brint and Karabel (1991, 16) that the beliefs and activities of the administrators are the ones who typically have the power to define what is in the interest of the organizations over which they preside. In this case an assumption could be that the administrator's interest was to develop strategies for rebuilding trust related to congruence and comprehensiveness.

In the following chapters I aim to describe to what extent Vik and Hemnes developed strategies for rebuilding trust within the organizational perspective. Thus analysing the development of the strategies within a larger theoretical framework. After describing the development of congruence and comprehensiveness and analysing them within the organizational perspective and present the main findings.

The strategy of rebuilding trust connected to **congruence** is based on the second proposition by Gillespie and Dietz (2009, 136) and should be viewed as a strategy where the trust repair interventions are moderated to which extent they achieve congruence across organizational components. This strategy should be understood in line with achieving coordination within the organization, where all the components of the organization work in synchronization with each other. Congruence is achieved across all organizational components.

The strategy of rebuilding trust connected to **comprehensiveness** is based on the third proposition by Gillespie and Dietz (2009, 136-137) and should be viewed as a strategy of showcasing trustworthiness in the organization's ability, presenting benevolence for any wrongdoings, and integrity. As the latter strategy is regarding organizational coordination, comprehensiveness should be viewed as to what extent all parts of the organization works to rebuild trust. It is not necessarily a coordinated matter.

### 6.3.1 Congruence as developed strategy

Looking at Vik an important entrypoint to understand congruence is to identify any efforts to achieve congruence across organizational components. Or in other words, were there any forms of coordination within the organization where all components of the organizations were synchronized. When the informants were asked if they experienced that every political party participated in rebuilding trust, opposition politician Midlang had an interesting reflection: *“Everybody participated, we did not really have a choice. Of course the measures were discussed, but we gathered in the end”* (Morten Midlang, personal communication by Zoom, 28th of January 2021). This could indicate that congruence was achieved at least within the political components of the organization, in managing the negative aspects of the Terra-scandal.

This notion of congruence addressed by Midlang could be identified to the wider municipal organization in Vik as well, asked which persons participating in discussing how the damage could be fixed, mayor Halset had an interesting contribution: *“In the work in the municipality both the organizations and the professional environments participated, but it was of course the municipal council who took the decisions”* (Marta Finden Halset, personal communication by phone call, 22nd of January 2021). This statement is a further indication that congruence as a strategy could have been developed in Vik. Not only where the political components of the organization synchronized with each other, but the organizations and professional environments outside of the political sphere participated as well. Asked the same question, municipal director Ese replied that *“the whole organization, all the leaders from education, healthcare. All areas had to come up with possible measures for cutting costs. It was worked with very systematically”* (Oddbjørn Ese, personal communication by Zoom, 28th of January 2021).

Another interesting notion behind congruence as a strategy is from where it was driven and initiated. There are clear indications that this occurred within the established organizational forum within the organization. Asked in which forums the discussions regarding fixing the damage occurred, opposition politician Midlang pointed to that: *“It was to a significant degree mayor and municipal director. And the auditor. They were the ones who did the job. But, they presented the political cases for both the municipal presidency and the municipal council”* (Morten Midlang, personal communication by Zoom, 28th of January 2021). Thus there are indications that the strategy of congruence was developed by the mayor and

municipal director, as well as the auditor and that the political solutions were discussed in the municipal council and presidency.

As for Vik there are clear indications that congruence as a strategy to rebuild trust was developed. Looking at to what extent this strategy was developed the analysis would be that there are sufficient indications to say that it was developed within the presented framework.

Looking at Hemnes it is crucial to apply the same entrypoint as with Vik. When the informants were asked if they experienced that every political party participated in rebuilding trust, opposition politician Kvalbukt argued that: *“I really think that everybody participated. Even the Progress party was involved”* (Inga Kvalbukt, personal communication by phone call. February 1st, 2021). As in Vik, this answer could indicate that congruence was achieved within the political components of the organization.

This notion of congruence addressed by Kvalbukt could be identified to the wider municipal organization in Hemnes as well, and asked which persons participating in discussing how the damage could be fixed, mayor Juvik shared some relevant reflections: *“It was really the administration in collaboration with the politicians. Therefore, we agreed that we had to step up”* (Kjell-Idar Juvik, personal communication by Zoom. 25th of January 2021). This statement is an indication that not only the political components within the organization, but the administrative components as well participated. The collaboration between the administration and politicians could indicate an organization that is synchronized across all components.

Another interesting notion behind congruence as a strategy is from where it was driven and initiated. There are clear indications that this occurred within the established organizational forum within the organization. Asked in which forums the discussions regarding fixing the damage occurred, mayor Juvik had this contribution: *“It was actually the more political ones. I would assume that the unit managers and leaders in the organization had strict guidelines from the municipal director to keep control of the economy. And they were firm in using Terra as an argument to keep strict control of the economy”* (Kjell-Idar Juvik, personal communication by Zoom. 25th of January 2021). This indicates that the process was driven within established political forums of the organization, and that the congruence was also driven by the municipal director through the focus on keeping control of the economy, and

using the Terra-investments as an argument to further synchronize the organizational components.

As for Hemnes there are clear indications that congruence as a strategy to rebuild trust was developed. Looking at to what extent this strategy was developed the analysis would be that there are sufficient indications to say that it was developed within the presented framework.

### **6.3.2 Comprehensiveness as developed strategy**

The strategy for rebuilding trust connected to comprehensiveness is somewhat difficult to find any indications to whether or not it was developed in Vik and Hemnes. The third proposition by Gillespie and Dietz (2009, 136-137) which focused on showcasing trustworthiness in the organization's ability, presenting benevolence for any wrongdoings, and integrity is also to some extent difficult to find any indications of. Albeit, there have been efforts to demonstrate benevolence for any wrongdoings that should be viewed as a part of the strategies related to apology and context sensitivity. A reason for this may be that both the proposition and my approach to this strategy through my conceptual apparatus may be too vague, thus making it more problematic to find any indications of having this strategy being developed.

Looking at the available data at hand, it is not possible to identify any indications that evaluation has been developed as a strategy to rebuild trust. My analysis would be that the development of this strategy could be described as not being developed.

### **6.3.3 Understanding the strategies within the organizational perspective**

Having looked at the development of congruence and comprehensiveness as strategies to rebuild trust in Vik and Hemnes, it is necessary to analyse it through the organizational perspective. An important entryway to understand these developed strategies within this given perspective is related to the notion by Brint and Karabel (1991, 16) that the beliefs and activities of the administrators and professionals who typically have the power to define what is in the “interest” of the organizations over which they preside.

An interesting finding related to both Vik and Hemnes is the effort of achieving congruence across the whole organization. mayor Juvik that: *“It was actually the more political ones. I would assume that the unit managers and leaders in the organization had strict guidelines*

*from the municipal director to keep control of the economy. And they were firm in using Terra as an argument to keep strict control of the economy”* (Kjell-Idar Juvik, personal communication by Zoom, 25th of January 2021). This should be viewed in line with the arguments by Brint and Karabel (1991, 16) that the beliefs and activities of the administrators are the ones who typically have the power to define what is in the interest of the organizations over which they preside. In this case the belief was that the negative effects of the scandal had to be managed, and therefore the municipal director had the power to define that it was the interest of the organization to keep strict control of the economy due to Terra.

The reflections by mayor Juvik and its ties to Brint and Karabel (1991, 16) is also present in Vik, through the statement by municipal director Ese that: *“the whole organization, all the leaders from education, healthcare. All areas had to come up with possible measures for cutting costs. It was worked with very systematically”* (Oddbjørn Ese, personal communication by Zoom, 28th of January 2021). Also here there are indications that binds the strategy of congruence to the organizational perspective through the notion that all areas had to come up with possible measures for cutting costs. Thus being a synchronized coordination between the whole organization. The rationale for doing so could be argued that the municipal director was the driving force behind making all areas present possible measures for cutting costs. A way of understanding the beliefs and activities of the administrators in Vik's case, could be through the statement by the municipal director where he focused on his educational background: *“I have a degree as a civil economist. That has been a prerequisite for managing the clean up. It would have been impossible with such a crisis, as municipal director, if I had to play on others' ”* (Oddbjørn Ese, personal communication by Zoom, 28th of January 2021).

#### **6.3.4 Main findings within the organizational perspective**

Having analyzed the strategies of congruence and comprehensiveness there are indications that the organizational perspective has been present in both Vik and Hemnes. Although limited to the strategy of congruence. A core understanding of how the organizational perspective unfolded in these two municipalities could be by the argument by municipal director Ese in Vik and mayor Juvik in Hemnes related to which components of the organization that participated in managing the damage that occurred after the scandal.

What is especially interesting is the notion by mayor Juvik that: *“It was actually the more political ones. I would assume that the unit managers and leaders in the organization had strict guidelines from the municipal director to keep control of the economy. And they were firm in using Terra as an argument to keep strict control of the economy”* (Kjell-Idar Juvik, personal communication by Zoom. 25th of January 2021). This should be viewed in line with the arguments by Brint and Karabel (1991, 16) that the beliefs and activities of the administrators are the ones who typically have the power to define what is in the interest of the organizations over which they preside. In this case the belief was that the negative effects of the scandal had to be managed, and therefore the municipal director had the power to define that it was the interest of the organization to keep strict control of the economy due to Terra.

As for **congruence in Vik** there are clear indications that congruence as a strategy to rebuild trust was developed. As for **congruence in Hemnes** As for Hemnes there are clear indications that congruence as a strategy to rebuild trust was developed. As for **comprehensiveness in Vik and Hemnes** it is not possible to identify any indications that evaluation has been developed as a strategy to rebuild trust. My analysis would be that the development of this strategy could be described as not being developed.

#### **6.4 Comparison within the conceptual framework and main findings**

Having analysed the findings for all eighth strategies within the three perspectives related to performance, impression management and organizational, it is important to look at the differences between them. A significant part of the research question is focusing on *“what are the differences in these potential strategies of trust?”* and by comparing the strategies between the municipalities of Vik and Hemnes, and the different perspectives.

Before a comparison can be approached it is important to look at the findings presented above related to each perspective and whether or not it could be said that it was developed, in Vik and Hemnes respectively. The top section of the table below shows the developed strategies within the three perspectives, as the bottom section showcases the strategies that has not been developed in Vik and Hemnes:

**Table 3 - Comparison of strategies developed within the conceptual framework for classifying strategies to rebuild trust**

	<b>Strategies developed in Vik</b>	<b>Strategies developed in Hemnes</b>
<b>Performance perspective</b>	Diagnosis	Acknowledgment and readiness Diagnosis
<b>Impression management perspective</b>	Apology Context sensitivity	Timeliness Apology Context sensitivity
<b>Organizational perspective</b>	Congruence	Congruence
	<b>Strategies not developed in Vik</b>	<b>Strategies not developed in Hemnes</b>
<b>Performance perspective</b>	Acknowledgement and readiness Evaluation	Evaluation
<b>Impression management perspective</b>	Timeliness	
<b>Organizational perspective</b>	Comprehensiveness	Comprehensiveness

As for the extent to which strategies for rebuilding trust have been developed in Vik, there are clear indications that diagnosis, apology, context sensitivity and congruence has been developed as strategies. All the three perspectives could be said to have been present to some extent in the development of the strategies. Two thirds of the strategies within the impression management perspectives have been developed in Vik, and half of the strategies within the organizational perspective has been developed. Only one third of the strategies within the performance perspective could be said to have been developed. The strategies related to acknowledgement and readiness, evaluation, timeliness and comprehensiveness have not been developed in Vik. Four out of the eighth strategies for rebuilding trust in the conceptual framework presented in this thesis could be described as having been developed. Where the impression management perspective could be said to have been the most influential to the development.

As for the extent to which strategies for rebuilding trust have been developed in Hemnes there are clear indications that acknowledgement and readiness, timeliness, apology, context sensitivity and congruence has been developed. All the three perspectives could be said to have been present in the development of strategies in Hemnes. All the strategies adjacent to the impression management perspective have been developed. As well as two thirds of the strategies belonging to the performance perspective could also be described as developed. As for the organizational perspective one out of two strategies were developed. The strategies related to evaluation and comprehensiveness could not be described as having been developed in Hemnes. Six out of the eighth strategies for rebuilding trust in the conceptual framework presented in this thesis could be described as having been developed. Where all of the strategies belonging to the impression management perspective could be said to have been developed. Two thirds of the strategies within the performance perspective have also been developed in Hemnes.

It is worth noting that neither Vik nor Hemnes developed strategies related to evaluation and comprehensiveness. It could be the case that these strategies were not developed, or the propositions by Gillespie and Dietz (2009) and my conceptual apparatus worked in a way that narrowed the analysis so that it could not be identified within the empirical data available. Both Vik and Hemnes have clear indications of the presence of the impression management perspective connected to the development of strategies for rebuilding trust. The extent to which the strategies have been developed in Vik and Hemnes could in this case be connected to the wider theoretical framework that the impression management perspective represents. The performance perspective could also be identified as a crucial part of the development of strategies, albeit this perspective has influenced the development more in Hemnes, than in Vik. As for the organizational perspective there Vik and Hemnes as both had a development related to congruence, as comprehensive has not been developed. Thus indicating that the organizational perspective has been present to some extent in the development.

## **7. Conclusion and future research**

The Terra-scandal that came upon eighth Norwegian municipalities in 2007 was an unknown territory for the involved. The credit crisis in the US in 2007 caused the investments of 1,5 billion Norwegian kroner in complicated financial products with uncertain risk profiles to collapse in value (Riksrevisjonen 2007-2008, 27). The unknown risk aspects of the investments made created a landscape that no other Norwegian municipalities had been

involved in, with experiencing such grave losses the municipalities stood above a demanding task. This task could best be illustrated through the imperial Roman term, *terra incognita*<sup>6</sup>, meaning unknown territory, labeled by Roman mapmakers when they drew up land areas no one had yet to explore. It could also be an unexplored field of knowledge (Merriam Webster 2021).

My underlying motivation has been to give new insight on the Terra-scandal by viewing it through a theoretical framework on rebuilding trust because it has not been done before with this scandal. Understanding the Terra-scandal and the aftermath of it as an entryway to describe possible strategies to rebuild trust have hopefully given a wider insight to the efforts made by local politicians and bureaucrats managing the aftermath of such a scandal. I have in this master thesis sought to look beyond the tabloid headlines, and into the theoretical perspectives and what the empirical data could tell about rebuilding trust after a scandal of such an intensity and magnitude.

My contribution with this thesis has been to add a classification and a conceptual framework building on the eighth propositions by Gillespie and Dietz (2009) to further understand and describe possible strategies for rebuilding trust. By looking at the Terra-scandal with the theoretical framework provided by the literature on trust repair I hope that my conceptual framework not only will help describe possible strategies for rebuilding trust in Vik and Hemnes, but that my research can be a useful contribution to the research literature on trust repair, thus answering the concern presented by Kim et. al. (2004) and Gillespie and Dietz (2009) that further attention should be given to this field.

The encouragement from Kim et. al. (2004) and Gillespie and Dietz (2009) to give further attention to this field of research has become almost as a creed to me, therefore my encouragement is that the framework within the trust repair litteratur should be applied to wider theoretical frameworks within the field of administration and organizational theory. This should be done through viewing known or unknown threats to the legitimacy of an organization. My encouragement would be to look at scandals that have been given more tabloid coverage than academic attention. By looking at different scandals, from rural

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<sup>6</sup> Central parts of the conclusion, as well as the title *terra incognita* is based on my submitted paper in AORG332 research design spring 2020. The research question has been further developed, and the conceptual framework has only been developed with this master thesis.

Norwegian town's investment in Wall Street, to the Californian cattle industry as Elsbach (1994) covered, the conceptual framework of strategies to rebuild trust should be applied to further cases. Thus giving further attention to the highly interesting field of trust repair.

The aim of this master thesis has been to explain the following research question: *To what extent did Vik and Hemnes develop a strategy to rebuild trust after the Terra-scandal and what are the differences in these potential strategies of trust?* As presented in Table 3 four out of eighth strategies could be said to have been developed in Vik. And in Hemnes, six out of the eighth strategies within the conceptual framework could be described as developed. In both municipalities the impression management perspective has had a clear presence in the development of the strategies, as well as the performance perspective, although with a stronger presence in Hemnes than in Vik. As for the organizational perspective there are similarities between the two municipalities, as both developed a strategy related to congruence, but not related to comprehensiveness.

In this master thesis I have been able to find indications that suggest that four out of eighth strategies for rebuilding trust were developed in Vik, and six out of eighth strategies have been developed in Hemnes. Looking at these developed strategies and describing them in accordance within a wider theoretical perspective represented by the three perspectives. My contribution has hopefully been to add a classification and a conceptual framework building on the eighth propositions by Gillespie and Dietz (2009) to further understand and describe strategies for rebuilding trust. To study how organizations that experience swift and sudden changes, where the foundation of trust is undermined thus threatening the organizational legitimacy, have hopefully contributed to the field of research of trust repair. For many organizations that experience sudden changes they find themselves in unknown territory. It was certainly unknown territory for my two studied cases, or said more bettininfly, as *terra incognita*.

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## **8.1 Appendix - Interview guide**

Conducted in Norwegian - Intervjuguide:

- 1) Kan du kort forklare din rolle under Terra-saken, og hvordan du opplevde den?
- 2) Ble tilliten til kommunen svekket etter Terra-saken?
  - a. Var det spesielle deler av kommunen, da eksempelvis ordfører, administrasjon eller kommunestyret som opplevde en svekket tillit?
  - b. Hvilke forhold var viktige i å svekke tilliten til kommunen?
- 3) Var det en strategi for å gjenoppbygge tilliten i befolkningen?
  - a. Hvordan jobbet dere med å lage en strategi?
  - b. Var det noen personer som var med å diskutere å lage en strategi?
  - c. Hvem var det som deltok i arbeidet med å bygge strategier
  - d. I hvilke fora skjedde dette?
  - e. Var det en åpen eller lukket prosess?
  - f. Var det mange eller få personer involvert?
  - g. I hvilke deler av kommunen skjedde dette? Var det fokus på tjenestene kommunen gir eller var det politiske miljøet opptatt av dette?
  - h. Hva slags tiltak ble diskutert?

- i. Ble det diskutert uformelt, eller nedfelt i formelle vedtak?
  - j. Hvor ble dette eventuelt gjort?
  - k. Var det konflikt rundt disse strategiene?
  - l. Var det en partipolitisk dimensjon?
  - m. Var partiene i posisjon de som drev arbeidet med å gjenoppbygge tillit?
  - n. Fikk posisjonen kritikk for arbeidet de gjorde?
  - o. Var opposisjonen koblet på i arbeidet med å gjenoppbygge tillit
  - p. Hvordan ble strategiene for å gjenoppbygge tillit formidlet?
  - q. Hva tenkte dere rundt de strategiene som ble gjennomført?
- 4) Hvilken rolle spilte rettsaken mellom kommunen og Terra?
- 5) Var det noen spesielle målgrupper dere fokuserte strategiene for å bygge opp tillit spesielt på?
- a. Ble noen av målgruppene i kommunen særlig rammet av Terra-saken?
  - b. Var disse målgruppene sentrale fordi de representerte viktige velgergrupper?
- 6) Når opplevde du at Terra-saken var overstått?
- a. Når kunne kommunen begynne å arbeide med å gjenoppbygge kommunens tillit etter Terra?
- 7) Har du noen avsluttende tanker eller refleksjoner du ønsker å legge til?

## **8.2 Appendix - Informational letter for participation in the master thesis**

(Sent to the informants in Norwegian).

### **Informasjonsskriv for deltakelse i masteroppgave til Terje-André Kvinlaug**

Hei, og takk for at du har takket ja til å delta i mitt forskningsprosjekt (Kan dokumenteres gjennom skriftlig kommunikasjon) I dette skrivet finner du viktig informasjon tilknyttet din deltakelse i prosjektet.

Prosjektets formål er å finne ut hvilke strategier som blitt benyttet for å gjenoppbygge tillit etter Terra-saken, da henholdsvis i kommunene Vik og Hemnes. Opplysningene skal brukes som viktig datakilder i min masteroppgave.

Det er Universitetet i Bergen som er ansvarlige for behandlingen av opplysningene, forskningen skjer tilknyttet institutt for administrasjon og organisasjonsvitenskap. Jeg skal i

min masteroppgave benytte meg av kvalitativ metode, dette innebærer for deg som deltaker at det blir gjennomført et personlig intervju, hvor opplysninger om din oppfattelse av strategier for gjenoppbygging av tillit blir samlet inn. Andre opplysninger innebærer at det blir tatt opptak av intervjuet, slik at det kan transkriberes i etterkant.

Masteroppgaven min blir offentlig publisert i BORA, som er UiB sin eksterne publikasjon for masteroppgaver. Her vil relevante deler av intervjuet med deg bli benyttet som vitenskapelig data og det fremkommer personidentifiserende data, som navnet ditt i masteroppgaven.

Det er frivillig å delta i prosjektet. Hvis du velger å delta, kan du når som helst trekke samtykket tilbake uten å oppgi noen grunn. Alle dine personopplysninger vil da bli slettet. Det vil ikke ha noen negative konsekvenser for deg hvis du ikke vil delta eller senere velger å trekke deg.

Tidspunktet for planlagt prosjektslutt er månedsskifte Mai/Juni 2021. Opptakene av deg fra intervjuet vil ikke bli publisert offentlig, men transkriberes og lagres i henhold til NSD sine prosedyrer. Ved prosjektslutt vil alt av rådata anonymiseres slik at det kun vil være et anonymisert datamateriale som lagres hos NSD. Det vil kun være de avsnittene som benyttes i selve masteroppgaven som ditt navn står i forbindelse til. Formålet med videre oppbevaring av datamateriale er etterprøvbarehet, oppfølgingstudie, arkivering for senere forskning.

Som deltaker har du gitte rettigheter. Du har rett til innsyn, retting og sletting av opplysninger. I tillegg retten til å be om kopi (hvis samtykke basert) eller protest (for ikke samtykkebasert prosjekt).

Du har også klagerett til datatilsynet. Veileder for prosjektet er professor Jacob Aars (Jacob.Aars@uib.no) og personvernombud ved Universitetet i Bergen er Janecke Helene Veim (Janecke.Veim@uib.no)