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## Influential factors in the trust relationships existing between financial analysts and corporate managers in Iran

Mehdi ArabSalehi Nasrabadi  
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**Influential Factors in the Trust Relationships Existing Between  
Financial Analysts and Corporate Managers in Iran**

**A Thesis Submitted in Fulfillment of the Requirements for the Award of the  
Degree**

**Doctor of Philosophy**

**From**

**University of Wollongong**

**By**

**Mehdi ArabSalehi Nasrabadi**

**School of Accounting and Finance**

**July 2006**

**Dedicated to my wife, Badrossadat Amiri, without whose encouragement and support this thesis might never have seen the light of day.**

I, Mehdi ArabSalehi, declare that this thesis, submitted in fulfilment of the requirement for the award of Doctor of philosophy, in the Department of Accounting and Finance, University of Wollongong, is wholly my own work unless otherwise referenced or acknowledged. The document has not been submitted for qualifications at any other academic institution.

Mehdi ArabSalehi

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## **Abstract**

This research explored the role of trust in the relationship between the financial analysts and corporate managers in Tehran Stock Exchange (TSE) by focusing on two important aspects of the trust relationship. These aspects are key trustworthiness factors and the influential factors to perceive these key factors. Financial analysts use financial reports, which are prepared by corporate managers, in their analysis. In this thesis components of trust are distinguished from each other. These components are antecedent factors to trust, trust, and outcome of trust. Trust is considered as the financial analyst's intention to depend on managers based on their perception of managers' key characteristics including: integrity, benevolence, competence, and predictability. Antecedent factors to trust are psychological and sociological factors that influence the perception of financial analysts about those key characteristics. These antecedent factors include: related factors to: financial reports, management as well as external auditors, rules and regulations, and religion- Islam. The financial analysts' trust in corporate managers results in their reliance in the provided financial reports. The level of financial analysts' reliance on the financial reports is positively associated with the level of their trust in managers. The theoretical model of trust developed by ... is modified to apply in Iranian context. Purposive sampling is used to collect the required data. The primary data is gathered from in-depth interviews with 20 financial analysts in Iran. After that, the pattern coding technique proposed by Miles and Huberman (1994) is applied to summarise and analyse the interview data. The pattern matching technique is then used to compare the results of interviews to the theoretical patterns. The main findings of this research are: 1) trust is important in the relationship between the financial analysts and corporate managers, 2) the degree of trust that the financial analysts put in the corporate managers is identified by the corporate managers' level of trustworthiness, 3) the key factors of trustworthiness of a corporate manager are integrity, benevolence, competence, and predictability in his/her behaviour, 4) a model of trust relationship which explains how financial analysts build their relationships is suggested, 5) the main reason for financial analysts to build the relationship with corporate managers is to get accurate information about the company, especially

inside information. This research contributes to the literature of trust which include: (i) adding trust as an important element in business relationship (ii) providing empirical evidence of the key factors of trustworthiness (iii) providing empirical evidence of the influential factors on the trust relationship between financial analyst and corporate managers (iv) proposing a new model of a trust relationship between the financial analysts and corporate managers. This research has several limitations that limit the findings to be generalised. These include: Firstly, in the selected sample, the relationship between the financial analysts and corporate managers was very specific. This is because: the Iranian financial market, the Iranian financial analysis industry, and the TSE all are in an early stage of development. Secondly, the required data were collected through conducting semi-structured interviews with financial analysts only. It was not possible therefore to directly monitor the actual relationship between financial analysts and corporate managers. As a result of this restriction, the researcher had to accept the statements made by financial analysts and the data analysis had to be limited to the results of these interviews. Thirdly, because the beliefs and attitudes of financial analysts had to be translated from Farsi into English in the process of translation some concepts may not have been conveyed correctly because of the linguistic differences. Fourthly, there is a lack of previous research in this area, especially in the Iranian financial market. The study also suggests some prospective areas for investigation by applying the research proposed model in different business relationships such as the relationship between investors and corporate managers and relationship between investors and financial analysts. The results of these suggested studies may be helpful to build a general model of trust which would be applied in different business relationships.