

TRUST AND THE ORGANISATION-STAKEHOLDER RELATIONSHIP

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Abstract

Trust is a fundamental aspect of the moral treatment of stakeholders within the organisation-stakeholder relationship. Stakeholders trust the organisation to return benefit or protections from harm commensurate with their contribution or stake. However, in many situations, the firm holds greater power than the stakeholder and therefore cannot necessarily be trusted to return the aforementioned benefit to the stakeholder. Stakeholders must therefore rely on the trustworthiness of the organisation to fulfil their obligation in accordance to Phillip's principle of fairness. The notion that low power stakeholders may not be fully consenting in the organisation-stakeholder relationship serves to reinforce this necessity. Four distinctive propositions arise from the consideration of trust in the organisation-stakeholder relationship: that trust implies a fiduciary duty to stakeholders; that trust co-exists with dependency and power; that trust should not be unconditional; and that formal mechanisms may enhance trust or substitute for trust.

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TRUST AND THE ORGANISATION-STAKEHOLDER RELATIONSHIP

TRUST AND TRUSTWORTHINESS IN ORGANISATIONS

Trust in the organisation-stakeholder relationship, and the trustworthiness of the organisation to that relationship, is fundamental to the moral treatment of stakeholders. A summary of the argument follows: Where a stakeholder has contributed an investment to the firm, and that investment has been accepted, the firm owes a duty to the stakeholder to maximise benefit (or minimise harm) to that stakeholder. However, in many situations, the firm holds greater power than the stakeholder and therefore cannot necessarily be trusted to return the aforementioned benefit to the stakeholder. The degree to which the firm can be trusted to do so is related to its moral characteristic of trustworthiness¹. Further, the degree to which the organisation can be trusted/is trustworthy is related to its moral treatment of its stakeholders. The following section will examine the notions of trust and trustworthiness in some detail.

TRUST

Based on an extensive review of the organizational theory literature, Hosmer (1995) synthesised the following definition:

Trust is the reliance by one person, group, or firm, upon a voluntarily accepted duty on the part of another person, group or firm, to recognize and protect the rights and interests of all others engaged in a joint endeavor or economic exchange. (Hosmer, 1995: 393)

Having considered the view of the concept of trust in normative ethics he produced the following definition:

Trust is the expectation by one person, groups or firm of ethically justifiable behaviour-that is, morally correct decisions and actions based upon ethical principals of analysis- on the part of another person, groups, or firm in a joint endeavor or economic exchange. (Hosmer, 1995: 399)

This later definition, however, loses emphasis on the two important features of the former definition; the reliance of the trusting party; and, the duty incumbent of the trusted party.

Hence, I suggest a definition of trust based on a combination of Hosmer's two definitions:

Trust is the reliance by one person, group, or firm, upon a voluntarily accepted duty on the part of another person, group or firm, to act in a manner that is ethically justifiable-that is, undertake morally correct decisions and actions based upon ethical principals of analysis-towards all others engaged in a joint endeavor or economic exchange.

It is essential to note that, according to this definition; the trusting party (or principal) is left vulnerable to the uncertain actions of the trusted party (or agent) and is thus dependent upon that party. When we trust others, we are relying on them to take care of something about which we care, but which they could harm or steal if they wished; hence, we make ourselves vulnerable (Bailey, 2002). The rationale for a person or persons to put themselves in such a position of vulnerability and dependence is that they may achieve improved co-operation and/or benefits from such an exchange (Hosmer, 1995). Trust "is required for many cooperative activities which make human life liveable and worth living" (Bailey, 2002:3). If there is no enforcement process to compel

¹ It is manifest that this argument allows for the contrasting position that the degree to which the firm cannot be trusted relates to a lack of trustworthiness or the moral characteristic of untrustworthiness.

the trusted party to co-operate and deliver benefit (as opposed to harm), the trusting party must base their decision to trust on other factors.

Wicks, Berman, and Jones (1999) suggest that there are three elements of trust. The first is rational prediction of outcomes compared with risk. Trust is seen as the optimistic expectation of the eventual outcome of an uncertain event (Hosmer, 1995). It is this aspect of trust upon which managerial authors tend to focus at the expense of the other two (Wicks et al., 1999). Reliance on the predictability of an organization's behaviour, though often defined as trust, is more accurately understood as lack of distrust (Swift, 2001).

Trust is a richer concept that incorporates mutual vulnerability and risk, and duty to protect others (Swift, 2001). Thus, another element of trust is emotion. Trust is seen as the willingness of individuals to increase their vulnerability to the actions of others whose behavior they cannot control (Hosmer, 1995). Thus, trust occurs because an emotional bond is created between people enabling them to move beyond rational prediction to take a 'leap of faith' that trust will be honoured (Wicks et al., 1999: 100) 100). The final element enabling trust has a clear moral element. There is a moral duty to protect others in the absence of social controls. Trust is based on a subjective belief in the benevolent intention of others in the trust relationship (Peccei & Guest, 2002). A large part of the relationship that is developed by rational prediction and emotional bonds is a belief in 'goodwill' or the moral character of the actors.

Trust, therefore entails an expectation of morally correct performance. The trusting party is willing to put themselves in a position of dependence and vulnerability, not necessarily because they believe the trusted party will act in their best interest, but because they believe the trusted party will act for the greater good (Hosmer, 1995). Wicks et al. (1999) emphasised the importance of the moral element to trust because without this element agents are faced with opportunism or higher agency or transaction costs to prevent opportunism. It is due to self-restraint on behalf of the moral actor that trust can address the problem of opportunism. The extent and nature of self-restraint, goodwill and moral character has been addressed in earlier discussions of moral principles and moral pluralism.

Trust and the Absence of Distrust

The moral aspect of trust highlights the distinction between the *presence of trust* and the *absence or lack of distrust*. In the absence of the moral element of the trust relationship, any action is merely "the willingness of one person to increase his or her vulnerability to the actions of another person whose behaviour he or she cannot control". There is no implied duty on the part of the trusted party, no promise of protection offered. Any risk taken by the individual is based on beliefs not related to the moral character of the other party nor any implied moral contract. This rational action is better understood as the absence of distrust rather than existence of trust. If 'lack of distrust' is therefore understood as the opposite of distrust, then the trust is best described as the opposite of 'lack of trust'. The representation of trust as a single continuum no longer suitable, and a split trust continuum, helps to explain what appear to be mutually exclusive ideals (Swift, 2001).

Swift (2001) proposes that the absence of trust differs qualitatively from the presence of distrust. Figure 1 depicts a split trust continuum in comparison to a single trust continuum. The 'distrust-lack of distrust' range is based on the predictability of the agent's behaviour and the level of suspicion of the principal. As such distrust is depicted as the assumption that the agent cannot be predicted to act in the principal's interest and is likely to pursue self-interest, and therefore the principal has a high level of suspicion of the agent. Lack of distrust is understood as low level of suspicion of the agent based on the assumption that the agent's behaviour is predictable. The 'trust-lack of trust' range does not assume rationality and allows for a higher level of emotion and the inclusion of moral duty. Thus, 'lack of trust' is understood as the principal not having knowledge or confidence of the agents trustworthiness and therefore being less willing to take a risk or place themselves in a position of vulnerability. 'Trust' is described as the principal having belief and confidence in the goodwill of the agent's intent and behaviour, and thus being willing to

risk exposure to vulnerability or take the 'leap of faith'. This is consistent with the definition and explanations of trust discussed earlier (Hosmer, 1995; Wicks et al., 1999).

Figure 1 about here

The split trust continuum would suggest that one could arrive at the same 'space' by having either a lack of trust or a lack of distrust. A process that would reduce distrust could just as readily reduce trust. If this is the case, then could the split trust continuum also allow the apparently paradoxical presence of trust and distrust at the same time? It is interesting to note that Power (2004) suggests that it is possible to trust and distrust numbers simultaneously.

Trustworthiness as Moral Character

The moral element of the trust relationship has been established. The logical advancement of notion is this is that willingness to trust by one party is linked to the moral character and perceived trustworthiness of the other party. Although trust and trustworthiness are sometimes used interchangeably (Swift, 2001) they are distinct in that trust is a situational factor whereas trustworthiness is a quality displayed by parties which engenders trust (Blois, 1999). (Define trustworthiness as a virtue here)

According to Mayer, Davis and Schoorman (1995) there are three critical elements that determine trustworthiness; ability, benevolence and integrity. Ability refers to the agent's capacity to undertake the task required. In part, ability refers to technical skills and competencies. However, it also involves less specific capacities such as interpersonal communication and analytical skills and more abstract characteristics such as business sense and judgement. Benevolence is the extent to which the agent is seen to want to act in the interest of the principal. Benevolence connotes a positive orientation or attachment between agent and a specific principal or principals. Examples of such benevolence include love or sympathy towards the other party. This construct of benevolence as personal orientation parallels, but is more specific than, similar notions of intention and motivation. Integrity is the perception that the agent adheres to a set of principles that the principal considers worthy. Importantly, this construct is wider than the mere adherence of the agent to a set of values (personal integrity) or the mere compatibility between the agents and principals values (value congruence).

The fact that these elements are seen as unique and separable does not mean that they are exclusive of one another and not related. It is noted that these variables are not dichotomous but exist along a continuum (Mayer et al., 1995). If all three factors were perceived to be high an individual that individual would be seen as highly trustworthy. There may be situations, however, where not all three factors are high but one of two factors exists such that a "meaningful" amount of trustworthiness is present (Mayer et al., 1995: 721). It may be possible, but highly unlikely, for trustworthiness to exist in the absence of one of these factors. On the other hand, it is very likely that the absence of one of these factors would undermine perceptions of trustworthiness. Mayer et al (1995) believe that where the agent is unknown, or there is no existing relationship between principal and agent, integrity will be the most salient factor in perceived trustworthiness. Further, where the agent is known, or as the relationship between principal and agent develops, benevolence will become a more salient factor.

Bailey (2002) suggests that trustworthiness goes beyond both benevolence and integrity. He argues that reliance on either or both of these factors is not sufficient. He identifies a reliance on individuals to take responsibility for how their role or position affects the lives of others, particularly how their behaviour will influence the decisions of others. Such taking of responsibility is part of being a friend or a relative, but it is also part of being a professional and a business person. Bailey

writes: "This taking of responsibility, rather than love, sympathy, or a sense of morality, is the 'good disposition', or 'trustworthiness', on which I rely in trusting another" (Bailey, 2002: 8).

Abuse of Trust and the Importance of Optimal Trust

If managers approach trust in a purely rationally predictive way, without the corresponding emotional or moral elements, they are liable to act opportunistically. It may be tempting in a relationship dependent upon trust for a party to "act as if" they care about the rights and interests of the other party as a means of enhancing their own interest. Such opportunistic behaviour is more likely to occur where the trusting party is highly dependent or vulnerable to a more powerful trusted party. Opportunistic behaviour on behalf of an organisation within the organisation-stakeholder relationship is likely to impact not only future interactions with that stakeholder but with other stakeholders as well. The integrity of the managers will be brought into question and they will be seen as less trustworthy and hence less likely to engender trust. Hence, the likelihood that a party in a trust relationship will act opportunistically is limited by the perceived integrity or trustworthiness of that party.

Slinger (2000) suggests that self serving behaviour is readily recognisable in the organization-stakeholder relationship due to the rich information which passes during interpersonal interactions. Frank (1988, cited in Wicks et al., 1999) concurs that it is difficult to mask selfish behaviours because of various facial expressions, gestures and other emotional cues that tend to reveal one's true motivation. Slinger (2000) introduces the notion of uncalculativeness to the organisation-stakeholder relationship to describe the characteristic of trustworthiness held by a party or parties in the relationship.

Thus, in order to be seen as trustworthy managers, need to abstain from opportunistic behaviour and must be genuinely committed to trust. Correspondingly, managers are more likely to be trusted if they are perceived as trustworthy. Further, the nature of trustworthiness suggests that managers who are more likely to be trusted will be more willing to trust. A trustworthy manager's high moral character (benevolence and integrity from Mayer's (1995) model), will limit their self-serving behaviour and maximize their willingness to engage in relationships based on trust. They are more likely to shun opportunism and act with decency, fairness and respect (Wicks et al., 1999: 111).

People can trust foolishly. Trust can extend to the point it is so complete as to constitute blind faith (Wicks et al., 1999). Trusting various people, under different circumstances, without discretion and without limitation, is a high risk strategy that carries the possibility of adverse outcomes. Such trust, for the rational actor, would be unlikely to lead to further trust not to engender an environment of trust. Wicks et al. (1999) argue that, in addition to it being possible to have little trust, it is possible to have too much trust. It is possible to both under invest or over invest in trust. Thus, in the pursuit of trust, standards and limitation should be placed on the trust relationship. Wicks et al. (1999) proffer the concept of optimal trust, that is the most favourable amount of trust depending upon the situation:

Optimal trust exists when one creates (and maintains) prudent economic relationships biased by a willingness to trust. That is, agents need to have stable and ongoing commitments to trust so that they share affect-based belief in moral character sufficient to make a leap of faith, but they should also exercise care in determining whom to trust, and in what capacity. (Wicks et al., 1999: 103).

The optimal level of trust is likely to be influenced by numerous factors including the particular situation, the specific and general environment, and organisational structure and institutional arrangement. Significantly, optimal trust is also dependent of the character or perceived character of the agent (Wicks et al., 1999).

Aristotelian virtue ethics (see earlier discussion) promotes the 'golden mean' between extremes; excess or deficiency in these tendencies represents vices. From Aristotle's 'golden mean' Wicks et al. (1999: xx) infer that "one ought to have a stable and ongoing commitment to trust but that judgments about trusting should be made carefully, realistically, even prudently". That is not to say that there should always be a moderate level of trust, but rather that trust should be moderated. Trust levels should be appropriate to the context of trust, that is be dependent upon factors such as the trustworthiness of the persons involved and the particular situation.

Trustworthiness as an Organisational Attribute

It has been argued convincingly that the organisation is a moral agent (Donaldson, 1982; Moore, 1999) that may have moral character and, therefore, may be virtuous (Moore, 2005). This section will consider the particular moral characteristics of trustworthiness. Any debate regarding trustworthiness of individuals in an organisational context is severely limited by the necessity of being able to identify and know these individuals. For example, Slinger (2000) sees uncalculativeness as a characteristic held by individuals in the firm not the firm as a whole. He does not address the notion of the firm as a moral entity. Thus his thesis is limited by the impossibility that all stakeholders are able to look in the whites of the eyes² of the corporate executives. By seeing the firm as a moral actor with the capacity to hold the virtuous characteristic the notion of uncalculativeness is no longer bound to an individual or individuals but can be attributed to the organisation as a whole.

In addition to being personally based, trust can be systems based and institutional based. Systems trust refers to the trust an individual holds in the functioning and reliability of impersonal social structures (Bachmann, 2003), that is trust which is process-based tied to a record of past operations (Hosmer, 1995). Institutional trust refers to the trust between individuals who are bounded by specific institutional arrangements (Bachmann, 2003) such as the policies and practices of professional, business or other institutions (Hosmer, 1995). The idea that trust can be institution based rather than personally based is implicit in our government institutions and legal system.

Implicit in the notions of systems and institutional trust is that trust can be a collective attribute (Lewis and Weigert 1985, cited in (Hosmer, 1995). This essay posits an additional form of collective trust to those already identified, that being *organisational trust* and its corresponding notion of *organisational trustworthiness*. Organisational trust refers to the trust between individuals, and/or groups of individuals, and the organisation as an entity in and of itself. Such a concept would extend to the idea of trust between organisations. The notion that an organization can be an object of trust and display characteristics of trustworthiness is predicated on the organisation being considered a moral agent. It is a logical leap from acceptance of the moral agency of organisations and the possibility of a virtuous organisation to suggest that an organisation as a whole can be an actor in the trust relationship and possess (or not possess) the attribute of trustworthiness. This nascent idea is manifestly in need of elaboration and investigation, however, such further development is beyond the scope of this current essay.

TRUST IN ORGANISATION-STAKEHOLDER RELATIONSHIPS

The previous section established the notions of trust and trustworthiness as a characteristic of the organisation. Trust is essential to the organisation-stakeholder relationship because the stakeholder is reliant upon the organisation to return their due rights. There exists the likelihood of a power differential in favour of the organisation. Further, there exists the likelihood that low power, legitimate stakeholders may enter a relationship with the organisation under some degree

² The term "looking into the whites of their eyes" suggests that you can learn much more about a person through knowing them directly and personally because of the information that you can obtain through full sensory exchanges (visual, aural, olfactory, etc.) that cannot be obtained otherwise.

of coercion. Stakeholders, therefore, are potentially vulnerable and dependent on the organisation. It has been established that stakeholder theory has not overtly addressed issues of power. It is required of stakeholder theory to account for these phenomena. To this end, the developments within stakeholder theory in the areas of fairness, consent and trust will be explored and extended.

Fairness and Consent

Phillips (1997) extend the normative core of stakeholder theory by developing a principle of fairness. His definition of the principle of fairness is as follows:

Whenever persons or groups of persons voluntarily accept the benefits of a mutually beneficial scheme of co-operation requiring sacrifice or contribution on the parts of the participants and there exists the possibility of free-riding, obligations of fairness are created among the participants in the co-operative scheme in proportion to the benefits accepted. (Phillips, 1997: 57)

The fairness principle is considered to contribute to stakeholder theory in two important ways: First, stakeholders are able to be identified through their contribution to, and voluntary acceptance of benefits from, the scheme (Phillips, 1997). Second, the use of the principle of distributive justice, that is proportional benefit, provides a normative principle upon which to base stakeholder theory (VanBuren, 2001).

For the purposes of this argument, however, the crucial contribution of the principle of fairness is its potential to address the needs of stakeholders who are affected by the firm but have limited capacity to affect the firm, that is, legitimate low power stakeholders (in the terminology of (Mitchell, Agle, & Wood, 1997)). The principle holds that even where the parties have the capacity to refrain from contributing to the scheme, and yet still retain their benefits, they are obliged not to do so (i.e. not to free ride). Hence, the fairness principle addresses the most fundamental moral question for ethical systems - need to protect the most vulnerable and less powerful members of our communities. It is apt that Phillips draws from the rich tradition of Rawlsian justice ethics, notions such the veil of ignorance and the original principle (Rawls, 1972) to tackle this essential issue.

Van Buren (2001) builds on the principle of fairness by combining it with the issue of consent (or lack thereof). He does not skirt the issue of power³ observing that: "Stakeholders without power are more likely to be treated unfairly than stakeholders with power" (2001: 487). Indeed organizations may deliberately seek out less powerful stakeholders with the deliberate intention of returning them less benefit than they deserve. Using the example of employees who have little or no access to collective bargaining or government regulation to protect their work conditions, Van Buren argues that:

The problem of unfairness in stakeholder theory (is located) squarely in power differentials between stakeholders and a focal organization (VanBuren, 2001: 487).

In examining the notion of consent, two factors are important: the difference between explicit consent and implied consent; and, the voluntary nature of consent. Explicit consent in the form a legal written contract accounts for only a small number of the agreements made in mutually beneficial schemes. Most agreements are based on unwritten signs of consent or acts that imply consent. Phillips (1997: 60) notes that acts that are taken as "signs of consent" constitute actual consent, but that these acts are not necessarily positive action and may be acts of omission (an example would be when the person presiding over a wedding asks, "Is there anyone here who objects to this marriage?" then silence in this context would be a sign of consent). On the other hand, acts that "imply consent" may be positive actions (such as the acceptance of a benefit) but

³ Despite the commonality between the two articles there is a significant difference in their approach to "power". Phillips (1997) contains one use of the term and this is in a direct quotation from (Donaldson & Dunfee, 1995). In contrast, Van Buren (2001) uses the term 64 times.

are not actual or real consent; rather, they are acts that imply a “favorable attitude” towards the project in question (Phillips, 1997: 60). It has been argued that acts that show a favourable attitude cannot be taken as consent to a contract and, as such, do not imply the obligations entailed in such a contract (VanBuren, 2001). Further, obligations may be incurred whether or not consent has been given (Phillips, 1997).

The question of whether explicit or tacit consent has been given is superseded, in some circumstances, by the issue of the voluntariness of the consent. For consent to be meaningful, it must be freely given and not coerced (VanBuren, 2001). Where a company enters into an arrangement with a stakeholder that is economically and/or politically powerless any action of consent or implied consent taken by such stakeholders cannot be assumed to be freely given and not coerced. Employees in developing countries, such as the *maquiladora* workers who experience both poverty and state hostility toward collective bargaining in countries such as Mexico, are examples of such stakeholders (Lafer, 2005 ; VanBuren, 2001). Such employees may have accepted a wage from a firm under conditions that provide them no alternative but to do so (e.g. poverty, state oppression). This does not mean that they have consented to the broader conditions of their treatment (e.g. forced overtime, freedom of movement). Further, acceptance of a wage under, even partially, coercive conditions may undermine employees’ capacity to regulate their work conditions through withdrawal of their labour. It is posited that the experiences of consent of employees in first world countries such as the US and Australia, in some cases, may begin to approach those of their counterparts in other parts of the world. As stated by Van Buren (2001: 490) “the absence of consent—especially when mediated by power asymmetries—makes unfairness nearly certain in many organizational-stakeholder relationships”.

Fairness, Consent and Trust

The link between fairness, consent and trust in the stakeholder relationship will be explored at this point. Recall that the fairness principle states that if a contribution is made or risk taken, and this contribution or risk is accepted by the other party, then this party is obliged to return a benefit (or protection from harm) in proportion to the commitment made by to the risk-taker. Thus, the risk-taker is reliant or dependent upon the obligated party to fulfil their responsibility. Even if the possibility of free-riding exists, that is, the possibility of getting away with not fulfilling the obligation but still reaping the benefits, the obligated party is morally forbidden from doing so. But how does the risk-taker ensure that the benefit from the risk is returned, that the organisation will be fair? Importantly, the risk-takers’ vulnerability is further increased where their involvement in the co-operative scheme is not fully voluntary.

Two distinct possible ways of ensuring specific organisational behaviours have always been through external regulation and through voluntary self-regulation. Where the latter is relied upon, a vulnerable or dependent stakeholder can only rely on trust and the trustworthiness of the organisation. Trust and trustworthiness are key factors in the probability that a particular investment will result in a particular outcome, that is the likelihood that a stakeholder will be given their concomitant rights, that the organisation will be fair.

TRUST AND STAKEHOLDER RELATIONSHIPS

Conditions of trust arise when parties have something at risk, where the trusting party is vulnerable and dependent upon the trusted party - the exact characteristics of the stakeholder relationship especially for low power, legitimate stakeholders. Direct links have been drawn between characteristics of the trust relationship (drawn from Hosmer (1995: 390-2) and the organization-stakeholder relationship that result in the development of four propositions that relate to the moral treatment of stakeholders:

1. That trust implies a fiduciary duty to stakeholders

Trust is generally accompanied by an assumption of an acknowledged or accepted duty to protect the rights and interest of others. These voluntary duties go beyond a negative promise not to harm the interest of the other party, they suggest a positive guarantee that the rights and interests of the other party will be included in the final outcome. This is consistent with the fiduciary duties, the notion that the interest of others (principal) are placed before the interest of the person being trusted (an agent who acts on behalf of a principal). The extension of fiduciary duties to “all others engaged in a joint endeavour or economic exchange”⁴ is a hallmark of stakeholder theory.

2. That trust exists under conditions of organisational power and stakeholder dependence

Trust generally occurs under conditions of vulnerability or dependence upon the behaviour of others. The loss if trust is broken must be greater than the gain if it is not (otherwise the decision to trust would be simple rationality). Also, the probability of trust being broken must be unknown and outside the control of the trusting individual (otherwise, once again, the decision to trust would be simple rationality). The interdependence between organizations and stakeholders, the potential vulnerability of the parties, and the uncertainty and unknowability of the other party, create conditions where the risks involved in deciding to trust may be great and not amenable to simple rationality.

3. That stakeholders should not trust the organisation unconditionally

Trust is an optimistic expectation about the outcome of an event or behaviour of a person. The ‘trusting’ individual always expects the best. Under conditions of distrust, however, prudent individuals will not tend to trust. In such cases, prudent individuals will protect themselves, where they can, against the ‘worst’ by means of contracts, controls, legal regulation and informal obligations. The optimal level of trust will be contingent on circumstances including the trustworthiness of the agent.

4. That formal engagement mechanisms may enhance trust or substitute for trust

Trust is generally associated with an attempt to increase or facilitate co-operation and/or the potential for joint benefits. The link between trust and co-operation, however, cannot be assumed and can only be assured through contracts and controls. Formal mechanisms such as various contracts and control mechanisms are integral to the relationship between the organisation and its stakeholders, only some of which are directed and engendering trust. As in economic exchange analysis, it is thought that contracts and controls are expensive substitutes for trust and have the undesirable effect of reducing innovation and co-operative behaviours.

CONCLUSION AND RESEARCH IMPLICATIONS

This essay has argued that trust necessarily involves a moral component over and above any emotional or rational component. When one party takes the risk of making themselves vulnerable to another party, they do so with the belief that the trustee will fulfil their moral duty to protect their interests. This belief is based, at least in part, on the perceived trustworthiness of the trustee. The trustworthiness of the trusted party, therefore, is essential to the development of co-operative meaningful relationships. Optimal trust, particularly where the trusting party is highly dependent and vulnerable, is dependent upon the trustworthiness of the trustee. This holds for organisations in the same manner that it does for individuals. Hence, within organisational-stakeholder relationships, the trustworthiness of the parties is crucial.

⁴ (from Hosmers’s definition of trust)

Further, it has been argued that stakeholders are reliant on the trustworthiness of the organisation to fulfil their moral responsibility towards them. The reliance and vulnerability of the stakeholder is increased where a power differential exists between the organisation and the stakeholder in favour of the organisation. This vulnerability is further increased where stakeholder is not fully voluntary in the relationship. In conclusion, it is proposed that trust is vital to the moral treatment of stakeholders in the organisation-stakeholder relationship whereby trust implies a fiduciary duty to stakeholders, trust exists under conditions of organisational power and stakeholder dependence, the stakeholder should not trust the organisation unconditionally, and that formal engagement mechanisms may or may not enhance trust.

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Figure 1: The split trust continuum (based on Swift, 2001)

