TRUST: THE CONNECTING LINK BETWEEN ORGANIZATIONAL THEORY AND PHILOSOPHICAL ETHICS

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Numerous researchers have proposed that trust is essential for understanding interpersonal and group behavior, managerial effectiveness, economic exchange and social or political stability, yet according to a majority of these scholars, this concept has never been precisely defined. This article reviews definitions from various approaches within organizational theory, examines the consistencies and differences, and proposes that trust is based upon an underlying assumption of an implicit moral duty. This moral duty—an anomaly in much of organizational theory—has made a precise definition problematic. Trust also is examined from philosophical ethics, and a synthesis of the organizational and philosophical definitions that emphasizes an explicit sense of moral duty and is based upon accepted ethical principles of analysis is proposed. This new definition has the potential to combine research from the two fields of study in important areas of inquiry.

Many economists, psychologists, sociologists, and management theorists appear united on the importance of trust in the conduct of human affairs. Blau (1964: 99) described trust as "essential for stable social relationships." Weber (Eisenstadt 1968: 114) claimed that the exchange of goods "is possible only on the basis of far-reaching personal confidence and trust." Rotter, Chance, and Phares (1972: 40) argued that "a generalized expectancy of trust or distrust can be an important determinant of behavior." Golembiewski and McConkie (1975: 131) stated that, "There is no single variable which so thoroughly influences interpersonal and group behavior as does trust." Hirsch (1978: 78) reemphasized its importance for exchange when he explained that trust was a "public good, necessary for the success of economic transactions." Bok (1978: 26) went even further and claimed that "when trust is destroyed, societies falter and collapse." Lewis and Weigert (1985: 968) agreed, adding that trust was "indispensable in social relationships." Zucker (1986: 56) followed with the statement that trust was "vital for the maintenance of cooperation in society and necessary as grounds for even the most routine, everyday interactions."

Trust is viewed as an important concept by academic researchers and by business practitioners and consultants as well. (See, for example,
Bartolome, 1989; Belasco, 1989; Bennis, 1989; Clawson, 1989; Covey, 1989; Horton & Reid, 1991; and Watson, 1991.) All stressed the critical importance of building trusting relationships in management.

There appears to be widespread agreement on the importance of trust in human conduct, but unfortunately there also appears to be equally widespread lack of agreement on a suitable definition of the concept. Golembiewski and McConkie (1975: 131), for example, summarized their disappointment with much of the earlier work when they expressed the belief that the study of trust was essentially "a paradox." "Diverse conceptualizations of interpersonal trust coexist," they explained, "with intense convictions that the various somethings described are central in all of human life." Luhmann (1980: 8) followed with the complaint that "there is a regrettable sparse literature which has trust as its main theme within sociology," and added that work outside that field seemed "theoretically unintegrated and incomplete." Barber (1983: 7) agreed, saying "in both serious social thought and everyday discourse it is assumed that the meaning of trust, and of its many apparent synonyms, is so well known that it can be left undefined or to contextual implications." Zucker (1986: 58) also criticized much that had been done previously and explained that "recognition of the importance of trust has led to concern with defining the concept, but the definitions proposed unfortunately have little in common." Shapiro (1987: 624) expanded on this last point, saying "the conceptualization [of trust] has received considerable attention in recent years, resulting in a confusing potpourri of definitions applied to a host of units and levels of analysis." Bluhm (1987: 334) followed with his belief that "trust mechanisms have not received the analytical attention they deserve," but noted that "the lack of conceptual clarity has not inhibited the wide use of the concept." Reichmann (1989: 185) agreed, attesting to the "considerable uncertainty about what trust is and how precisely it falters." Butler (1991: 647) believed that it would be more useful to study the conditions or determinants of trust than to attempt further definition of what he called "the global attitude" of the concept. "Currently," he wrote, "there is no agreement as to what these trust conditions are, and there is no instrument for measuring an exhaustive set of them." Ring and Van de Ven (1992: 485) followed through on this pragmatic approach when they wrote, "The implications of trusting behavior in designing governance mechanisms are generally ignored."

PURPOSE OF THE ARTICLE

A current review of the literature on trust, however, does not seem to warrant those discouraging views. Certainly there is no agreement on a single definition of the concept, and certainly many researchers have taken multiple paths in attempting to reach such a definition. But the earlier work has not been wasted. Each of the proposed definitions seems to this author to add insight and understanding. Each—again to this
author—seems to provide dimensions and boundaries to what admittedly is a hazy and diffuse topic. These definitions seem to be based, at least in part, upon an underlying assumption of a moral duty with a strong ethical component owed by the trusted person to the trusting individuals. Perhaps it is the presence of this implied moral duty—an anomaly in much of organizational theory—that has made a precise definition of the concept of trust so difficult. Perhaps if we make that moral duty explicit rather than implicit, and compare the organizational theory definitions of trust with those from moral philosophy, it will be possible to synthesize the "global" definition of trust that Butler felt was needed but difficult to attain. In any event, such an effort would seem worthwhile. Such a definition, if accepted, would provide a connecting link between the two fields of study and bring issues of what is "right," what is "just," and what is "fair"—the topic of philosophical ethics—into the mainstream of organizational theory and management practice. Such a definition, again if accepted, would also bring issues of what is "efficient," what is "effective," and what is "practical"—the essence of organizational theory—into the mainstream of moral philosophy. Both changes are badly needed, in my view.

In attempting to synthesize the prior writings on trust, particularly those from organizational theory, it is necessary to remember that most of the early researchers were attempting to use the concept in different contexts. It would seem critical to recognize those contexts. Indeed, Husted (1989: 23) argued that "the definition of trust is problematic because there is such a wide variety of approaches to the concept." This article will briefly review the various definitions of trust that have been proposed within the approaches or contexts of (a) individual expectations, (b) interpersonal relationships, (c) economic exchanges, (d) social structures, and (e) ethical principles. I assume that the definitions of trust derived from the ethical principles of moral philosophy will be less familiar to readers of the Academy of Management Review than the definitions cited in the other contexts, so the philosophical literature will be examined in somewhat greater detail, with a summary (Table 2) of the major sources.

**TRUST AS INDIVIDUAL EXPECTATIONS**

Trust as an individual's optimistic expectation about the outcome of an event is one of the earliest—but not necessarily one of the least sophisticated—academic definitions of the concept. Deutsch (1958) believed that trust was the nonrational choice of a person faced with an uncertain event in which the expected loss was greater than the expected gain. Why was the loss necessarily greater than the gain? If the reverse were true, then trust would be simple economic rationality. Consequently, Deutsch stressed the vulnerability aspects of the concept. The trusting person, he wrote, "perceives that he will be worse off if he trusts and his trust is not fulfilled than if he does not trust" (1958: 266). Trust, therefore, was seen as
the nonrational expectation of the outcome of an uncertain event, given conditions of personal vulnerability. A synonym would seem to be "confidence," though Deutsch never made that explicit claim.

Zand (1972) also emphasized the vulnerability aspect of trust, but he divided trust into personal behavior and individual expectations. The behavior was the giving up of control, which he termed the "decision to trust." This decision was guided by the nature of the problem (or the degree of vulnerability) and by the expectations of the outcome or, more formally, "the hypothesized consequences of high trust versus low trust" (1972: 232). Again confidence was implicitly synonymous with trust, but the important additive for Zand was the giving up of control over the outcome. At this point, trust was now an individual decision, based upon optimistic expectations or confidence about the outcome of an uncertain event, given personal vulnerability and the lack of personal control over the actions of others.

Golembiewski and McConkie (1975: 133) expanded on the equation of trust and confidence. Trust, they wrote, "implies reliance on, or confidence in, some event, process or person." This reliance remained nonrational in any strict economic sense; it was, the authors believed, subjective, being based upon personal perceptions and experiences. It was not, however, a duality as proposed by Zand (1972); instead it was now seen as a continuum, with the degree of trust equal to the amount of hope for a positive outcome. Trust, they concluded, is "strongly linked to confidence in, and overall optimism about, desirable events taking place" (1975: 134).

Barber (1983: 9–10), who provided an excellent summary of some of the earliest works on the concept, agreed that trust was a set of optimistic expectations on the part of an individual, but shifted the focus of those expectations from the outcome of a single uncertain event to three conditions and/or assumptions that determined that outcome:

1. Expectation of the persistence and fulfillment of the natural (and existing) social order in which the individual found himself or herself. Here Barber quoted Nicholas Luhman (1980: 4), who claimed that the world presented itself to any thoughtful person as "unmanageable complexity," and that trust reduced this complexity with "cognitive, emotional, and moral expectations that some things will remain as they are or ought to be." In short, part of trust was the personal expectation that the world would continue without discontinuous change.

2. Expectation of technically competent role performances from those involved with the individual. Many of the earlier writers on trust (e.g., Gabarro, 1978; Jennings, 1971; Luhmann, 1980) were concerned about the connection between trust and competence. Could you trust a non-competent physician or attorney? was a question that was frequently asked without a satisfactory answer. The difficulty, of course, was that most people were unable to critically evaluate the competence of specialists. Barber avoided this conundrum with his expectation of technically competent role performance.

3. Expectation of morally correct role performance from those associated with the individual. Many of the earlier writers on trust also tended to equate the concept with fiduciary duties and responsibilities, but they
did not define those terms. Barber avoided this problem by stating that the fiduciary duty of professionals, in certain situations, was to place the interests of the individual who is trusting before the interests of the professional who is trusted.

Barber (1983) added greatly to the "personal expectations" literature on trust. He moved toward an interpersonal definition—his concept required a person who was trusting and a second person who was worthy of that trust—but trust remained basically the optimistic expectations of a single individual relative to the eventual outcome of an uncertain event. Remember, however, Barber’s simple definition of fiduciary duty: placing the interests of others before the interests of the person being trusted. It is found, in some form, in each of the behavioral and ethical contexts in which trust has been defined.

TRUST AS INTERPERSONAL RELATIONS

Zand (1972) expanded his first definition of trust from the confident expectations of a single individual to approach the dependent interactions of a dyad. Trust, he suggested, was the willingness of one person to increase his or her vulnerability to the actions of another person whose behavior he or she could not control. In this case, as with Barber, we see trust as dependence as well as confidence. The decision to trust was still made by one person, but the "hypothesized consequences" of that decision were now dependent upon the actions of others. Trust, Zand believed, went beyond expectations of outcome under conditions of uncertainty to expectations of behavior under conditions of vulnerability. Trust, he wrote, became the "conscious regulation of one’s dependence on another that will vary with the task, the situation, and the person" (1972: 230). Rotter (1967: 650) had earlier emphasized the dependence argument with his definition that "interpersonal trust [was] an expectancy held by an individual or a group that the word, promise, verbal or written statement of another individual or group [could] be relied upon."

Michalos (1990: 620) accepted the vulnerability and dependence components, but added the notion of an ultimate net good: "It is enough to think of trust as a relatively informed attitude or propensity to allow oneself and perhaps others to be vulnerable to harm in the interests of some perceived greater good." This perceived greater good, it could be assumed, might be on the interpersonal, organizational, or even social level; it was not necessarily a direct personal benefit to the trusting individual.

Gambetta (1988: 217) also accepted the vulnerable and dependent conditions of trust, but substituted the goal of interpersonal cooperation for that of an ultimate net good. Trust, he wrote, was "the probability that a person with whom we are in contact will perform an action that is beneficial or at least not detrimental is high enough for us to consider engaging in some form of cooperation with him." Carnevale, Pruitt, and
Carrington (1982: 13) had earlier defined trust as "a concomitant expectation that the other [in a dyad] will reciprocate" and had declared this expectation essential for "the goal of achieving mutual cooperation." Meeker (1983: 231), who also stressed the importance of willing cooperation in her definition of trust, maintained that "the trusting person expects helpful or cooperative behavior from the other." Deutsch, quoted in Lewis and Weigert (1985: 975), had gone even further when he termed trust as the equivalent of "cooperative behavior," though only in the specific context of game theory. The goals of an ultimate net benefit and/or willing interpersonal cooperation are clearly associated with the concept of trust in the behavioral literature.

Butler and Cantrell (1984) followed through on the interpersonal nature of trust as a condition for cooperation, but added the complicating factor of inequality in position. They examined two earlier works that dealt with superior/subordinate relationships in management. Jennings (1971) had looked at the career paths of executives and found that trust by the superior was an essential condition for the eventual promotion of a subordinate. He then defined trust in terms of four general dimensions. Gabarro (1978), in contrast, examined the actions of newly appointed presidents in underperforming companies and found that trust by the subordinate was an essential condition for effective action by the superior. Here trust was defined on nine dimensions. Butler and Cantrell synthesized the two earlier works and proposed five specific components of trust, or characteristics of the people. It was expected that the degree of each would differ depending upon the position (superior or subordinate) of the person:

1. Integrity—the reputation for honesty and truthfulness on the part of the trusted individual.
2. Competence—the technical knowledge and interpersonal skill needed to perform the job.
3. Consistency—the reliability, predictability, and good judgment in handling situations.
4. Loyalty—benevolence, or the willingness to protect, support, and encourage others.
5. Openness—mental accessibility, or the willingness to share ideas and information freely with others.

Here we have four moral values—integrity, consistency, loyalty, and openness—among the five terms in one behavioral definition of trust. Normative philosophy can supply precise definitions and ethical justifications—why each can be expected to lead to a "good" society—for each of those terms. Let me here anticipate just a bit the later argument of this article. A synthesis of the definitions of trust from both organizational theory and normative philosophy should have the potential of providing greater precision and greater justification than a definition from organizational theory alone, and the same synthesis should have greater relevance to managerial issues than a definition from normative philosophy alone.
Butler (1991) in a later work made the loyalty dimension or determinant of trust much more precise when he changed from a proposed attitude of general benevolence to an implicit promise from one individual in the dyad not to bring harm to the other. This followed Rempel and Holmes (1986), who had analyzed trust in personal rather than managerial relationships and concluded that predictability, reliability, and responsiveness (i.e., caring for the welfare of the other person) were equally important. Ring and Van de Ven (1992: 488) went further and termed trust a mixture of two aspects: "(1) confidence or predictability in one’s expectations (Zucker, 1986) and (2) confidence in the other’s goodwill (Friedman, 1991)." Again, as in Barber (1983), we find moral values, particularly benevolence (the duty to care for the protection of others) and good will (the intent to look after the interests of others) in behavioral definitions of trust.

Butler (1991: 647) concluded in his later work that "the literature on trust has converged on the beliefs that (a) trust is an important aspect of interpersonal relationships, (b) trust is essential to the development of managerial careers, and (c) trust in a specific person is more relevant in terms of predicting outcomes than is the global attitude of trust in generalized others." The interpersonal literature on trust in management appeared to be focusing on superior/subordinate relationships and the personal characteristics of specific individuals within those relationships. The institutional economics literature on distrust in management, however, was definitely expanding to include principal/agent relationships, economic transactions, and the personal characteristics of very generalized others.

**ECONOMIC TRANSACTIONS**

In one sense economic transactions can be seen as just a specialized form of interpersonal behavior, but it is necessary to remember that in Williamson (1975) the terms "principal" and "agent" could refer to individuals, to groups, or to firms. Consequently the transactions could be on an individual-to-individual, group-to-group, or firm-to-firm basis, or on the basis of any combination of those units. This was a considerable expansion of the concept of trust, or more properly distrust, because the concept is most often viewed from the negative or pessimistic side in economic exchange theory. At this point the theory was focusing on a principal versus his or her agents, or on a corporation versus its stakeholders (Freeman, 1984), rather than on one individual anticipating the outcome of an event or the behavior of a person.

One of the central assumptions of transaction cost economics is the belief that the agent in any principal/agent relationship is not to be trusted, and that the risk of opportunism is high. Opportunism was defined, in a famous phrase from Williamson, as "self-interest seeking with guile" (1985: 47). It included, according to Hill (1990), not only the more
blatant forms of cheating, but also the less obvious but clearly calculated methods of misleading, distorting, disguising, and confusing.

Williamson’s argument was that cheating in all of these nefarious forms was not endemic—indeed in one of his earlier works (1975: 109) he admitted that business managers often do act on the basis of trust—but that the difficulty in identifying trustworthy agents was so great that organizations had to structure themselves as if all agents could not be trusted. In a market that meant principals had to negotiate and monitor detailed contracts to protect against opportunistic behavior. In a hierarchy that meant principals had to establish and review stringent controls for the same purpose. These contracts and controls, termed substitutes for trust, were needed only because untrustworthy agents could not be clearly identified. Transaction costs were, of course, incurred with both markets and hierarchies, and Williamson suggested that differences in the costs of contracts versus the costs of controls determined the strategic options and structural formats of the firm.

Hill (1990) proposed that it was possible to reduce these transaction costs through a reputation for nonopportunistic behavior. Although we do not and cannot know the distribution of opportunistic versus cooperative actors in any given population, he explained, we do have selection mechanisms to identify those more likely to cooperate. Each firm, in Hill’s view, was surrounded by a system of markets, including debt and equity capital markets, material and labor input markets, and goods and services output markets. Opportunistic actions within a single market, he continued, might yield short-term benefits, but there would be a long-term cost in the sense of a lack of trust that might inhibit future acquisitions of cost-reducing and/or quality-enhancing assets. "Reputation has an economic value" (1990: 505), he concluded; it played an important part in determining the willingness of others to enter into an exchange with a given actor. Reputation, of course, is the result of trustworthy behavior, and trust in this sense is—though Hill does not offer this specific definition or, for that matter, any definition—the economically rational decision to do exactly what you have contracted to do or promised to do because otherwise you would suffer an eventual loss in reputation and, hence, in contracting opportunities.

Bromily and Cummings (1992: 4) argued that trust could reduce transaction costs, and they went on to provide a specific definition of the concept. "Trust," they wrote, "is the expectation that another individual or group will (1) make a good faith effort to behave in accordance with any commitments, both explicit or implicit; (2) be honest in whatever negotiations preceded those commitments; and (3) not take excessive advantage of others even when the opportunity [to renegotiate] is available." This definition, obviously, was the opposite of self-interest seeking with guile. It did, however, create additional definitional problems: What does it mean to "be honest in negotiations"? How far are we permitted to go before we start to "take excessive advantage" of others? Despite these
admittedly imprecise terms, the authors claimed that "the degree to which an individual can be trusted can be ascertained with at least a modest level of accuracy" (1992: 5).

Higher levels of trust, Bromily and Cummings continued in the same article, not only reduced the cost of monitoring performance, but also eliminated the need for installing control systems that were based on short-term financial results and that in turn could—and here the authors referred to Hoskisson and Hitt (1988)—have the undesirable side effects of reducing innovation and cooperation.

Empirical support for the connection of trust with cooperation comes from game theory. Trust was at one time defined (Deutsch, quoted in Lewis & Weigert, 1985: 975) as "cooperative behavior in the prisoner's dilemma game" but, as is well known, in a game with a finite number of plays the trusting actor with a strategy of unconditional cooperation will always lose to a nontrusting player with a strategy of unconditional competition. This definition, reasonable on the surface, repeated the earlier association of trust with optimistic expectations about the outcomes of uncertain events, which in a "win-lose" economic contest could easily become confused with naivete, altruism, or stupidity.

Friedland (1990), however, disassociated trust from naivete, altruism, or stupidity. She found that in games with an infinite number of plays—which are, after all, much more representative of "real-world" situations—a matching or "tit-for-tat" strategy consisting of the systematic reciprocation of competitive and cooperative behaviors might not win outright but would substantially reduce the chance of loss. It would reduce the chance of loss, Friedland explained, because the tit-for-tat strategy would elicit more cooperation from adversaries than strategies of unconditional cooperation or of unconditional competition. Friedland, in short, clearly brought rational self-interest back into the concept of trust.

Friedland explained the results she cited by saying that a strategy of unconditional cooperation invited exploitation by casting the strategist as fair but weak. Unconditional competition invited retribution by casting the strategist as strong but unfair. The matching strategy, however, elicited in the other player a feeling of control over the strategist's behavior. The adversary came to believe that he or she could cooperate for mutual gain without risking exploitation. "Specifically," Friedland concluded, "trust is most typically promoted when a party to an interaction shows a genuine responsiveness to the needs of its partner" (1990: 317). Even in economic transaction analysis this sense of concern for others informs a scholarly definition of the concept of trust.

Bradach and Eccles (1989) proposed approximately the same definition. They argued that markets and hierarchies were not mutually exclusive means of governing economic transactions, but that price, authority, and trust were independent methods that could be combined in a variety of ways. Trust did not replace the market or the hierarchy, they said; instead, it complemented and strengthened the other methods. They
agreed with Gambetta (1988: 217) that trust was “the probability that one economic actor will make decisions and take actions that will be beneficial or at the least not detrimental to another,” and that, consequently, cooperation would be a more valid strategy than competition. Bradach and Eccles, however, differed with Hill, Bromily and Cummings, Friedland, and Gambetta because they viewed the sources of trust as social norms and interpersonal relationships, rather than rational computations of self-interest. This leads to the familiar “embeddedness” argument that trust is part of our formal and informal social structures.

SOCIAL STRUCTURES

Weber (Eisenstadt, quoted in Bluhm, 1987: 334) was the first to observe that formal social mechanisms, such as the legal system, were designed to “guarantee or secure trustworthy conduct.” The process of economic development tended, he believed, to shift the focus of trust from a personal relationship to a social mechanism. This shift, if true, would help to explain the varying definitions of trust; the concept would differ depending upon the stage of economic development reached by a given society.

Coleman (1984: 85) followed with the observation that both the functioning of economic institutions and the theory of that functioning assumed a foundation of trust. He did not define trust except to say that it was a “relation between two actors” and that “one actor’s placement of trust in a second may be conditional upon that of a third.” That is, one person’s trust in a second person may be conditional upon trust in a third person to enforce the earlier contract or agreement. Trust in the third person, of course, may then be conditional upon trust in a fourth to oversee the third, and in a fifth to review the actions of the fourth, and so on. This created for Coleman (1984: 85) a “social organization of trust” that—and here he used the analogy of electrical grids or networks—could fail at the weakest spot in the grid or the most susceptible person in the organization with disastrous consequences for society.

Granovetter (1985) put both Weber and Coleman on much more solid academic footing. He started from Williamson’s (1985) position that economic man or woman was a more subtle and devious creature than the usual self-interest seeking assumption typically conceded. In an amusing passage he enlarged on Williamson’s point that agents who were skilled at dissembling realized transactional advantages; he noted this was the same message delivered by Leo Durocher—“Nice guys finish last”—in less exact but more memorable terms. In short, Granovetter objected to the “peculiar assumption of modern economic theory that one’s economic interest is pursued only by comparatively gentlemanly means” (1985: 488).

Most economists, Granovetter said, believed that this non-gentlemanly malfeasance could be avoided by market contracts and hierarchical controls. Other economists, he admitted, cited the existence of a “generalized morality” (Arrow, 1974: 26), which was an implicit agree-
ment among members of a given society to respect certain kinds of rights for others.

Granovetter (1985) rejected both institutional arrangements and generalized morality as a basis for trust and, instead, argued that economic behavior was embedded in informal social relationships and the obligations inherent in those relationships. In short, he said that trust in the past led to trust in the future. That is, if a person found that a group of people with whom he or she had conducted economic transactions in the past had acted according to the informal or “embedded” obligations of the society in the past, he or she would be more likely to trust those group members in the future. This could, Granovetter admitted, lead to even greater opportunities for malefiance if that trust was broken because the informal nature of the social obligation concept provided no enforcement procedure.

Lewis and Weigert (1985: 968) reinforced the belief that trust was a “collective attribute” based upon the relationships between people that existed in a social system. They argued that trusting behavior could be motivated either by strong positive affect for the object of trust (emotional trust) or by good rational reasons for the awarding of trust (cognitive trust) but more usually by some combination of both. Trust, they concluded, was essentially social and normative rather than individual and calculative and, therefore, required prior social relationships to exist.

Zucker (1986: 54) explicitly stated that trust was a set of social expectations shared by everyone involved in an economic exchange. It included broad social rules, such as what was a “fair” rate of interest for a given situation, and legitimate social processes, such as who had the “right” to determine that rate of interest for that situation. These were the background expectations, or common understandings “taken for granted” as part of a “world known in common” among members of a society. They resulted, Zucker argued, from three sources:

1. Process based—trust was tied to a record of past operations. Here, exchanges usually were limited to those whose exchange histories were known, and respected
2. Person based—trust was tied to similarities between people. Here, exchanges were limited to those with a common cultural system, with shared background expectations
3. Institution based—trust was tied to formal mechanisms such as professionalism or third-party insurance. Here exchanges were limited to those with access to those guarantees.

Shapiro (1987), however, rejected the argument that trust could be institution based. Despite the ethics codes, practice standards, and regulatory statutes in which the common expectations were embedded, she wrote, the temptations to lie, to steal, and to misrepresent the safety and security of institution-based guarantees continued to exist. She asked the obvious question: Who guards the guardians? Who would ensure that the professionals and third-party guarantors would follow the rules of fiduciary disinterestedness? She concluded that “in complex societies in
which agency relationships are indispensable, opportunities for agent abuse sometimes irresistible, and the ability to specify and enforce substantive norms governing the outcomes of agency action nearly impossible, a spiraling evolution of procedural norms, structural constraints, and insurance-like arrangements seems inevitable” (Shapiro, 1987: 649).

Reichman (1989: 188) reached the same conclusion following an examination of fiduciary relationships in capital markets. Role conflicts exist, she wrote, and have not been resolved. She included a memorable quote from Stevens (1987) to show the difficulty of relying upon legal constraints and regulatory procedures: “In the pretzel logic of insider trading laws, gaining secret information from insiders such as lawyers, bankers or arbs is illegal; uncovering it on your own is ingenious. The former makes you a criminal; the latter makes you rich.”

CONCLUSIONS FROM THE ORGANIZATIONAL THEORY LITERATURE

Scholars from a wide range of disciplines have looked at trust in a number of different contexts (see Table 1) and, despite the claims that little has been done or that no agreement can be found, have reached a number of similar conclusions:

1. Trust is generally expressed as an optimistic expectation on the part of an individual about the outcome of an event or the behavior of a person. The trusting individual is always thought to expect the best. This is perhaps not immediately obvious in the contexts of economic transactions and social structures, where conditions of distrust are predominant. In such cases, it is assumed that prudent individuals expect the worst, and protect themselves against that outcome or behavior by means of market contracts, hierarchical controls, legal requirements, and informal obligations. But trust is the opposite of those untrustworthy assumptions; it remains an optimistic expectation when viewed in positive rather than negative terms.

2. Trust generally occurs under conditions of vulnerability to the interests of the individual and dependence upon the behavior of other people. An essential part of the definition of trust is the expectation that the loss if trust is broken will be much greater than the gain when trust is maintained; otherwise, the decision to trust would be simple economic rationality. Also integral to the definition is the belief that probability that the trust will be broken is both unknown and outside the control of the trusting individual; otherwise, the decision would again be simple economic rationality, though this time adjusted for a known degree of risk. Why, then, would any rational individual trust another person, group, or firm and thus become vulnerable to greater harm than good and dependent upon the uncertain actions of others? Perhaps there is little choice, for the reasons that follow.

3. Trust is generally associated with willing, not forced, cooperation and with the benefits resulting from that cooperation. Except within the context of individual actions, where trust is viewed as a means for dealing with complexity by eliminating unlikely scenarios and alternatives, the objective of trust is usually expressed as an attempt to increase or facilitate cooperation and/or the potential for joint benefits.
**TABLE 1**  
Comparison of the Behavioral Definitions of Trust

<table>
<thead>
<tr>
<th>Individual actions</th>
<th>Optimistic expectations of the outcome of an uncertain event under conditions of personal vulnerability.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assumption</td>
<td>Nonrational behavior based upon past experiences and future forecasts.</td>
</tr>
<tr>
<td>Goal/intent</td>
<td>Gain the ability to deal with complexity by eliminating many scenarios and alternatives.</td>
</tr>
<tr>
<td>Moral content</td>
<td>Interests of trusting person should be placed ahead of those of the trusted person.</td>
</tr>
<tr>
<td>Interpersonal relationships</td>
<td>Optimistic expectations of the behavior of a second person under conditions of personal vulnerability and dependence.</td>
</tr>
<tr>
<td>Assumption</td>
<td>Nonrational behavior, based upon characteristics and traits of both individuals.</td>
</tr>
<tr>
<td>Goal/intent</td>
<td>Improve cooperation between individuals within a group or an organization.</td>
</tr>
<tr>
<td>Moral content</td>
<td>An implicit promise from one person not to bring harm to the other.</td>
</tr>
<tr>
<td>Economic transactions</td>
<td>Optimistic expectations of the behavior of a stakeholder of the firm under conditions of organizational vulnerability and dependence.</td>
</tr>
<tr>
<td>Assumption</td>
<td>Economically rational behavior, constrained by contracts and controls.</td>
</tr>
<tr>
<td>Goal/intent</td>
<td>Improve cooperation by the stakeholder within manager/stakeholder relationships.</td>
</tr>
<tr>
<td>Moral content</td>
<td>A genuine responsiveness to the needs of the other party in an economic exchange.</td>
</tr>
<tr>
<td>Social structures</td>
<td>Optimistic expectations of the behavior of managers and professionals under conditions of social vulnerability.</td>
</tr>
<tr>
<td>Assumption</td>
<td>Socially rational behavior, directed by formal requirements and informal obligations.</td>
</tr>
<tr>
<td>Goal/intent</td>
<td>Increase cooperation between diverse elements of society.</td>
</tr>
<tr>
<td>Moral content</td>
<td>Informal rules have a normative content with &quot;fair&quot; standards and a &quot;right&quot; to act.</td>
</tr>
</tbody>
</table>

Cooperation and ultimate benefits are particularly relevant regarding stakeholders—the suppliers, distributors, creditors, owners, employees, and managers—of a business firm. Cooperation between those groups is obviously important to improve performance and is acknowledged to be so by transactional cost economists, but the argument made by these scholars is that cooperation cannot be assumed through trust, but must be enforced through contracts and controls.

4. Trust is generally difficult to enforce. Except for the contexts of individual actions and interpersonal relationships where loss of control is frankly acknowledged but contracts and hierarchies are not considered as a means of regaining that control, the major emphasis of much of the literature on trust has been placed upon enforcement.
procedures. Market contracts, hierarchical controls, legal requirements, and "embedded" obligations are all considered, recommended, yet ultimately found wanting. In economic exchange analysis it is thought that contracts and controls are expensive substitutes for trust and have the undesirable side effect of reducing innovative and cooperative behaviors. In social structure analysis it is acknowledged that the legal requirements and professional obligations are ineffective because of the presence of severe conflicts of interest and the lack of effective oversight procedures.

5. Trust is generally accompanied by an assumption of an acknowledged or accepted duty to protect the rights and interests of others. An expectation of generous or helpful or, at the very least, nonharmful behavior on the part of the trusted person, group, or firm is a continual undercurrent in discussions of trust in all four of the approaches of organizational theory:

- Barber (1983) talked specifically about the need to place the interests of the trusting person ahead of those of the trusted person.
- Meeker (1983) said that the trusting person expected helpful behavior from the trusted person.
- Butler and Cantrell (1984) suggested that four moral values—integrity, consistency, loyalty, and openness—were essential components in any definition of trust.
- Zucker (1986) believed that trust was based upon "fair" social rules and generally accepted "rights" for each of the participants in an exchange.
- Rempel and Holmes (1986) suggested that caring for the trusting person's welfare was an essential element in the concept of trust.
- Gambetta (1988) stated that trust was the probability that one economic actor would make decisions or take actions that would be beneficial or, at the very least, not be detrimental to the other.
- Friedland (1990) thought that trust had to include a genuine responsiveness to the needs of the other party.
- Butler (1991) said that trust included an implicit promise from one individual not to bring harm to the other.
- Ring and Van de Ven (1992) concluded that confidence in the other's goodwill was fully as important as confidence in the other's behavior.

These voluntarily accepted duties clearly go beyond a negative promise not to harm the interests of the other party; they seem to provide a positive guarantee that the rights and interests of the other party will be included in the final outcome. Behavior that protects the rights and interests of others is, of course, directly contrary to neoclassical economic theory, yet this belief in consideration, kindness, or even compassion is present in all of the approaches explored, just below the level of explicit inclusion in the proposed definitions.

If we attempt to draw the essentials from each of the approaches in which the concept of trust has been used in the literature of organizational theory and its related disciplines, with a synthesis of the five major similarities listed above, we could propose the definition:

**Trust** is the optimistic expectation by one person, group, or firm of the behavior of another person, group, or firm in a
common endeavor or economic exchange, under conditions of vulnerability and dependence on the part of the trusting party, for the purpose of facilitating cooperation between both parties that will result in an ultimate joint gain but, given the lack of effective contractual, hierarchical, legal, or social enforcement methods, with reliance upon a voluntarily accepted duty by the trusted party to protect the rights and interests of all others engaged in the endeavor or exchange.

It is relatively easy to argue that this is not an acceptable definition. What exactly is an optimistic expectation? How vulnerable to harm and how dependent upon the behavior of others does the trusting party have to be? Do both parties have to agree that cooperation is the goal, or can one be thinking more independent thoughts? What happens if the ultimate joint gain is not realized; is the trust automatically abrogated? Do we have to confirm the lack of effective market contracts, hierarchical controls, legal requirements, and social obligations in each instance of trust, or can we assume that these are inoperable? It is possible to avoid most, if not all, of these problems of imprecision with a simpler and much shorter 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.

A 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 automatically leaves the first party vulnerable to extensive harm and dependent upon the uncertain behavior of the other person, group, or firm if the trust is broken. The reliance must be for the purpose of improving cooperation and achieving benefits; no rational person would increase his or her vulnerability and dependence in order to expand conflict and multiply losses. The lack of effective enforcement procedures is given, once the reliance is on behavior that recognizes and protects the rights and interests of others; such behavior that necessarily combines self-interest and other interest to a degree that satisfies the accepted or acknowledged duty cannot presently be measured and, therefore, cannot presently be controlled.

In brief, the proposed definition of trust has the advantages of being simple, short, and direct. It is certainly parsimonious. The question that remains is whether or not it is useful, and that depends upon whether we can sufficiently define the voluntarily accepted duty of recognizing and protecting the rights and interests of others. What does it mean to recognize and protect another’s rights? There is no agreement in organizational theory that the trusted person has to put the rights and interests of the
trusting person ahead of his or her own, even though this was specifically suggested by Barber (1983). Instead, the agreement seems to stop well short of that rigid "no self-interest" rule, with general admonitions to be "helpful," to be "honest," to be "consistent," to be "loyal," to be "fair," to be "beneficial," to be "responsive," to be "nonharmful," and to evidence "good will." This means that the trusted person has to combine the rights and interests of the trusting party with his or her own, not substitute those rights and interests for his or her own, but there are no rules as to exactly how this is to be done, nor any standards as to what percentages or ratios among the different rights and interests can be considered to be "helpful," "honest," and "consistent," or "right" and "just" and "fair." How disinterested does a trusted person have to be to recognize and protect the rights and interests of trusting others? The literature of organizational theory does not tell us. Here we have to look to normative philosophy for help, for voluntary disinterestedness is a moral duty, owed by the "good" man or woman to others for the prevention of unwarranted harm, and "right" and "just" and "fair" are ethical terms, subject to definition by philosophical, not behavioral, standards.

**TRUST IN NORMATIVE PHILOSOPHY**

Most normative or moral philosophers have not written extensively about trust. The classical ethicists—Socrates, Plato, Aristotle, St. Augustine, St. Thomas Aquinas, Hobbes, Locke, Rousseau, Mill, Kant, Smith, Jefferson, Ross, Rawls, and Nozick—scarcely mention the term except occasionally as an aside or observation. The Encyclopedia of Ethics (1992) devotes less than 2 of its 600 pages to a discussion of the topic, and then cites only minor passages from Aristotle and Locke. Baier (1986: 232), who conducted her own survey of the philosophical literature on trust, was surprised at this lack of attention. "There has been a strange silence on the topic in the tradition of moral philosophy with which I am familiar [that is, in Western rather than Eastern thought and practice]," she said.

This "strange silence" is perhaps understandable when we consider the goal of Western moral philosophy. The goal has been to find the "first principle," or the ideal rule upon which all other rules could be based, that would lead to a "good" society. A "good" society has been defined (Rawls, 1967) as one in which the members willingly cooperate for the ultimate benefit of all.

The "willing cooperation" and the "ultimate benefit" together show that there is an obvious association between the definition of trust in organizational theory and the concept of the "good" society in moral philosophy. However, the search for the ideal decision rule has always been the crucial topic in moral philosophy, not the analysis of human behavior that might result from the use of that decision rule. Western moral philosophy, until recently, has been almost totally theoretical, with few applied concepts. Trust, consequently, was pushed to the background of
normative ethics; it remained a result of proper actions, not a part of proper actions.

The ideal decision rule has not been found, of course. Instead there are now believed to be a number of alternative decision rules (Hosmer, 1991) that provide different perspectives or views of moral problems and that are applied in sequence to gain understanding and insight. This is the approach to business ethics that Dunfee (1991) termed "ecumenical." Ten of these first principles or decision rules are summarized in Table 2.

Each of the first principles or decision rules or alternative perspectives from the classical ethicists asserts that a "good" man or woman should act not for his or her short-term self-gain only, but for a mixture of that gain together with his or her vision of the future (Protagoras), his or her sense of self-worth (Aristotle), his or her goal of community (St. Augustine), his or her fear of retribution (Hobbes), his or her calculation of social benefit (Mill), his or her understanding of universal duty (Kant), or his or her recognition of individual rights (Jefferson). This listing could easily be extended to the distributive justice of Rawls and the contributive liberty of Nozick, as shown in Table 2. The only exception to the denial of primary self-interest is the economic efficiency of Adam Smith, who believed that the good man or woman should act for his or her short-term self-gain, but that those individual actions would lead, through the invisible hand of market forces, toward an ultimate net benefit for society.

Each of these first principles or decision rules or alternative perspectives provides, then, a means of limiting or constraining the self-interests of the decision maker. They do not eliminate that self-interest, for that would be mere altruism. What they do, as stated in a recent and very pragmatic article by Magee and Nayak (1994: 67), is to take the valid self-interest of others into account. "When all interested parties cannot participate in making a decision—which is often the case—the decision maker must take the legitimate interests of all constituents into account, whether they are there to argue their interests or not." It is both difficult and presumptuous to attempt to do this—take the legitimate interests of all constituents into account—by merely placing one's self in the position of each of those constituent groups and attempting to envisage their true self-interests. There are too many groups, and their interests are too varied and private. The normative rules or first principles of moral philosophy were developed to replace that admittedly awkward reasoning method.

All of these normative rules, designed to take the legitimate interests of others into account, were assumed by moral philosophers to encourage greater trust among and improve cooperation between the diverse elements of society and, consequently, result in "good" (in the widest possible sense of that term) for the society rather than the individual. Aristotle, for example, proposed that the warriors, merchants, and statesmen of Athens should follow the 14 precepts of Nicomachean Ethics (be courageous, be temperate, be gentle, be truthful, be honest, be proud, and so
TABLE 2
Brief Summaries of Ten Ethical Principles

Self-interests (Protagoras and others). If we would all look after our own self-interests, without forcefully interfering with the rights of others, then society as a whole will be better off because it will be as free and productive as possible. Over the short term this would seem to be a simple recipe for selfishness; over the long term, however, it creates a much more meaningful guide for action because our long-term interests are usually very different from our short-term desires. The principle, then, can be expressed as “Never take any action that is not in the long-term self-interests of yourself and the organization to which you belong.”

Personal virtues (Plato and Aristotle). The lack of forceful interference with the rights of others is not enough. As we each pursue our own self-interests, even those that are good only over the long term, we have to adopt a set of standards for our “fair” and courteous treatment of one another. We have to be honest, open, and truthful, for example, to eliminate distrust, and we should live temperately so as not to incite envy. In short, we should be proud of our actions and of our lives. The principle, then, can be expressed as “Never take any action that is not honest, open, and truthful, and which you would not be proud to see reported widely in national newspapers and on network television.”

Religious injunctions (St. Augustine). Honesty, truthfulness, and temperance are not enough: we also have to have some degree of compassion and kindness toward others to form a truly “good” society. That compassion and kindness is best expressed in the Golden Rule, which is not limited to the Judeo-Christian tradition but is part of almost all of the world’s religions. Reciprocity—“Do unto others as you would have them do unto you”—and compassion together build a sense of community. The principle, then, can be expressed as “Never take any action that is not kind, and that does not build a sense of community, a sense of all of us working together for a commonly accepted goal.”

Government requirements (Hobbes and Locke). Compassion and kindness would be ideal if everyone would be compassionate and kind, but everyone won’t be. People compete for property and for position, and some people will always take advantage of others. In order to restrain that competition and maintain peace within our society, we all have to agree to obey some basic rules from a central authority that has the power to enforce those rules. In a democratic nation, we think of that authority as the government and of those rules as the law. The principle, then, can be expressed as “Never take any action that violates the law, for the law represents the minimal moral standards of our society.”

Utilitarian benefits (Bentham and Mill). Common obedience to basic rules would work if the people associated with the central authority did not have self-interests of their own. They do. Consequently, we need a means of evaluating the laws of the government, and that same means can be used to evaluate the justice of our own actions. A law or an act is “right” if it leads to greater net social benefits than social harms. This is the principle that is often summarized as the greatest good for the greatest number. A more accurate way of expressing the principle is “Never take any action that does not result in greater good than harm for the society of which you are a part.”
TABLE 2 (continued)

Universal rules (Kant). Net social benefit is elegant in theory, but the theory does not say anything about how we should measure either the benefits or the harms—what is your life or health or well-being worth?—nor how we should distribute those benefits and allocate those harms. What we need is a rule to eliminate the self-interest of the person who decides, and that rule must be applicable to everyone. This principle, then, can be expressed as “Never take any action that you would not be willing to see others, faced with the same or a closely similar situation, also be encouraged to take.”

Individual rights (Rousseau and Jefferson). Eliminating self-interest on the part of the decision maker isn’t really possible, given what people actually are like. They are self-interested. Consequently, we need a list of agreed-upon rights for everyone that will be upheld by everyone. These rights would certainly include guarantees against arbitrary actions of the government and would ensure freedom of speech, of assembly, of religion, etc., and would provide security against seizure of property, interference with privacy, or deprivation of liberty without due process. The principle, then, can be expressed as “Never take any action that abridges the agreed-upon rights of others.”

Economic efficiency (Adam Smith). Basic rights are meaningless without the essentials of food, clothing, and shelter. Therefore, we should maximize the output of the needed goods and services by setting marginal revenues equal to marginal costs. At this point, the economic system will be operating as efficiently as possible, and we can reach a condition known as “Pareto Optimality,” in which it is impossible to make any one person better off without harming someone else. The principle, then, is “Always act to maximize profits subject to legal and market constraints and with full recognition of external costs, for maximum profits under those conditions are the sign of the most efficient production.”

Distributive justice (Rawls). The problem with the economic efficiency argument is that the market distributes the output of needed goods and services unjustly, for it excludes those who are poor, uneducated, or unemployed. We need a rule to ensure that those people are not left out. If we did not know who among us would be rich and who poor, who educated and who uneducated, then any rule that we made for the distribution of the output goods and services could be considered just. It can be argued that under those conditions—known as the “Social Contract”—the only agreement we could make would be that the poor and uneducated and unemployed should not be made worse off. The principle, then, is “Never take any action in which the least among us are harmed in some way.”

Contributing liberty (Nozick). Perhaps liberty—the freedom to follow one’s own self-interests within the constraints of the law and the market—is more important than justice—the right to be included in the overall distribution of goods and services. If so, then the only agreement that would be made under the conditions of the Social Contract—in which people do not know who would be rich or poor, who active or slothful—would be that no one should interfere with the self-development of others, for personal self-development will eventually contribute to society. The principle, then, is “Never take any action that will interfere with the rights of others for self-development and self-fulfillment.”

* Derived from Hosmer (1994).
on) to reduce the conflict and increase the trust and cooperation between those ruling groups in Athenian society. St. Augustine, in a further example, proposed that members of his City of God should act for the community rather than for the person; his argument implied that nonrational faith in God led (he doesn’t quite say this, but comes very close) to a nonrational trust in humanity, culminating in an ultimate degree of cooperation and “good.” Hobbes, in a last example, proposed that men and women should always obey the laws of a central authority—the Leviathan—because otherwise continual strife would result in a society with no trust, no cooperation, no science or industry, and “the life of man: solitary, poor, nasty, brutish, and short” (Hobbes, 1936: 85).

Baier (1986: 234) agreed that cooperation was the major theme of moral philosophy, and that trust was essential to gain cooperation, but then asked the important question: What was the difference between trusting others and merely relying upon them? She answered by saying that it was reliance upon their good will as distinct from their regular habits. “Trust,” she concluded, “is reliance upon another’s good will.” It is instructive that Baier (1986), from philosophical ethics, and Ring and Van de Ven (1992), from organizational theory, have come independently to almost identical definitions of the concept of trust.

“Good will” is the most precisely defined concept in normative or moral philosophy. It is the topic of Kant’s Groundwork for the Metaphysics of Morals (1964: 1), which opens with the statement: “Nothing can possibly be conceived in the world, or even out of it, which can be called good without qualification except a good will.” Kant then showed logically that the only will that could be called “good” without qualification was the will that followed the universal law that if it was right for one person to take a given action then it must be right for all others to be encouraged to take that same action. This is the first formulation of the Categorical Imperative. The second formulation—which Kant proved has exactly the same meaning—is that we should all treat other people as ends in themselves, individuals worthy of dignity and respect, and never as means to our own ends.

Professor Baier is very evidently a Kantian, and she defined trust in terms of that universalist or duty principle. Others might prefer Bentham and Mill and make use of the utilitarian or outcome principle. Still others might follow the widely separated in time but closely similar in concept Hobbes, Locke, Rawls, and Nozick and be social contractarians. A defiant few still hold to the vision of Protagoras, the virtue of Aristotle, or the compassion of St. Augustine. A growing number are ecumenicists, as explained previously, and attempt to find insights rather than rules by applying all 10 of the basic ethical principles. Any of these approaches will, it is the essential claim of normative or moral philosophy, ensure the proper mixture of other-interested and self-interested behavior on the part of all who employ that approach, which will lead in turn to trust between individuals and cooperation within society. Trust is therefore a result of
"proper" decisions and actions, and proper decisions and actions are those that follow the ethical principles of analysis. We can, then, derive the following definition of trust from the essential goal—the "good" society—of moral philosophy:

Trust is the result of "right," "just," and "fair" behavior—that is, morally correct decisions and actions based upon the ethical principles of analysis—that recognizes and protects the rights and interests of others within society.

Trust in philosophic ethics is the result of a given decision or action that recognizes and protects the rights and interests of other people through an application of the ethical principles of analysis. These principles focus on what is "good" for the society rather than on what is "good" for the individual. If we focus on what is "good" for a society composed of individuals, we will automatically recognize and protect the rights and interests of all others within that society. Trust in organizational theory is the expectation of a similar behavior that recognizes and protects the interests of other people in order to increase willing cooperation and expand ultimate benefits within a joint endeavor or economic exchange. We can, then, synthesize a single definition of trust from the two intellectual traditions:

Trust is the expectation by one person, group, or firm of ethically justifiable behavior—that is, morally correct decisions and actions based upon ethical principles of analysis—on the part of the other person, group, or firm in a joint endeavor or economic exchange.

PROPOSALS FOR EMPIRICAL RESEARCH

Ethically justifiable behavior, to repeat the argument for emphasis, consists of morally correct decisions and actions in which the interests of the society take the degree of precedence that is "right," that is "just," and that is "fair" over the interests of the individual. It is behavior that is "good" for society according to the ethical principles of normative philosophy, not according to the moral standards of a given group or culture. It should, according to the underlying assumptions of both organizational theory and normative philosophy, result in greater cooperation among the participants in a dyad, the stakeholders of a firm, or the citizens of a society.

If we make the next assumption, that greater cooperation among the participants in a dyad, the stakeholders of a firm, or the citizens of a society leads to improved performance by that dyad, firm, or society, then we have obvious opportunities for joint empirical research. There will be problems in measuring performance, of course, though those problems have been extensively discussed in the literature. There also will be difficulties in measuring the degree of other-interest versus self-interest.
in the original set of decisions or actions that generate trust, but let me suggest that a panel of applied ethicists would arrive at a surprisingly narrow distribution of the "proper" points along that spectrum in most moral problems of management so that deviations from what is "right" and "just" and "fair" can be measured.

"Why be moral?" is the most critical issue in normative philosophy. Why should a rational man or woman be concerned with the rights and interests of others? This a question that has troubled ethicists for centuries. (See, for example, "The Ring of Gyges," in Plato's Dialogues or "Why Should a Man Keep Contracts?" in Locke's Concerning Human Understanding. If researchers can show empirically that there is a connection—through trust—between the moral duty of managers and the output performance of organizations there would be an obvious impact upon philosophical ethics and—I would like to think—upon organizational theory as well. The intent of this article is to show, theoretically, that such a connection does indeed exist.

REFERENCES


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