

Trust Management as a base of New Economy Management Practices

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In the contemporary information, globalized, networked economy, our way of perceiving an organization is changing cause of dynamic social-economic changes (Table 1). It is information due to the fact that productivity, competitiveness and innovativeness of units and subjects to a considerable degree depend on their competences in creation and processing of information. It is global as the organization of basic manufacturing, consumer, commercial forms and their elements has the international range, either direct or indirect by way of a network connection between collaborating economic subjects. It is networked since generating value added takes place in the global network of interactions (Castells, 2007).

Table 1. Development of new types of organization

Phases of social development	Late Industrial Society	Early Information Society	Late Information Society
New organizational type	Hierarchy	Multidimensional organizational forms (matrix organization ...)	Networks
The basic unit of economic organization	Individual subject	Collective subject	Network
New forms of capital	Economic capital	Knowledge capital	Social capital (e.g. trust)

Source: own based on Wiesender, S., Cerny, T. (2008). *Skuteczne zarządzanie reputacją. [An efficient management of reputation]* Warsaw: BestPress, Castells, M. (2007). *Spółeczeństwo sieci.[Network Society]*, Warsaw: PWN.

While the Industrial Society was supported by hierarchical structures, nowadays there are vividly discussed the network organization and the other forms (e.g. agile organization, holonic organization, fractal organization, virtual organization). Inasmuch as earlier one concentrated on the economic capital, manners of improving its effectiveness, today pervading problem for researches is the social capital understood as networks, norms and trust which enable participants to cooperate more effective in the endeavor to achieve shared goals (Putnam, 1993). For the first time in the history one can acknowledge that a basic economic unit is not more the subject, whether is individual (an entrepreneur, family enterprise) or collective (a corporation, a state), but a network composed from different subjects and organizations,

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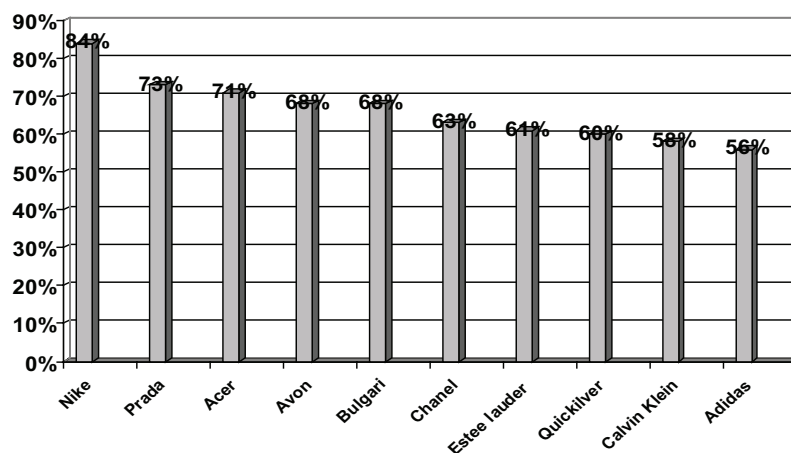
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continuously modified along with changes of the environment (Castells, 2007). Most important features shaping the New Economy can be encapsulated in the following points:

1. Knowledge and little by little the social capital take a place of the economic capital as the basic source of value creation. They are sources of the productiveness and growth.
2. The economics for intangible assets works differently than for tangible assets. In particular, it refers to the law of diminishing returns. The increase in employment of immaterial factor, such as reputation, leads to the growth in marginal effects by way of its use.
3. The profile of an employee – an expert, a professional – is changing, who – due to his/her knowledge – can create value added for an enterprise. Spontaneous communities of practices according to wikinomia are providing new possibilities (Tapscott, Williams, 2008).
4. The work is more and more complex, and products/services are often results of the co-operation of many subjects.
5. Networks are a basic form of corporation for attaining high effectiveness, innovativeness and adaptation.
6. The value of leading companies predominantly makes up immaterial factors connected with their trustworthiness and reputation (Figure 1).

Figure 1. Brand value as the percentage share of the company value



Source: *BrandFinance250. The annual report on the world's most valuable brands*, January 2007. Retrieved from www.brandfinance.com

The Old Economy suggested that the basic coordination mechanism is the price for the market and the authority for the hierarchy. However, they proved to be ineffective in conditions of remarkable activities, high complexity and limited objective measurability of results and at the same time high pressure of the time. In such cases, the well-tested formula is among the others social control (Das, Teng, Bing-Sheng, 2001; Goldman, Nagel, Preiss, 1995). Following this track P. Adler proposed to enlarge ideal-typical forms of organization on the community with its mechanism of trust (Adler, 2001). Used by him the notion of the community captures an informal organization and harks back to already widely discussed in the literature the idea of network. He affirms that trust is an effective coordination mechanism of activities linked with knowledge. On the other hand knowledge is essential dimension of present economic reality. It plays a decisive part in the economic development. The increase in intensity of knowledge employment embodies two ways: the rising education of the labor

(subjective knowledge), and its participation in the creation of new product/ services (embodied knowledge). What constitutes the advantage of trust over other mechanisms in the present business? To formulate this, we should look at other organizational forms. In the hierarchy knowledge is treated as the tool of the power (Forlicz, 2008), therefore it is concentrated and attributed suitably to a position in an organization. It is natural that in such circumstances spontaneous knowledge exchange and creative cooperation happens sporadically. A company based on hierarchy is to a lesser or high degree closed on new knowledge. Of course, this is a function of its saturation with hierarchical order. A typical bureaucratic organization in the matter of mutual trust reminds the desert, where employees do not trust in managers and vice versa. There, an enormous amount of energy is wasted on building the defensive position instead of productive activities (Randolph, Blanchard, 2007).

As far as the market is concerned, it leans on the price mechanism, which coordinates activities of competing with each other both suppliers and anonymous customers. Theoretically, in the presence of standardization and a large number of producers, balancing the marginal costs with marginal benefits ensures the optimization of production and allocative effectiveness. Nevertheless, in practice the price mechanism often fails in the case of production optimization and allocation of knowledge (Stiglitz, 1994). This comes among other things from knowledge features as the resource: it does deplete by using, nonlinearity (very little information can be extremely useful in comparison with a considerable amount of superfluous information), the marginal cost of its delivering to a consumer is close to zero. As a result of these, the role of trust is growing together with the increasingly significant meaning of knowledge in an organization or an economy. It is enhanced by the growth of uncertainty and complexity of the Information Society. Professor P. Sztompka describes vividly that trust is the special, human bridge to the uncertain, future world, wherein the central role is played by other people. It is impossible not to enter on this bridge, because the others, though uncertainty in their own intentions or reactions, are indispensable for us.

Companies more and more often direct their attention to employee trust building since it is an important facilitator for new knowledge development. The effective knowledge sharing depends on employees' engagement, which unfolds their potential. Buckman Laboratories or 3 M are blatant examples of that. In organizational cultures, in which people trust each other, a measure of the success is "finding yourself and self-actualization", which is a driving force of the progress (Bjerke, 2004). In contrast to general belief and theory of A. Maslov, self-actualization is an omnipresent human need. It is not the fulfillment that keeps men going, but the quest for the significance (Gobillot, 2008). Human heyday enables the atmosphere of trust.

Notice that trust may also have negative impact on processes of creating and sharing the knowledge. An glaring example are "mutual adoring cliques" with strong ties, in which trust is based on acquaintance and particular norms avowed by group members. In such connections usually appears the affirmation of the attributed status over achievements. Trust, which today is a productive asset that sustains the social and business order must be understood differently than "narrow trust" based on connections. Present interpretations of creative trust are special. While traditionally seen trust put above its other components locality, modern trust appreciate more integrity and competences (Adler, 2001). In its functionality, the former is analogous to the strategic trust, and the later to normative trust (Uslaner, 2008). The impact

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of reflective trust on management effectiveness in the knowledge-based economy might be maximized by coming into being three conditions (Adler, 2001):

1. Trust must be supported by hierarchical rules to ensure some level of stability and equity (legal solutions), but it must guarantee equality.
2. Trust must be reinforced by market competition in order to provide flexibility of actions and responsiveness to a market opportunity.
3. Contemporary trust is more reflective than blind and traditionalistic trust.

In addition to these three conditions we can add the preference of scientific approach to problems. It turns out that it is positively interlinked with trust by contrast with traditionalistic attitude. A scientific problem solution concerns logic, scientific methods, perceiving solutions from the progress and improvement perspective (Bjerke, 2004).

If trust is reflective, does it mean that it is a reversal form universalism associating with acting in compliance with rules, when a man in certain case does not adapt his/her actions to specific situation, but conduct with a generally recognized norm (Trompenaars, Hampden-Turner, 2002)? On the contrary. traditionalistic trust is considerably more rooted in the particularistic attitude to the world than reflective trust, because people in the later one submit themselves to common norms derived from the moral assessment and not a particular interest. The other way round, people using traditionalistic (narrow) trust are characterized by a bias in favor of their own group and negative attitude to groups that they do not belong to (Uslaner, 2008). This might produce corrupt practices. In the case of the corruption, a person rejects universalistic and prevailing norms concerning moral behaviors in the interest of particularistic compartment that favors a group with the cost of "strangers". People outside the group (the rest of a society) serve as a counterpoint, which one should exploit. Paradoxically, members of such groups become so to say "prisoners" of unhealthy connections that at the very beginning were about to intensify the sense of predictability (Grudzewski, Hejduk, Sankowska, Wańtuchowicz, 2008).

Reflective trust by Adler	Traditionalistic trust by Adler
EQUALITY	ROOTED IN: HIERARCHY
Universalism	ORIENTATION: Particularism
1. Concentrating more on rules than interpersonal relations.	1. Concentrating more on interpersonal interaction than rules.
2. A trustworthy person respects given word	2. A trustworthy person respects circumstances.

3. There only exist one reality – this bounded by agreement.	3. There are few perspectives of reality, different for each agreement.
5. A deal is a deal.	4. The most important are interpersonal relations.



Risk of corruption

Figure 2. Fundamentals of trust

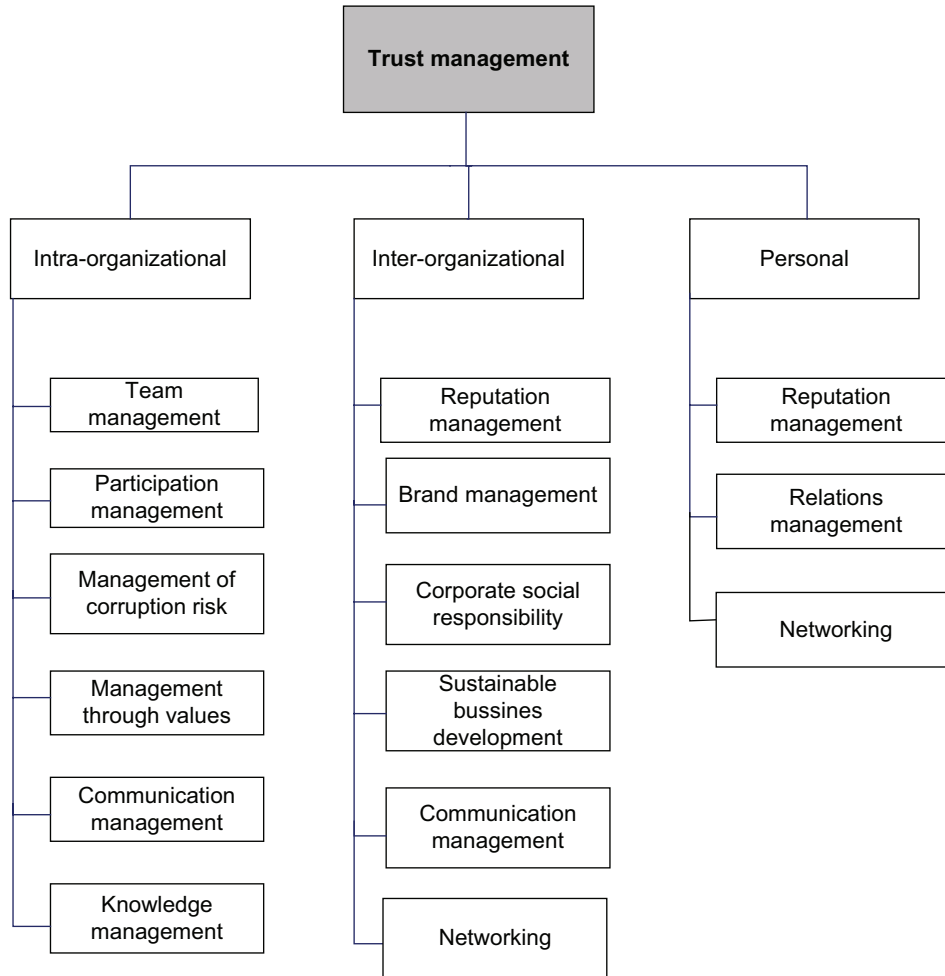
Sources: own based on Trompenaars, F., Hampden-Turner, C. (2002). *Siedem wymiarów kultury. Znaczenie różnic kulturowych w działalności gospodarczej.* (Riding in the waves of culture). Kraków: Oficyna Ekonomiczna, Uslander, E. M. (2008). *Zaufanie strategiczne i zaufanie normatywne.* (Strategic Trust and Moralistic Trust). [In] P. Sztompka & M. Bogunia-Borowska (Eds.), *Socjologia codzienności.* (The sociology of everyday life). Kraków: Znak, pp. 181-223.

Analyzing trust in a modern organization we notice that it is indispensable part to its successful functioning. At the same time the question comes to mind, if we recognize trust as the cornerstone of a contemporary organization, then what concept does come to assist a manager in managing trust. The solution to it might be trust management (aka trust by management or trust-based management) bounded up with the set of activities aiming at building one’s trustworthiness as well as evaluation of trustworthiness of others in order to construct authentic, productive relation on many dimensions: an employee - an employer, an employee – a company, an employee – a supervisor, an employee – a team, a company – a society, a company – media etc. (Grudzewski, Hejduk, Sankowska, Wańtuchowicz, 2007; Grudzewski, Hejduk, Sankowska, Wańtuchowicz, 2008, Grudzewski, Hejduk, Sankowska, Wańtuchowicz, in print). It is a special idea because it touches basic values. To bear fruit, trust ought to be authentic. Very essential are both intra-organizational as well inter-organizational strands. It is very hard to build inter-organizational trust without building trust inside an organization. That implies the logic in the organizational repairing program. Additionally, trust within a company is more fragile than trust between a client and a consultant (Galford, Drapeau, 2003). In practice trust management integrates many fields of management from the trust view, what is outlined in Figure 3. It requires a huge amount of interpersonal skills, competences, engagement as well as constant attention of leadership.

Benefits for an enterprise that spring up from trust by management are multiple: improvement of reputation, higher professional satisfaction, effectiveness of employees, enhancement of a system in which enterprise operates, increase in innovativeness and revenues, etc.

To sum up, in this article our goal was to outline a modern interpretation of trust in business and to show its economic meaning which exist beyond the moral value that trust brings. At the same time trust is becoming a new formula for organizational success, whereas trust management shed a new light on organization management.

Figure 3. Trust management and the other fields of management



Source: own.

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