

CULTURE OF TRUST AND DISTRUST – THE ISSUE OF TRUST AND CORRUPTION. THE EXAMPLE OF POLAND, SWEDEN AND THE UNITED STATES OF AMERICA

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Abstract

This article is novel attempt to explain the issue of trust culture and corruption in modern organizations and economies. First of all, there is introduced the trust concept as well as its importance in modern organizations, such as virtual organization, ranked by Polish, Swedish and American experts. Then relation between trust and corruption is discussed. Finally authors propose original remedy for corruption, namely their concept of trust management.

1. Introduction

What was an impetus for impressive economic growth that took place in the last half century in the East Asia? Everybody knows flying colors of four Asian tigers that pursued an export-driven model of economic development. Paul A. Samuelson, Nobel prize winner in Economics in 1970, affirms that the case study of history of those countries is a very figurative reminder of importance of such virtues as providence, integrity, which often are overlooked by fashionable economics theories. Trust is the part of the social capital, which not only enlarges predictability of our existence, but also makes the economy

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better, more productive, what demonstrates comparative analysis of various countries. It turned out that the growth of trust by 10 % raises annual domestic product by approximately 0,5 %.

The level of trust determines not only our individual development, but above everything else it fosters the social and economic evolution of the whole communities.

Above thesis was confirmed *inter alia* by results of research conducted among the best 500 Polish firms in 2004. 95 % of respondents admitted that impact of trust on the organizational success is at least far-reaching. Thus, the significance of trust for organizational success is irrefutable. Seeing that, what is left it is a debate on the degree up to which trust designates organizational improvement, and overall success. Naturally, the answer varies depending on an organizational form, and culture within which it operates.

This article focuses on the chosen aspects constituting the culture of trust and cynicism on the examples of Poland, the U.S. and Sweden from the organizational perspective (mostly for virtual organization). There will be examined trust on the basis of authors research carried out in model-countries for the purpose of trust analysis, namely – Sweden, the U.S. It should be assumed that national culture disguises its own approach to trust and each country is characterized by distinct culture of trust or cynicism.

2. Trust culture and distrust culture

Trust culture stands for disseminated in society rules which oblige every citizen to treat trust and trustworthiness as common shared values. In this culture well-rooted norm is to redeem the obligations, be honest, open to collaborate with others. Trust culture negates the existence of corruption.

Culture of trust is helpful in insecure and unorganized situations (Bjerke 1999). Trust can be recognized as the strategy of dealing with uncertainty. **Distrust culture** is based on distrust, cynicism, disorder, corruption, exploiting others, deceiving, great care. In order to function in distrust culture there are implemented various formal legal remedies.

Trust has focal meaning for the success of every transaction. It stimulates the human activities. In countries with trust culture there is higher social well-being and economic growth (Fukuyama 1995). In distrust culture those who trust in others are believed to be naive and simple-minded and they are the victims of unfair transactions. Cynicism limits the collaboration, the freedom of activity, destroys communication and divides people. Trust is depreciated.

Building trust has special meaning for social capital. According to Putnam trust is one of elements constituting social capital, together with norms and networks. Without this capital there is impossible the economical and social

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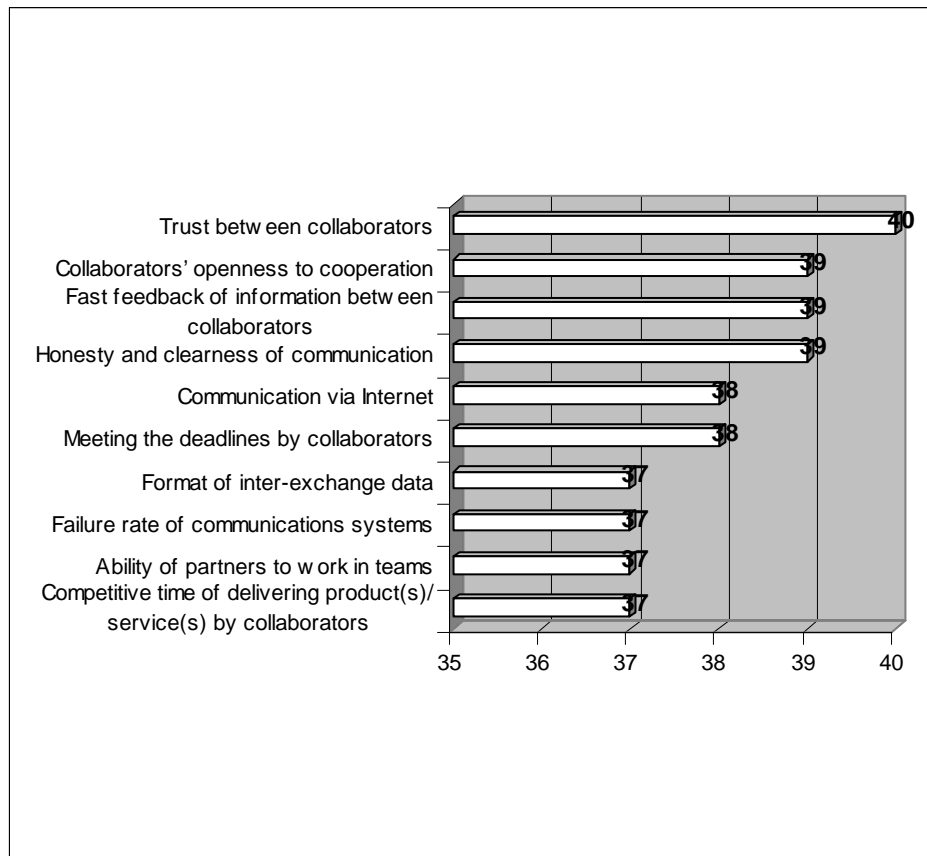
growth and building capitalism and democracy. Citizens need to have the feeling that they influence state affairs and live in the country characterized by culture of trust. Fukuyama, American politician, economist and political philosopher brought forward the issue of trust and social capital in his famous book entitled *Trust: The Social Virtues and the Creation of Prosperity*. New York: Free Press, 1995;.

3. The importance of trust in Polish, Swedish and American organizations

The exploration of trust and distrust issues needs to be directed to organizational level. Therefore we present our results from Poland, Sweden and United States. The research goal was to determine the critical success factors for virtual organization. Virtual organization stands for *a name given to any form of a temporary loosely coupled network of independent companies chosen dynamically (named collaborators) often located in different places, that are brought together to fulfill a common purpose: developing, producing and/or offering the appropriate product(s) and/or service(s). It is based more on trust than formal contracts. Once the specific goal is met, the venture will, more often than not, disband. Each collaborator brings to the cooperation its core competencies* (Sankowska, Wańtuchowicz 2006).

Then, in 2007 the survey among companies from two rankings - “TOP 500” of Polish companies published in newspaper “Rzeczpospolita” and the ranking list published in Polish magazine “Computer World” – took part managers from higher and medium managerial levels. The atmosphere of trust was predominantly (67%) mentioned as the critical success factor (Żuber et al. 2007: 2-3-213).

Figure 1. The significance of specific VO critical success factors by Polish experts



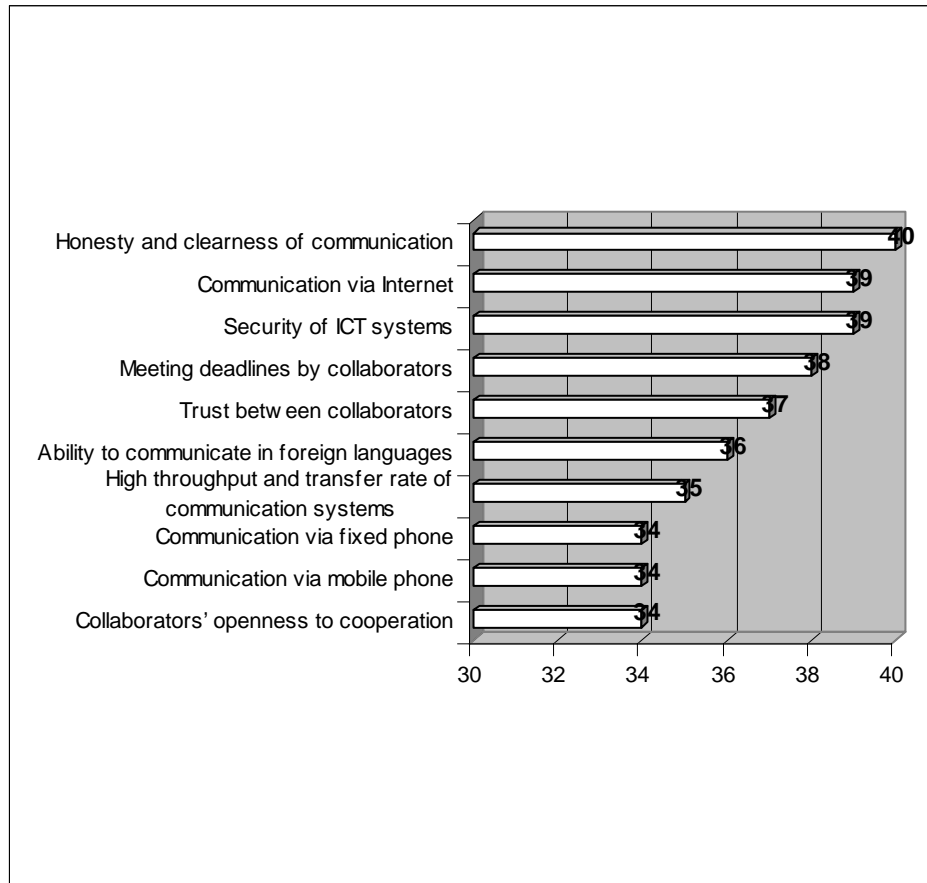
Source: Grudzewski, W. M., A. Sankowska, and M. Wańtuchowicz (2005), "Virtual Scorecard as a decision-making tool in creating virtual organisation", [in:] *Collaborative networks and their breeding environments*, L. M. Camarinha-Matos, H. Afsarmanesh, and A. Ortiz (eds.), New York: Springer, pp. 257.

A survey in Poland was conducted in 2005 among 11 experts from small- and medium-sized Polish companies from the IT sector experienced in ad hoc cooperation proved the aforementioned mentioned conjecture widely spread in the literature. From 48 initial factors that are believed to impact the decision to select or not select a partner for a potential VO, trust received the highest sum of ranks given by experts. Each factor could receive 44 points maximally. Trust

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was ranked highest among 10 critical success factors⁵ for VOs with the highest sum of ranks (see Figure 1).

Figure 2. The significance of specific VO critical success factors by Swedish experts



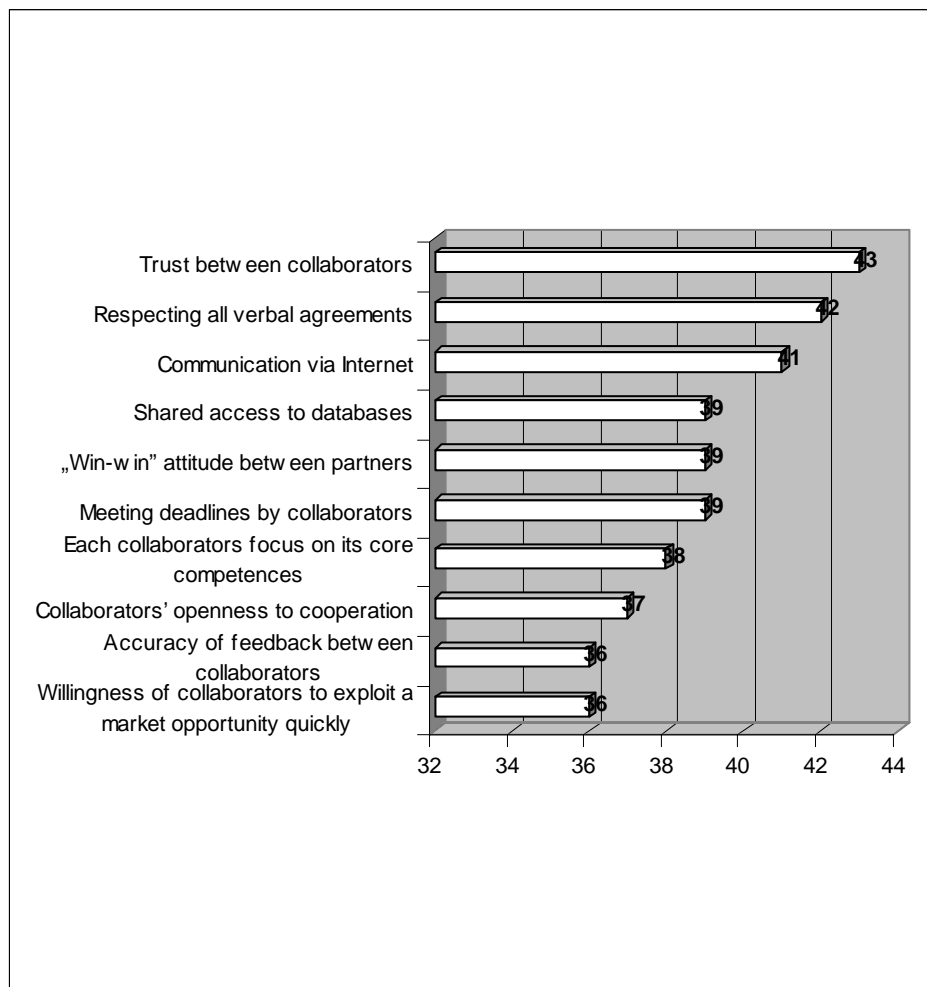
Source: Grudzewski, W.M., Hejduk, I.K., Sankowska, A., and M. Wańtuchowicz (2008), *Trust Management in Virtual Work Environments: A Human Factors Perspective*, Series: Ergonomics Design and Management. Theory and Applications Volume: 2, Taylor & Francis CRC Press.

Based on Polish survey on critical success factors, the similar one was carried out in Sweden (see Figure 2). The most important critical success factor was recognized honesty and clearness of communication. This factor is a

⁵ Critical success factors “are [...] the limited number of areas in which results, if they are satisfactory, will ensure successful competitive performance for the organization” (Rockart 1979: 85). Furthermore, critical success factors for virtual organization are areas in which gained results secure the success of this organization.

precondition of trust climate among collaborators. Furthermore, Sweden is believed to be the country with the highest level of trust all over the world. Therefore, trust is not on the first place as it is obvious and constant element of Swedish culture.

Figure 3. The significance of specific VO critical success factors by American experts



Source: Grudzewski, W.M., A. Sankowska, and M. Wańtuchowicz (2007), "A comparative analysis of experts' perception of critical success factors affecting virtual organization: North American versus Polish", *International Journal of Networking and Virtual Organisations*, 4(3), pp. 318-327.

An analogical expert survey was carried out in United States and the results acknowledged the importance of trust (see Figure 3).

In American culture trust is derived from trust to law institution while in Sweden it is a part of Swedish culture foundation. In Scandinavian culture trust is rather a culture norm than a law norm. Furthermore, it probably influenced penal code that we lighter compared with other countries. In cultures with law-rooted trust the first factors stopping from breaking the law are harshness and inevitability of a punishment. It is not surprising that the last survey by Edelman in 2007 announced that Swedish organisation are the most trustworthy all over the world. We concede that American and Polish cultures are characterized by the scarcity of trust comparing to Swedish one. Consequently, trust is a rare supply in many economies.

2.1. Corruption as element of distrust culture

We need to remember about the following principle: **Trust – trust culture, trust climate - is being built for a very long time in complex processes but it could be ruined in a second.** This is a common truth. Hence, it seems to be the best way to social and economical growth. The biggest danger is pervasive corruption. Transactional costs stemming from it are enormous and they overload the economic system and general people cannot get rich. If I do not have any trust in somebody I can buy him/her, his/her loyalty and benevolence.

Corruption is an activity in the opposition to trust. However, corruption is based upon two types of trust: strategic trust and particularized trust. Corruption-related activities are systematic and they contain trust between the corrupted parties. Nevertheless it is totally different type of trust. In order to explain that essential difference we need to distinguish two basic dimensions of trust.

First dimension of trust contains:

1. Moralistic trust – grounded in the conviction that the world is a good place to live, people are generally well motivated and belong to the same moral community, although they can have other origins and religious backgrounds (Uslaner 2003: 3). It is an effect of early learning from parents. Uslaner (2003: 6) even takes the view that later experiences have no influence on the general inclination to trust, except for small facts, such as higher education

2. Strategic trust – is based upon earlier, every day experiences with other people, common stereotypes and not on believed values. It appears when we want to „pay our debt of gratitude” or to live in concert with standards shared in certain group (Uslaner 2002). This trust is adaptable and practical.

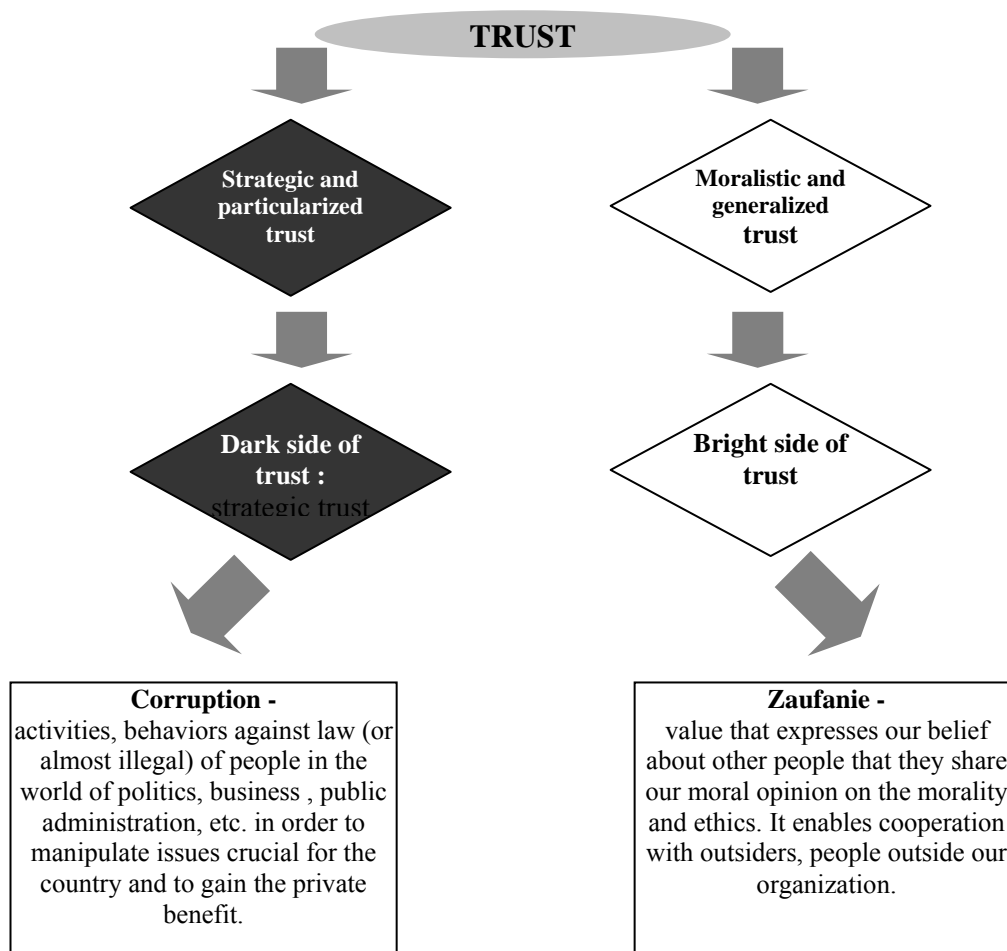
Second dimension of trust covers two following types of trust:

1. Generalized trust - General trust is a belief that people generally are trustworthy. In other words, it is “trust in strangers,” who may differ from us. This trust is measured using the answer for the following question: In general, how much can you trust other people and do you have to be careful in relationships with others? Sztompka (2005: 326) defines general trust as a willingness to act on the basis of expectation *a priori* that most of people and institutions will act in way that is beneficial for us. Uslaner (2003: 3) considers general trust as a belief that most people belong to the same moral community.

2. Particularized trust - a conviction of an individual that other individuals connected within a certain network by social dependences or the social groups are reliable. Detailed trust refers to family, friends, collaborators, the religious community, associations, and clubs to which an individual belongs. Particular trust is a trust in people or groups that are similar to us. In the upshot, people *au fond* have tendencies to perceive members of their own group significantly more favorably than members “of strange groups” (Kozusznik 2005: 139).

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Figure 4. Corruption and trust

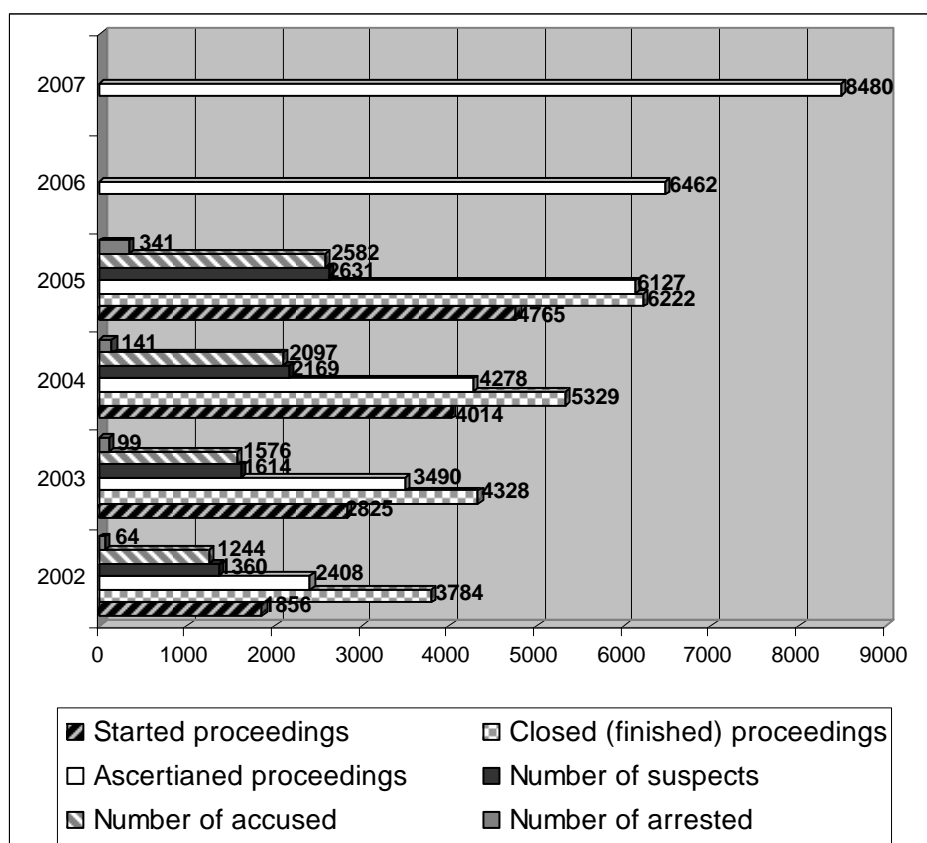


It is true that when there is insufficient level of trust – it is common for distrust cultures – there grows some kind of vacuum in which appears alternative solution – so-called functional substitute of trust – corruption. It has similar functions and it meets universal needs like: certainty, predictability, control in highly insecure and fast-changing world. In those circumstances it is very likely to appear mutual exploitation and manipulations. Connections, nepotism, mutual favors, cliques as well as exchange transactions.

3. Corruption issue – the dark side of trust

In Poland corruption replaces trust. Corruption is, as a matter of fact a, denial of effective system of free market economy – fair competition. There is no need to convince about the fact of omnipresent corruption. By all accounts of Polish people (95% of respondents) corruption is earnest problem in the country and economy (*Postrzeganie korupcji w Polsce Komunikat z badań, 2004*). In the opinion of majority of respondents (59%) law regulations do not prevent from corruption (*Nadużycia gospodarcze w firmach – wyniki sondażu, 2006, Deloitte*). The Polish situation related to corruption against the international background is appalling. Graph 1 presents the most crucial statistic data concerning the corrupt practices. Poland in the global ranking of *Corruption Perception Index 2006* took 61 places in common with Jamaica, behind such countries as among the others Finland on 1st, Italy on 45th, Czech Republic and Lithuania on 46th, Columbia on 59th place. This is reflected directly in the lack of trust to public institution, government representatives, and officers on each level of the state power. We should also keep in mind the presence of corruption in business world. Professor of Sociology, Piotr Sztompka, aptly ascertains trust as “a mauler commodity”. What is more, corruption generates more and more corruption. In the course of time corruption brings underdevelopment, social incohesion, the growth of societal dissatisfaction. It is likely to observe the ghettoization of a society in form of closed housing developments, separated from the rest of the world, behind which the world starts to be hostile and dangerous. Individuals lock themselves in restricted areas, and in consequence these separation decreases their life comfort.

Figure 5. Corruption in Poland



Source: Biuletyn Statystyki Kryminalnej za lata 2002-2003, Biuro Kryminalne KGP - dane za lata 2004-2006 oraz <http://www.policja.pl/portal/pol/4/309/Korupcja.html>

Figure 5 presents the most important statistics on corruption in accordance with Polish Penal Code – Law from 6th June 1997 (Dz. U. Nr 88 position 553 from 2nd August 1997 with later changes).

It might be stated that when trust is missing – what is typical for culture of distrust and cynicism – the gap is filled in with the alternative solution - functional substitute of trust that is corruption satisfying similar function and illusively fulfilling the human natural needs of security, predictability, control, and so on in a very insecure, changeable world (Sztompka 2007: 330). In case of corruption there is a lot of mutual impose and manipulation (Gambetta 1988: 158-175). Interchangeably transactions, connections, mutual favors become

constant part of organization's everyday life become full of (Merton 2002: 175). There is created a vicious cycle of corrupt interconnection. Organizational members come to be "prisoners" of such an unhealthy system, which primordial presupposition was to reinforce the environment predictably and consequently facilitate decision-taking process. These way corrupt practices appease natural needs of organizational members, which should be satisfied by reciprocal trust, high ethics, empathy, openness, and kindness.

4. Trust management as the solution of corruption problem

Corruption as well as trust produces apparent consequences. Societies characterized by high level of trust and low corruption are famous for high economic growth, good state power system, efficient political elites, equal redistribution of income, and consideration for the law. Corruption instead creates implicit costs, goes along with decline in economic activity. At this juncture, pivotal question arises: *what ought to be done, where to put efforts in order to be in the circle of highly developed societies?*

Straightaway another problem arises: *what to do, when corruption through the institutionalization, rationalization and socialization becomes durable form?* It is very difficult for individuals to fight against normalized corruption in a society. To overcome it, there is a need for an administrative shock, usually external one.

The most effective method to fight against the corruption is its prevention then later eradication. Among the *ex ante* activities there is first of all institutionalization of ethical values as well as consciousness and its inclusion in each taken decision.

The best strategy in order to avoid the institutionalization of corruption is **trust management** defined as follows (W.M. Grudzewski, I.K. Hejduk, A. Sankowska, M. Wańtuchowicz, *Trust Management in Virtual Work Environments: A Human Factors Perspective*, p. 37):

The activities of creating systems and methods that allow relying parties to:

1. Make assessments and decisions regarding the dependability of potential transactions involving risk

2. Allow players and system owners to increase and correctly represent the reliability of themselves and their systems.

Before summarizing it is focal to present our principle of trust and corruption correlation, based on our theoretical and practical research on trust, trust management and corruption:

The more trust the less corruption, and in the same time the more corruption the less trust. (W.M. Grudzewski, I.K. Hejduk, A. Sankowska, M. Wańtuchowicz, 2008).

5. Conclusions

The welfare of societies, economic growth as well as success of particular organization depends on high level of trust. Therefore, there is so necessity to build culture of trust in a conscious and oriented way. As a consequence the role of the new method of managing organization is going to raise, namely – trust management – proposed by Grudzewski, Hejduk, Sankowska, Wańtuchowicz (2008).

Trust building in societies, winding up all symptoms of corruption, this is the only way for permanent and sustainable economic growth. Corruption, even if sometimes it gives temporally benefits for individuals, it works as sword of Damocles. In the issue, it turns against those who take it as a rule of conduct.

Building only the culture of trust is not enough. It is necessary to arrange immediate battle against corruption, which is a pain in the neck. These two targets are complementary to one another. It should not be expected that corruption decreases itself and at the same time trust flourishes. The reason for it lies in the nature of relation between trust and corruption. As a result of legal struggle with corruption, trust does not come automatically. Now then, it is *sine que non* to join both goals.

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