Chapter III

Trust as Capital: The Foundation of Management

Risto Harisalo
University of Tampere, Finland

Jari Stenvall
University of Lapland, Finland

ABSTRACT

Trust is an old idea and it has come back again. We believed that proper management and information systems, a correctly designed organizational structure, and well-oiled processes will solve our problems and facilitate us to attain our objectives. We were wrong because we forgot people’s deep psychological needs for trust and fear of mistrust. This chapter argues that trust as capital is more important for people and organizations than financial capital as money and human capital as knowledge. Strong trust helps people to make better use of small amount of money and knowledge than mistrust can of great amount of money and knowledge. If human interaction is based on strong mistrust no amount of money or knowledge help people to settle down their differences. The message of this chapter is that the stronger people trust each other the easier it is for management to lead, practitioners to develop, and employees to work...
efficiently and creatively. With trust conflicts can be solved without troubles or bad aftertaste. Customers are likely to favor companies in which they trust. Trust opens possibilities, mistrust closes them. It is the greatest challenge for management and people dealing with information systems.

INTRODUCTION

In trying to understand the basic dynamics of human interaction and social systems, researchers have sought answers to one of the most permanent and motivating questions in social sciences, which Harold Lasswell (1958) bluntly dubbed “who gets what, when, and how.” Before him, David Easton (1953, p. 137) formulated the same question as “who is to get what there is of desirable things.” Since Easton and Lasswell, social scientists have held power as influential motivators for political participation and a major explanation for organizational practices and their outcomes.

However, there are researchers who have begun to question the primacy of the power hypothesis by asking: Does it really explain important social phenomena exhaustively or sufficiently and is there something which could be even more fundamental than power itself, something on which it could actually rest (Arrow, 1974; Lipset & Schneider, 1983; Gibb, 1978; Luhmann, 1979; Misztral, 1996)? Their search has yielded new interesting factors from which at this moment trust seems to be one of the most promising alternatives to the power hypothesis as the primary explanation of “who gets what, when, and how.”

By making use of trust, social scientists have gone beyond the power hypothesis in their pursuit of understanding why some people, organizations and even nations can do better than others and why certain virtues like integrity, transparency and belief in social progress have become more firmly rooted in some of them than in others (see, for instance, Fukuyama, 1995; Putnam, Leonardi & Nanetti, 1993; Whitney, 1996; Harisalo & Miettinen, 1997). Charles Handy (2002, p. 49), for instance, argues that markets and social life rely on certain rules and laws, but those rules and laws in turn depend on trust and truth. He goes on to argue that if trust is eroded and truth concealed, the game becomes so unreliable that no one will want to play. However, looking at what is happening right now in commerce and politics could make at least some of us wonder whether trust is a luxury people cannot afford (see Lipset & Schneider, 1983; Savall & Zardet, 1997; Harisalo & Stenvall, 2001a; Möller, 2000).
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