Maximizing Stakeholder Trust as a Tool for Controlling Corruption


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Corruption presents one of the most serious challenges in the modern world. The world has responded with a plethora of corruption control programs. Most of these programs focus on creating effective rules and inducing or incentivizing actors – usually business firms – to comply with those rules. The nature of the rules vary; some rules create boundaries with respect to the interactions between representatives of a business firm and government officials, some rules outline a recommended process for making decisions regarding interactions between the same. A different approach exists, but is far less frequently discussed in the global anti-corruption regime. This approach suggests that rather than creating specific rules or processes, the creation of strong ethical cultures within business firms will reduce corruption.

Both approaches have merit and both should be considered by the global anticorruption regime. This paper recognizes a difficulty in adopting a program that advocates the creation of strong ethical culture as an anti-corruption tool: it is difficult to measure culture. This paper suggests that while an ethical culture is difficult to measure, the trust engendered among stakeholders by an ethical culture can be measured. That trust can be used as a proxy measurement for a strong ethical culture. Measuring stakeholder trust, therefore, could be a useful tool in controlling corruption.

1 Corruption and Corruption Control

Corruption has many definitions. For the sake of clarity, this paper adopts a fairly common definition within the social sciences: corruption is the abuse or misuse of power or trust for self-benefit rather than the purpose for which that power or trust was granted. This definition is particular enough to exclude general complaints about the use of power or trust. “My government is doing a bad job” does not satisfy this definition. The definition is broad enough to include behaviors that may technically be legal but are widely regarded as corrupt. Campaign finance in the United States, for instance, has been held to be within the law but is popularly regarded as corrupt. It should be noted that this definition is not limited to interactions involving a government; a purchasing agent who accepts bribes from potential suppliers, for example, has acted corruptly according to this definition because she has abused the power given to her by a business firm for her own benefit rather than using that power as it was intended.

Corruption presents serious challenges to human fulfillment and to the integrity of the natural world. Corruption profoundly distorts the decision making process of those entrusted with power, it
misdirects resources, it severs the relationship between people and their governments. A strong relationship exists between corruption and lower levels of health, lower levels of education, environmental degradation, and disengagement from public life.

As befits a serious challenge, corruption has evoked serious responses. Business firms, business organizations, individual governments, intergovernmental organizations, international financial institutions, civil organizations, and transnational organizations have taken up the cause of corruption control. These entities have used a number of approaches, including criminalization and prosecution, education, public shaming, strengthening institutions, audits, certification, and blacklisting. Each of these tools has merit, and each has a place in the overall effort to control corruption.

Business bribery of government officials was early identified as an especially pernicious form of corruption. Bribery of government officials occurs in the shadows but when endemic its existence is widely known. It very visibly disenfranchises large segments of a population. It very significantly contributes to the harms engendered by overall corruption. It also implicates the economic well being of a polity which, although certainly not the only measure of general well being, is important and, again, visible.

Business bribery was almost as early recognized as presenting an assurance problem. An assurance problem exists when two conditions are met. First, each member of a group is best off if all members cooperate, but are next best off if they defect – that is, do not cooperate – and are very least well off if they cooperate when others defect. Second, monitoring the extent to which other members of a group are cooperating is difficult. Under these conditions, a member of a group faces a difficult question: cooperate in the blind and uncertain hope that everyone else is cooperating and each will reap a rich reward, or take the safe route of defecting and settle for a diminished but certain reward.

A corrupt system satisfies both of these conditions. Empirical studies uniformly find that in the long run business firms that do not pay bribes are more productive and have lower costs in dealing with the government. In the short run, however, firms that pay bribes may (only may, but it is a potentially significant may) have powerful advantages over firms that do not pay bribes. If all firms cooperate (do not pay bribes), then all firms will be better off in the long run. But if a firm defects (pays a bribe), it may realize some smaller benefit in the short run while firms that do not pay bribes might not survive to reap the long term benefit. The clandestine nature of bribery makes monitoring the behavior of other firms difficult. Thus, a firm operating in a corrupt system faces a dilemma in determining how it should behave.
The classic solution for an assurance problem is law. In corrupt systems, however, law might not function effectively. The next best solution is collective action. Thus, throughout the galaxy of anti-corruption organizations, collective action has become a prominent and desirable tool. It is difficult to generalize the many collective efforts into one particularized description. It is safe, however, to suggest that most of these efforts focus on bribe-paying behavior. Collective shaming efforts, such as Poland’s Clean Hands movement years ago, publicize the payment of bribes. Certification programs, such as Paraguay’s Pacto Ético Commercial, audit the decision-making process within a business firm. Blacklisting, such as that undertaken jointly by the members of the World Bank Group and most regional International Financial Institutions, is based on a determination of whether a bribe was paid or not paid. Even collective educational programs, such as the Principles for Responsible Management Education Anti-Corruption Toolkit, tend to focus on the costs engendered by paying bribes and on ways of structuring effective anti-bribery processes within a business firm.

2 Combatting Corruption by Creating Strong Ethical Culture

Programs that focus on the payment of bribes are inarguably valuable and should play a prominent role in collective action to combat bribery. In the field of business ethics in general, however, these types of programs represent only one trope of thought in inculcating socially desirable behavior in business firms. The other trope focusses not on designing a set of rules and requiring compliance with those rules but instead on creating a culture within a firm that predisposes members of that firm to act in ethical ways. The “compliance versus culture” debate has raged within the general field of business ethics for many years, but has received scant attention in the global effort to control corruption.

Business firms, like other groupings of people, each have a distinct culture. A culture is made up of the cumulative knowledge, experiences, institutions, beliefs, attitudes, and similar social artifacts acquired by a group of people, which sustains and transmits itself independently of individual members of that group. While legal scholars may argue over the legal theories that justify the existence of business firms, and ethical scholars may argue over the moral agency of business firms, sociologists and anthropologists agree that business firms have distinct cultures.

One component of culture is norms. Norms are general standards regarding behavior: “should” and “oughts,” as well as “should nots” and “ought nots.” The body of norms within a business firm
constitutes its ethical culture, and if that body of norms reflects an underlying morality and if it exerts meaningful influence, then it can be called a “strong” ethical culture.

Norms differ from formal rules in several ways. Adherence to norms is self-monitored or is monitored by other members of the group, whereas compliance with formal rules is monitored by agents designated by those rules. Norms by their very nature conform to the broader culture, whereas formal rules can be imposed on a culture. Violation of norms results in shame or reputational damage, whereas violation of formal rules results in a punishment designated by those rules.

Interestingly, research on the behavior of individuals within organizations finds that norms have far greater influence than formal rules, including laws backed by criminal sanctions. This influence can operate in either positive or negative ways. Norms that prohibit theft or harm to others, for example, are positively aligned with the law and with social objectives, and actually play a greater role in protecting people and property than does the law. Similarly, research from several countries and regions suggests that the culture of a firm is second only to salary in the degree to which it influences the behavior of individuals in a firm. This research suggests that a strong business culture significantly reduces dysfunctional behaviors, such as reduced productivity or lack of care, and malfeasance, such as office theft or self-interested co-option of business opportunities.

On the other hand, norms sometimes conflict with the law and with social objectives. Police in large cities in the United States, for example, sometimes rigidly comply with norms that require them not to cooperate with “outsiders” investigating allegations of police misconduct, even though the law requires them to do so. Family members in rural South Asia sometimes rigidly comply with “honor killing norms,” even though the law forbids such killings.

The same dynamic exists with respect to corruption within a business firm. If the culture within that firm exalts wining at all costs, then rules regarding the payment of bribes are likely to be ignored. On the other hand, if the norms of a business firm do in fact conform to general concepts of morality, then individuals are far less likely to act corruptly. Research conducted in North America, Southern Africa, and South Asia supports the argument that a strong ethical culture specifically reduces corruption.

Given the potential that creating strong ethical cultures has in the effort to control corruption, it would seem that the global corruption regime should strongly consider its use. There are, however, difficulties in the adoption of this tool.
3 Difficulties in the Use of Strong Ethical Cultures

Two practical difficulties might dissuade practitioners within the anti-corruption realm from embracing the ethical culture approach to controlling bribery and other forms of corruption. First, creating and adopting rules is far simpler than effectuating culture change, and will probably be more attractive to people fighting corruption. Rules can be explicitly articulated and can be imposed; norms tend to exist as less articulable principles and require some degree of organic development.

The second difficulty involves measurement. An ethical culture is a state of being, and it is difficult to measure the state of “goodness.” Actions can be measured, but when only particular acts are measured, the part of an ethical culture that is related to those acts is emphasized and the rest is ignored. What constitutes an ethical climate is likely to be highly idiosyncratic, not because moral rules are subjective but instead because business firms operate in highly individualized settings deeply embedded in the complexity of the real world.

Although succinctly described, these difficulties present real obstacles to the use of strong ethical cultures as a tool for combatting corruption. Business firms generally avoid difficult challenges because, as discussed later in this paper, it is in their best interest to operate as inexpensively as possible. And business managers have become conditioned to operate in an environment of measurement, to the extent that many have difficulty understanding or working toward qualitatively expressed goals.

4 Stakeholder Trust as a Proxy for Ethical Culture

This paper acknowledges the difficulties in measuring and prescribing an ethical climate. This paper suggests, however, that the extent to which a firm is trusted by stakeholders offers an acceptable proxy for an ethical culture. Trust also accommodates the fact that each business firm operates in an individualized setting, and thus must create its own culture.
Three terms must be differentiated: trust, trustworthy, and trusted. The latter two terms make reference to the former, trust. Trust, like corruption, lends itself to numerous definitions. This paper uses a definition common in psychology. Trust is an expectation that a person or entity will behave as desired under conditions of risk. If person A hands person B the keys to person A’s car, but does not thereafter let person B or the keys out of sight, there is no trust because there is no condition of risk. On the other hand, if person A hands person B the keys and then lets person B leave the room with the expectation that person B will return with the keys, then there is trust. There is a condition of risk – person B could abscond with the keys, and there is an expectation that person B will behave as desired - that person B will return with the keys.

Trust seems to occur in three broad types. Personalized trust is the type illustrated above. One person or entity trusts another person or entity. Particularized trust occurs when a person or entity trusts another, not specifically but instead as a member of some identifiable group. In the United States, for example, people often trust fire fighters as fire fighters rather than as individual persons. In Thailand people often trust monks as monks. The person who demonstrates trust may or may not know the individual firefighter or monk, but that is irrelevant. The person trusts firefighters of monks in general.

Personalized and particularized trust have much in common; the third type of trust, generalized trust, is distinct. Generalized trust is not focused on people or groups but instead describes a level of confidence in society in general. High levels of generalized trust mean that most people think that “the system” works, that systems and institutions function in a socially appropriate way, that even strangers can be expected to behave in socially appropriate ways. Generalized trust describes a gestalt rather than the sum of particulars: a person may have a strong sense of generalized trust even though that person does not trust, for example, the local police. Generalized trust may have an indirect relationship with personalized or particularized trust but is not the type of trust at issue in this paper.

The precise mechanisms for the formation of personalized or particularized trust are not fully known. Research suggests, however, two primary mechanisms. The first is an alignment of interests. Person A trusts person B because their interests are closely aligned, and thus the interests of person B will be furthered if person B acts in ways that also further the interests of person A. Person A, who assumes that person B is a rational actor, therefore expects person B to act in those ways.

The more common means of engendering trust seems to be through interaction, whether directly or indirectly. If person A has interacted with person B under conditions of risk, and if person B has consistently behaved as desired (or as considered socially appropriate), then person A is likely to
trust person B. Moreover, if person A observes person B behaving appropriately under conditions of risk, or learns from reliable sources that person B behaves appropriately under conditions of risk, then person A is likely to trust person B, even though they have not directly interacted.

“Trustworthiness” and “trusted” differ, but both relate to the act of trust. A trustworthy person or entity merits trust, a trusted person or entity has actually received trust.

A growing body of research explores the qualities that merit or earn trust, particularly in a business setting. Some of those qualities have to do with competency. Business always involves interactions with other persons or entities, therefore business always involves some risk that other parties are not capable of performing their tasks. Competency – the ability to complete a task and complete it well – therefore engenders trust. Indeed, online service rating services such as Angie’s List or Yelp, exist to provide consumers with sufficient information to make decisions about trusting a service provider.

Of perhaps more relevance to the argument that trust can serve as a proxy for an ethical culture is the other significant contributor to trust: character. Research that claims to identify qualities that engender trust risks the very overgeneralization that the use of trust as a proxy seeks to avoid. The argument for the use of trust as a proxy for an ethical culture, however, can only be made in general terms, even if it is implemented in ways particular to each business firm, and thus this paper will discuss the argument using general concepts of moral character. That discussion occurs in the next section.

The measurement of stakeholder trust as a proxy for measuring the strength of ethical culture also contains the seeds for the creation of a strong ethical culture. Many business managers have difficulty in understanding or working toward qualitatively expressed goals, successful business managers tend to be very effective at planning for and accomplishing quantitatively expressed goals. Thus, if managers of firms are given the objective of maximizing stakeholder trust, and if stakeholder trust is associated with a strong ethical culture, then the process of maximizing stakeholder trust will induce managers to strengthen the ethical culture of the firm.

Written as a general proposition this of course sounds glib. Accomplishing this goal at the firm level, however, will require attention to the particulars. A firm will need to identify salient stakeholders. A firm will need to understand its relationship with those shareholders. A firm will need to understand the expectations held by its shareholders, and how its own norms of behavior interact with those expectations. Each business firm has a distinct culture and so this paper can only address generalities, but the objective of increasing stakeholder trust will induce firms to engage in particular actions. In the
same way that balanced score card and triple bottom line measurement tools have induced managers to develop plans specifically responsive to those tools, measurement of stakeholder trust will induce managers to develop plans specific to the creation of trust.

5 Alignment of Trust Generating Behaviors and Ethical Culture

The validity of engendered trust among stakeholders as a proxy for an ethical culture in a business firm depends on one premise. That premise is that the characteristics that engender trust are the same or are very similar to the qualities that would be considered ethical. If the qualities that engender trust are the same as or are very similar to the qualities considered ethical (and if, of course, the business firm interacts with sufficient numbers of people or other entities to make measurement meaningful), then high levels of trust could defensibly be argued to indicate strength in those characteristics. High levels of trust would indicate a strong ethical climate.

An obvious scholarly objection to this premise arises from the contentious nature of scholarship. Normative scholars do not agree on the qualities that are considered ethical. Deontological schools of thought vigorously argue that morality flows from immutable rules, teleological scholars argue just as fiercely that morality is determined by the consequences of actions. Confucian scholars look to the social context, while virtue theorists only examine the actor. Each of these schools of thought offers voluminous reasoning to support its argument.

William David Ross, in The Right and the Good, published in 1930, offers a means to escape the scholarly impasse. Ross suggests that rather than relying solely on reason, moral fact can be known through intuition. In this real-world-oriented scheme, the contradictions that seem to exist between various normative schools of thought can co-exist. Each real-world person carries within their thought processes a heuristic for evaluating and choosing among various means of determining ethical acts. Thus, when evaluating the actions of a person who chooses between killing a child and not killing a child, most people use a rule that in some way reflects that child’s right not to be killed. When evaluating the conduct of a person who faces the horrible choice between killing one child and killing ten, however, most people us a rule that in some way reflects the differing consequences between those two choices. People making decisions about ethicality move effortlessly between modes of thinking about ethicality, and seem to have some unconscious tool that allows them to order these
modes of thinking. While Ross’s observations are not accepted by all normative scholars, his work suggests that it is at least fair to accept social understandings regarding ethical behavior as normatively correct. If qualities that generate trust correspond to those understandings, then trust creating qualities can be said to reflect an ethical culture.

Research suggests that qualities that engender trust include respect, honesty, transparency, and integrity. Arguably, each of these behaviors is considered broadly ethical and contributes to the creation of an ethical culture. Respect of others, for example, resonates strongly with Immanuel Kant’s principle of respect for the dignity of all persons, which constitutes one of the organizing principles of his ethical philosophy. Honesty is embraced by countless philosophies. Confucianism requires a leader to “be sincere and true to your word;” Aristotle demanded the same from his students when he noted that “Plato is dear to me, but dearer still is truth.” Transparency is closely related to accountability. Transparency also allows other parties to evaluate the process by which a decision is made rather than just the outcome. Integrity, or consistency of principles even in the face of difficulty, was regarded as one of the core virtues by Aristotle and is described as essential to ethical behavior in international business by Tom Donaldson. This paper can only describe the connection in generalized abstracts, but there is a strongly defensible general argument that behaviors that engender trust are strongly aligned with behaviors considered ethical, and therefore with strong ethical climates.

6 Market Forces Support Adoption by Business Firms

The argument that a strong ethical climate reduces corruption, and that there is a strong connection between the measurement of stakeholder trust and the creation of a strong ethical climate, may not be sufficient to convince business firms to undertake the goal of maximizing stakeholder trust. Market forces, however, may provide sufficient incentives.

Markets put business firms to a test. If a firm uses resources to efficiently produce goods or services for which there is some demand, the firm survives; if not the market “creatively destroys” that firm and the resources become available for someone else to try. This process is colloquially referred to as “meeting a demand” and “making a profit.”
It is to a firm’s benefit, therefore, to understand in a useable way things such as demand, costs, and revenue. “Useable” ways of understanding include quantifiability and comparability. Fueled by demand from — and funding by — business firms, scholars have over the last century and a half developed increasingly sophisticated measure for each of demand, costs, and revenue. Whereas once a firm simply guessed what people would be interested in purchasing, firms now have access to “market” (really demand) data segmented by age, ethnicity, geographic location, income, and countless other refinements. Firms have access to data on desirable packaging and product placement, on hourly demand ebb and flow, and even how future trends in demand. Business firms are willing to spend time and money to understand demand because it directly affects their ability to survive in a market.

The ways that business firms measure costs and revenue are equally if not more refined. Measures of costs and revenue, however, are also comparable. Those who supply business firms with an important resource, capital, want to be able to compare how firms manage costs and generate revenue so as to make decisions about choosing among firms. Thus, almost all measures of this sort use a common denominator, a convertible currency, which renders costs and revenue commensurate.

A comparison to nonprofit activities demonstrates the boon that measurement receives when it allows a business to understand things that relate to its survival. The maximization of general well being may be the most important of all human goals. General well being is a complicated phenomenon, but so too are some of the relationships between costs and revenue. There is no gainsaying that general well being is a valuable and desirable social goal, yet in the hundreds of years that it has been recognized as a goal no accepted form of measurement has been developed. Measurement of the effective use of resources to accomplish socially desirable goals lag well behind business measures of productivity. It was only, for example, after the British National Health Service invested substantial time and effort that a common measure of healthcare outcomes was developed (the Quality Adjusted Life Year). And it is only with the increased interest in social impact investing that scholars have attempted to develop comparable measures for social investment outcomes, measures such as the Best Available Charitable Option used by Acumen Investment Fund.

It is very unlikely that business firms will take on the goal of maximizing stakeholder trust and the burden of measuring stakeholder trust solely for the purposes of reducing the likelihood of corruption. Inducing business firms to maximize stakeholder trust is far more likely if stakeholder trust can be linked to factors that affect the firm’s ability to survive in a market. Fortunately, a very strong argument can be made that that such links exist. Reputation Dividend, a consulting firm that helps traded firms quantify the value of their reputation, releases annual reports on the overall value of
reputation. In 2015, reputation created 36 percent of the value of firms included in the London Stock Exchange’s FTSE and 33 percent of the value of firms included in the Sao Paulo Exchange’s Bovespa Index. In the United States, during the same period, reputational problems had destroyed US$ 325 billion of value in the New York Stock Exchange’s S&P 500.

All business firms, whether publicly traded or otherwise, benefit from the creation of trust. A study by the World Economic Forum found five general benefits engendered through the creation of trust. First, trusted firms receive better business terms when working with other entities. Second, trust enhances the likelihood of innovation and successful entrepreneurship, which contributes to competitiveness. Third, trusted firms have more loyal, productive and engaged employees. Fourth, trusted firms have stronger and more productive relationships with suppliers, distributors, and other members of value chains. Fifth, trusted firms are more resilient and are less susceptible to shock; in market terms, trusted firms are more likely to survive unexpected market fluctuations and turbulence.

In short, current research suggests that stakeholder trust confers a significant benefit on a firm and increases the likelihood that a firm will survive the test of the market. Firms have many reasons to measure stakeholder trust, and the scholars who conduct research related to business have many reasons to develop sophisticated means of measuring and comparing trust. Those who are interested in controlling corruption can leverage these reasons for maximizing trust to accomplish their own laudable task. Maximizing stakeholder trust makes a firm more competitive and reduces corruption.

7 Dangers in Using Trust as a Proxy

There are at least three potential dangers in using trust as a proxy for an ethical culture. The first is a danger that lies in any form of measurement. As has already been discussed, ethical cultures are likely to be highly individualized and will differ from firm to firm. If standardized measures of trust are developed, it is possible that business firms will develop cultures that conform to those measures rather than creating authentic cultures. Cultures that merely reflect what is measured might not be as effective at fighting corruption.

This danger is best dealt with by developing effective forms of measurement. By focusing on the actual amount of trust that exists rather than on any specific behavior, for example, the measurement would not direct firms toward any specific culture. Because the general benefit to firms is
in the actual level of trust, there hopefully is sufficient incentive to develop accurate tools for measurement.

A second danger is inherent to forms of measurement that allow for comparison. Stakeholder trust enhances the productivity and competitiveness of a business firm. Firms that engender more stakeholder trust are more productive and more competitive than those that do not. Thus, persons making decisions about the investment of capital should rationally be attracted to firms that report high levels of stakeholder trust. Unfortunately, some firms may cheat in their measurement or reporting of stakeholder trust. Firms are already cheating in online measures of reputation, for example by generating fake positive reviews or by self-generating large numbers of positive responses.

Cheating, of course, is not limited to measurement of stakeholder trust. Several of the largest business scandals over the last decade have involved the false reporting of measurements related to costs or to revenue. There is no perfect solution to cheating, but the control of cheating with respect to amounts of stakeholder trust will probably be similar to the control of cheating in other measurements. Because stakeholder trust does influence the survival of a firm in a market, the amount of stakeholder trust is material. Misrepresenting its measure to potential or current investors, therefore, constitutes fraud, which depending on the legal system can be a criminal or civil violation, or both. Additionally, as tools for measuring trust become more sophisticated it will be more difficult for business firms to manipulate how it is reported.

The most serious danger posed by the use of trust as a proxy for an ethical culture is that it may in fact not be a proxy. Trust is usually created through repeated iterations of desired behavior under conditions of risk. Trust can sometimes, however, be created through an alignment of interests. Person A desires outcomes X, Y, and Z. Person B also desires outcomes X, Y, and Z. Person A may trust that person B will behave as expected under conditions of risk because they each desire the same outcome.

Unfortunately, no association need exist between aligned interests and ethical behavior. Demagogues, for example, are adroit at convincing others that their interests are aligned, and demagogues often focus on the less healthy of people’s interests. As Aristotle noted of Cleon, successful demagogues are both destructive and trusted by the people whom they destroy. Demagoguery is only one type of trust building behavior that would not reflect an ethical culture in a business firm. Whitewashing and greenwashing behaviors have already been observed with respect to business firms’ maintenance of reputation. Whitewashing occurs when a business firm strategically diverts attention from immoral or illegal behavior to more acceptable behavior; greenwashing occurs
when a business firm expends more effort and money on messages regarding environmentally-friendly behavior than it does actually engaging in such behavior. It is not difficult to envision business firms generating trust through similar techniques rather than through the actual creation of a strong ethical climate. Trusted is not the same as trustworthy. By engaging in manipulative techniques, a business firm could be trusted even though its character does not merit trust.

Fortunately, almost no business firms engage in demagogic behavior, and few firms whitewash or greenwash. Nonetheless, there is a possibility that a business firm could engender trust through means other than the creation of a strong ethical culture. No easy solution to this possible problem exists. The existence of such a problem does not, however, negate the value of stakeholder trust as a proxy for an ethical culture; instead it presents an area for further research and refinement of measurement tools.

8 A Need for Collective Action

The power of strong ethical cultures to combat corruption, and the utility of using measurements of stakeholder trust as a means of determining the strength of an ethical culture, are not outweighed by the potential problems in using measures of stakeholder trust. Those problems do, however, highlight some of the reasons for using a collective approach. Indeed, there are at least four reasons for using a collective approach to implement the maximizing stakeholder trust as a tool to combat corruption.

First, in order to be useful, maximizing stakeholder trust must be accepted by business and must be widespread. Maximizing stakeholder trust does not constitute a paradigm shift; it fits into a market oriented scheme. It does, however, require that business firms broaden their understanding of the factors that contribute to success in the market, and in some cases their relationships with stakeholders. Although phrases such as “market disruption,” “thought innovator,” and “entrepreneur” are fashionable in the realm of business, business firms tend to be conservative in the adoption of new strategies and new metrics. Implementing the maximization of stakeholder trust across business sectors as a whole is more likely to occur than is piecemeal implementation among individual business firms.

In some ways, maximization of stakeholder trust presents business firms with a dilemma similar to that presented by corruption. Almost every firm would be made better off by increasing the extent to
which stakeholders trust that firms, and therefore by more and better measurement of stakeholder trust. In the absence of widespread acceptance and use of such measures, however, individual firms that undertake such measurement could be vulnerable to misinterpretation of the collected data. In the absence of context, a score could be made to look ridiculously high or low. Moreover, management might be criticized for “wasting” the time and resources of a business firm. Lorenzo Zambrano, for example, was strongly criticized for creating and deploying teams of researchers to engage deeply with Mexican homebuilders among the less advantaged communities; his critics suggested that his methods were wastefully expensive and that standard tools of measurement would suffice. Although Zambrano’s measurement program led to the creation of the very successful Patrimonio Hoy program, which has created a means for thousands of people across Latin America to build homes and has generated stable profits for CEMEX, Zambrano initially came under intense pressure and the program almost did not happen. Widespread simultaneous adoption would normalize measurement of stakeholder trust and would protect managers from criticism.

A second advantage of industry-wide adoption has to do with the usefulness of the data gathered by measuring stakeholder trust. As mentioned, in the absence of context, data about the extent to which an individual business firm is trusted could convey little information about the relationships of stakeholders to that firm. Useful information is not stitched together from the individual efforts of business firms. Accounting standards contextualize some of the most useful information available to business firms, but accounting standards are not the product of individual firms’ efforts. Accounting standards are the product of collective action by scholars, business associations, professional associations, and policymakers.

A third reason for a collective undertaking is the need to create knowledge. A great deal of research explores the nature of trust, and a growing body of research studies the competitive advantages conferred by stakeholder trust. The connection between levels of trust and a strong ethical culture, however, requires substantial research. A deeper understanding of this relationship will allow for the creation of measurement tools that specifically target indications of an ethical climate. Research would also contribute to the possible development of responses to whitewashing, greenwashing, or worse. Other areas that require further research are how trust is created, and whether trust created through the alignment of interests can be distinguished from trust created through desired behavior under conditions of risk.

Another very important area for research is the development of measurement tools. Current measures of trust are crude. The same, of course, was true of measures of cost and revenue fifty years
ago. This paper cannot predict the trajectory of research on trust measurement, but among the possible issues of interest are more finely-grained tools, weighted measures similar to balanced score cards, understanding which stakeholders should be included in trust measurement, assessing aggregated trust measurement data, cataloguing behaviors that contribute to stakeholder trust, and developing understandable ways of communicating information about trust.

Finally, a fourth reason for a collective approach is the raison d’être for this paper. Inculcating strong ethical climates in business firms will reduce corruption. A scattershot approach will reduce corruption, but perhaps only negligibly. Serious reduction in corruption requires widespread adoption of strong ethical culture. Widespread adoption is most likely as part of a collective effort.

9 Conclusion

Corruption presents serious challenges, and merits serious responses. Rules and processes should be among those responses, but so too should be the creation of strong ethical cultures. Strong ethical cultures create norms that exert powerful pressures not to pay or accept bribes.

The processes for creating strong ethical cultures are highly individualized, and measuring the state of an ethical culture might be impossible. Maximizing stakeholder trust, however, serves as a desirable proxy. The characteristics that engender stakeholder trust are closely aligned with strong ethical cultures, and stakeholder trust accrues sufficient advantages to induce a firm to expend the time and energy required to create and measure trust.

Collective action constitutes the most fruitful avenue for creating a shared goal of maximizing stakeholder trust. Collective action will help create the knowledge and tools necessary for implementation, and will normalize a new practice among managers. Collective action will also result in the most widespread use of this effective means of reducing corruption. Setting as a shared goal the maximization of shareholder trust will benefit individual business firms and will reduce for everyone the harms inflicted by corruption.