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The Moral Economy and Operationalising Trust

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The objective of this paper is to make a conceptual contribution to the analysis of projects through an exploration of the *moral economy* and trust. The moral economy is defined and trust is then explored in relation to the moral concepts of *dignity* and *respect*. An evaluation is made of the importance of understanding the moral economy as an additional means to operationalise trust.

The analysis will be placed in the context of the theoretical importance of the moral economy to the operation of the market and hence to management and economics, which poses a challenge to many of the ways in which management and economics are conceived.

Keywords: dignity, ethics, economy, morality, respect, trust.

INTRODUCTION

The *aim* of this paper is to conceptually explore trust and locate that work within the moral economy in general, and dignity and respect in particular.

The *objectives* of this paper are to:

- Address concepts concerning trust.
- Define the *moral economy* and its relation to the market economy.
- Analyse the relationship between dignity, respect and trust.
- Explore the implications for the construction firm and project management.

DEFINING THE MORAL ECONOMY

A description and model of the *moral economy* has been provided elsewhere (Smyth, 2006a). A summary definition has been provided by Smyth and Pryke (2006), which states that the *moral economy* concerns the way in which people conduct themselves that articulate relationships in positive ways for both the actors and the market economy. As such the moral economy is foundational to the functioning of the market economy from the operation of the firm, exchanges in the market, and aggregated up to the sector, national and international scales. Moreover, the moral economy helps to potentially add benefits to the performance of the market economy and the way in which this is managed is one way in which a dispensational element is provided to the moral economy (Smyth, 2006a).

Morality is simply the kinds of behaviour and the values behind them. Morality is not simply a matter of individual disposition. Morality is socially constructed as values are mediated in context: commercial culture, organisational norms and systems, plus individual behaviour. Therefore ethical behaviour emanates from values, the behaviour being both mediated by the context and effecting the context.

RECENT RESEARCH ON TRUST

Trust has become prominent in management theory and practice in recent years. Trust is the willingness to be vulnerable towards another party (for example Rousseau *et al.*, 1998).

Trust has not occupied a prominent place in moral philosophy (Baier, 1994), yet is coming to the fore (Baier, 1994; Gambetta, 1998; O'Neill, 2002), the way being paved by Gilligan (1982), who introduced a new angle in a societal sense that recognises the nurturing role of morality. Whilst her focus was the role of women and mothers in particular, in a management context her contribution concerns the proactive development of moral behaviours that create social relationships of value. For enterprises this adds value (Pryke and Smyth, 2006) and is aligned with, if not congruent with, the dispensational aspect of the moral economy (Smyth, 2006a).

In construction, a considerable emphasis has been placed upon *trust* in recent years, whereby tactical issues of procurement have been elevated to strategic levels, for example partnering, supply chain management, lean and agile production. A great deal of research in each of these areas has cited the importance of trust and incorporated questions upon trust into surveys and interviews when conducting research. And yet, project management related research upon trust *per se* has been scant. The Egan Report (Egan, 1998) failed to outline what trust is and how it can be developed and managed. Subsequent research did not immediately 'plug the gap'.

Early work on trust in construction pre-dated Egan (1998), focusing upon conditions of trust arising out of the work of Butler (1991) in retail markets. Hannah (1991) researched the conditions of trust within project teams and Thompson examined the client-contractor interface, initially publishing theoretical developments (Thompson, 1996) and some preliminary findings (Thompson, 1998; Smyth and Thompson, 1999) before completing the research (Thompson, 2003). A summary of the research has recently been reported within construction (Smyth and Thompson, 2006).

Research work at Salford University has made an important contribution, including conceptual developments (Swan *et al.*, 2001; Wood *et al.*, 2001a) and empirical work in partnering contracts, which provided insights into perceptions of those in the field (Wood *et al.*, 2001b). This work has led to publishing further a broader body of work on trust in a special edition of the *Journal of Construction Procurement* (McDermott, 2006).

One conceptual review of trust (Smyth, 2003) identified seven elements in a framework of trust:

- Characteristics of Trust
- Components for Trust
- Conditions of Trust
- Levels of Trust
- Operational Basis for Trust
- Evidence of Trust
- Trust in the Marketplace

Empirical work followed applying the framework of trust. Edkins and Smyth reported upon the components of trust (2006a) and the characteristics of trust (2006b) in PFI and PPP markets. Work on trust in the design team has reported upon characteristics of trust, components of trust, conditions of trust (Smyth, 2005) and a comparative summary can be found in Smyth (2006b). The level of trust varies according to context. A consistent and dominant finding is that the degree to which trust exists in project

relationships is the result of individuals taking responsibility for trusting other parties and for the relationships, rather than trust being actively developed and managed by the organisations involved. In other words, organisations are passive, whilst individuals may be active.

This paper argues that passive management in relation to trust has the consequence of underperformance. In conceptual terms, managing trust is theoretically located within the *moral economy*, thus an understanding the dispensational nature of the moral economy (Smyth, 2006a) and the role of ethical nurture (Gilligan, 1982) concerning trust (Baier, 1994) means that management effectiveness is increased, hence performance in the firm and in service delivery is enhanced.

An important distinction should be made at this point concerning trust and projects. Relational contracting, located in transaction cost analysis, is derived from market structures and thus is passive. In terms of conceptual purity, relational contracting can therefore neither nurture trust through ethical behaviours directly, nor fulfil the dispensational function within the moral economy. Moral considerations are active and located within relationships, hence management must be pro-active to release and embed such behaviours that increase the social capital of the firm (Smyth and Pryke, 2006). Hence, the emergent paradigm of the relationship approach to the management of projects (Pryke and Smyth, 2006) is needed to emphasise process rather than market structure. Thus pro-active management of relationships is necessary, such as *relationship marketing and management* (Smyth, 2000), offering more scope than relational contracting in the management of projects.

DIGNITY AND RESPECT

It was the philosopher Kant (1785), who particularly drew attention to concepts of *dignity* and *respect*. For Kant, dignity and respect were categorical imperatives for morality. Kant drew upon duty to ensure good “virtues” took precedence over self-interest; hence, individuals have a duty to consider others. Kant pursued duty as a ‘virtue’ for its own sake (Norman, 1998). However, dignity and respect need reinterpretation in the current context. Firstly, although duty is important in management in a legal sense through employment and supply contracts, as well as culturally in the sense of social obligation, we live in an era where nurture is recognised as important. Therefore, dignity and respect are not necessarily acknowledged out of a dutiful requirement but out of response to nurture, which is emotional and concerns what we desire that is good in the relationship. People therefore tend to evaluate others in terms of character and behaviour, and respond accordingly. This is the case in most relationships, including those concerning business and projects.

Secondly, dignity and respect are distinct. Dignity concerns being in control of oneself generally and in the prevailing circumstances, hence, dignity relates to the essence of being a person: acknowledging the dignity of another is simply to acknowledge their value as a human being. Respect is earned, that is the value one person ascribes to another based upon past and current behaviour and performance. Respect can also arise indirectly through reputation. Respect is therefore concerned with doing.

Occupying positions of authority blur these conceptual distinctions in practice. Positions of authority lend dignity to the occupant, but the person needs to behave ethically in order to earn respect, thus maintaining the dignity acquired in their role. In business relationships and on projects, dignity and respect provide a basis for working together. Dignity has value that cannot be priced; however, respect is value that is earned and a price can be attached. In both cases the term ‘value’ concerns the esteem of a person rather than market worth or value, yet working together is of both

social and market value. Therefore, as people work together in relationships on projects, a market value can be placed upon the output arising from dignity and respect. Dignity and respect therefore form a foundation for the creation of social capital (cf. Smyth and Pryke, 2006). Conceptually, what takes place is that dignity and respect are moral principles that contribute to the definition of moral economy. Through relationships, and enhanced through proactive management, these moral activities become part of the market economy in a monetary or financial sense, in this case as the asset called social capital.

DIGNITY, RESPECT AND TRUST

What is the relationship of dignity and respect to trust? One party will trust another when they sense their counterpart both values them as a person, acknowledging their dignity, and respects them. This will occur initially in their role or job and later concerning the way they have behaved and performed in their job. Therefore, dignity and respect form a moral foundation for the creation of trust.

What is the relationship of dignity, respect and trust to self-interest? Self-interest is necessary, as an individual must look after their own needs in order to look after the needs of others. Self-interested trust is one of two *characteristics of trust* developed by Lyons and Mehta (1997). Self-interested trust focuses upon a willingness to be vulnerable towards another party with minimal evidence, essentially recognising the dignity of the other party, which may be enhanced through some evidence of respect. There is mutual short-term advantage to trust – the risk is small and so is the initial reward: a mutual ‘win-win’. As further evidence accrues, trust can be developed towards socially-orientated trust, which is the second characteristic of Lyons and Mehta (1997) where the parties are prepared to “go the extra mile” – a more sacrificial approach where the needs of either party may not necessarily be met in any one activity. In a commercial context there must be a long-term relationship revenue and return (Smyth, 2006a). On the other hand, self-interest may become dominant, dignity and respect may be relegated, trust will cease to grow and opportunistic behaviour may come to the fore. From an ethical viewpoint, note that morality is the baseline and opportunism is the result of erosion of that baseline, but is not a baseline of behaviour as transaction cost analysis and game theory assumes (Smyth, 2006a).

OPERATIONALISING TRUST

In the framework of trust (Smyth, 2003), the *operational basis for trust* was conceived as an element that was to be examined in the context of management of the firm and project, which was conducted via another management conduct. Whilst this was useful for establishing a framework, it was insufficient for conducting further consistent theoretical and empirical work on the operational element of the framework. The analysis presented here provides a conceptual basis for exploring the *operational basis for trust* around moral concepts of dignity and respect. This provides a conceptual basis for comparative research, supplemented by contextual issues concerning management concepts and practices used by the firm and for projects. This is an important development for analysing trust on its own terms and in terms of locating trust within the concept of the moral economy.

Does the use of dignity and respect nullify another element of the framework of trust, namely the *conditions of trust*? The conditions of trust comprise integrity, receptivity, loyalty, discretion and openness as inputs of behavioural intent, plus availability, competence, consistency, fairness and promise-fulfilment of output abilities (Smyth and Thompson, 2006). All concern attitudes and behaviours that closely relate to issues of dignity and respect, but do not supplant either. Integrity and loyalty reflect the dignity of the person concerned and receptivity, discretion, openness, availability, consistency,

fairness and promise-fulfilment all indicate that the person is respecting the other party, whilst all, including competence, provide evidence for the other party to respect you. These are conditions for trust to form and the relationship to strengthen. Thus the conditions of trust provide nurturing behaviours philosophically (Baier, 1994; cf. Gilligan, 1982), whilst dignity and trust are categorical (Kant, 1785; cf. Norman, 1998).

CONCLUSION

It has been argued that our understanding of trust can be enhanced by conceptually locating it within the moral economy. This offers further potential for research on trust in general, and in particular within management and project management contexts. In the project management context we can conclude that Egan (1998) was intuitively correct to link continuous improvement generally and partnering specifically with trust, even though trust was neither defined nor located in a moral context at the time. The analysis has shown that locating trust within relational contracting has resulted in the moral strength of trust in adding value being diluted in much the same way that ethical issues have been relegated to subservient and optional roles in much management and economic research (cf. Smyth, 2006a).

One implication of this analysis is that trust, or its absence, will continue to be an important aspect in management and economics.

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