THE ROLE AND MEANING OF TRUST IN FINANCIAL INSTITUTIONS OF AUTHORITY

by

DEBORAH NIXON

A thesis submitted in conformity with the requirements

for the degree of Doctor of Philosophy,

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Abstract

Trust in institutions has been shaken in recent years due to the incidence of wrong-doing which continues to occur across many institutions and sectors. Numerous examples exist of trust breaches, fraud, misappropriation of funds, and overall disregard for institutional ethics and values. Scholars have attempted to look at the falling levels of public trust which have resulted and have a number of hypotheses and explanations for this phenomenon. There is a growing body of cross-disciplinary literature which addresses the issue of trust in society and trust in institutions. Much of this literature defines, describes, measures or prescribes for building trust in institutions. What this literature neglects to look at, however, is what trust means to individuals on a day-to-day basis. What does it

mean to trust institutions and if there is a decrease in trust, what has led to this situation? Finally, what do individuals require to regain trust in institutions?

This research looks at trust from an individual perspective and explores what trust means to people through in-depth interviews conducted within the securities sector. Three groups of respondents are interviewed: insiders, regulators, and outsiders. Each individual explores the construct through an inquiry which allows them to reflect on what trust means to them, the impact of a trust breach, the role of regulators in building trust, and the means by which breached trust is rebuilt.

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This thesis is the endpoint of a life journey that involved many angels, mountains and valleys, highs and lows. It is a journey of death, birth, re-birth and growth. As I researched and listened to those whom I was privileged to spend time with, my own life was changing and evolving in ways I could never have imagined. A child was born, a father and husband died, and yet this dissertation remained a constant presence. Strength of will was tested as was resilience, determination and vision. When I turned 40, my child was born. When I turned 50, this dissertation was born. What a journey!

And throughout it all there was an angel, my supervisor Dr. Paul Begley. This thesis would never have been completed without his patience, his quiet support and fortitude, his faith in me and his immense compassion and empathy. His wise guidance and confidence was the solid foundation I needed during those many moments when I asked myself whether I could really do this. His actions always conveyed that of course you can. Thank you, Paul.

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Finally, to my late husband Tim. I know you are looking down at me and saying: You did it! Way to go! In your short life, you provided me with the encouragement to begin this and to finish it. Thank you. This belongs to you too. You can be proud. Love always.

TABLE OF CONTENTS

INTRODUCTION AND RATIONALE FOR THE STUDY

Trust in public institutions has been shaken with the tragedies and scandals that have affected the public and our public institutions. The terrorist attack in New York in 2001 caused people to wonder whether their governments could effectively protect them. Corporate and investment scandals such as Enron, Worldcom, RBC, CIBC and Yorkton Securities have resulted in much questioning and doubt about the certainty and security of both our private sector organizations and our public sector watchdogs. There is debate among scholars about whether our capitalist system contributes to (Fried, 2000) or detracts from trust and the building of social capital (Marx, in Tucker, 1978).

One of the most egregious and notorious examples of a corporate scandal contributing to increasing public skepticism, cynicism and lack of trust is the Enron scandal. Enron was a “hot” stock throughout the 1990’s and into 2000. Its share price increased from $20/share in 1998 to $90/share in 2000. It billed itself as the World’s Leading Energy Company with earnings in the hundreds of millions, earnings growth of almost 20% per year and 21,000 a workforce of 21,000 employees. By the time Enron collapsed, its share price had declined to $0.30/share. Enron filed for bankruptcy on December 2, 2001.

Enron was in the business of distributing electricity and gas, and developing and constructing power plants and pipelines and other infrastructure. Enron also expanded into a wide variety of other businesses, some of which were unrelated to their core business. Some of these businesses were broadband communications, commodities risk management, computer chips, streaming media, waste and wastewater among others. Enron also created Enron Online in 1999, the first web-based transaction system that allowed buyers and sellers to trade commodity products. By February 2000, it was processing 1000 transactions a day and this division alone was valued by the company at $450 million. Enron developed a culture of arrogance, high risk-taking, constant re-organizations, quick adoption of the hottest new business ideas and deal-making at any cost. This need for speed in decision-making was reckless and led to carelessness and poor strategies.

Early in the life of Enron, one of its divisions made huge profits for the company and was run in a hands-off fashion. There were signs of trouble which Enron chose to ignore. Over time, the problems surfaced and accounting irregularities emerged whereby two traders kept two set of books, one for the auditors and for Enron, and another to record their fraudulent transactions. Ken Lay, CEO of Enron, chose not to discipline these traders but instead instituted new controls which were summarily ignored by the traders. The profits were impossible to resist This early transgression, watched by many within the organization, set up an unspoken and unwritten ethical code within Enron. It signaled to all employees what the real corporate goals were, in spite of a 65 page code of ethics which covered everything from human rights to securities traded by employees to conflicts of interest, investments and outside business interests.

From this early transgression, many other instances followed. Eventually, Enron's accountants, Arthur Andersen, were ensnared by Enron's duplicity and went bankrupt. Andersen, founded in 1914, was known for its tough audit standards. Enron, however, became Andersen's most important client with billings of more than $1 million a week. The billings were irresistible and in this scenario, the relationship between the two firms became symbiotic. This resulted in Andersen's judgement and ethics being compromised. What began as breaches by two rogue employees became systemic compromises of judgement and practices with accompanying denials and rationalizations. In fact, Ben Glisan, an Enron employee who invested in an Enron fund, when confronted about his lack of disclosure about this, stated that "he had only invested in a company that purchased a subsidiary of LJM, not LJM or Enron. So, he said, it wasn't technically a lie" (Swartz and Watkins, 2003, p.326). As Sherron Watkins, the key Enron whistleblower stated, "Enron was famous for innovation and paid well. Why focus on the negatives? (Swartz and Watkins, 2003, p.132)?

Enron's ultimate downfall came from the discovery of accounting fraud which greatly over-stated Enron's revenues and profits. Furthermore, Enron created a series of very complicated accounting transactions and special party entities (SPE). These SPEs were designed to allow Enron to raise capital without appearing to incur debt on its balance sheet. Therefore, Enron's financial profile looked healthy when, in fact, it was heavily in debt. The SPEs became so complex that even the best accountants could not discern what Enron's situation was. While some question whether or not this was technically accounting fraud, it is clear that Enron's goal was to subvert the truth and create a situation whereby both lenders and investors were misled about Enron's financial circumstances. The top Enron executives were finally charged with fraud and were convicted.

Some of the key players were unable to recognize the breach that they had committed, despite their convictions. They believed they were unfairly targeted and victimized and their actions were not illegal. They often blamed others and the media for stirring up a frenzy of negative coverage, thus creating a self-fulfilling prophesy of negative outcomes. Jeffrey Skilling, Enron's President and Chief Operating Officer, believed that the organization had

> "Fallen victim to a cabal of short sellers and scoop-hungry reporters that triggered a classic run on the bank. Privately, he would grudgingly acknowledge occasional business mistakes, including one that cost the company $1 billion. Yet Skilling remained remarkably unwilling to accept any personal responsibility for the company's demise. What happened to Enron, Skilling insisted, was part of the brutal cycle of business life. 'Shit happens,' he liked to say". (McLean and Elkind, 2003, p.xxiv)

Public cynicism and distrust is often the outcome of corporate malfeasance. The latest IPSOS-Reid Poll (2006) in which Canadians were asked whom they trusted among the professions, CEOs were ranked at 21%, only slightly above politicians and used car salesmen. As Bradley Googins writes in Newsday:

> "When the house of Enron came tumbling down, it exposed the worst of corporate greed, misbehavior and citizenship. Enron betrayed its employees, it betrayed its clients, and by inflaming the public's widely perceived notion that corporations cannot be trusted to do anything other than serve their own ends and their own pockets" (in Cruver, 2002, p.xii).

Public trust in many institutions has been declining. Recent literature has shown that the public's confidence in government has been falling in the last 30 years. In the U.S., a 1964 poll indicated that 75% of Americans trusted the federal government. By 1995, that figure had dropped to 15% (Nye, in Nye, Zelikow, King, 1997). In fact, as Nye, Zelikow and King note, this decline in trust extends beyond government institutions and applies to many institutions of authority such as the church, the legal and medical professions, education, the police, and the military. It appears that trust in government serves as a proxy for our trust in the institutions that underpin and govern our society. This decline in trust in institutions can serve as a commentary about our capitalist system, the role that trust plays within it, and how well our system can sustain itself when trust, which many see as one of the key pillars of our system, is eroded. Some scholars believe that capitalism undermines trust (Adler, in Kieser, 2001) while others believe that trust ensures freedom, open markets and prosperity (Fried, 2000). While scholars study these issues, the public continues to be subject to continued breaches of trust through the actions of those who have been appointed to guard the public's trust.

The resignation of RCMP Commissioner Giuliano Zaccardelli on December 6, 2006 is evidence of the need to re-build the public's trust. As the Commissioner stated during a news conference: "I will accept any recommendation of oversight and review as long as it enables me to maintain the trust of Canadians" (Globe and Mail, Dec. 8, 2006). Commissioner Zaccardelli was forced to resign amid allegations that he gave 'conflicting' testimony before the Commons committee on public safety and national security regarding the Maher Arar affair. In this instance, he corrected his previous testimony regarding what he knew about Arar. His testimony followed a damning report whereby the RCMP were accused of mishandling the Arar affair in which the RCMP passed inaccurate information to U.S. intelligence, ultimately resulting in Arar's transfer to Syria and subsequent year of torture. When a senior official of his stature, especially one charged with guarding the safety and security of Canadians, cannot be trusted with the truth, then citizens begin to doubt the veracity of statements made by all officials. In this case, he had lost the confidence of the Prime Minister and the public.

There are many other reasons proposed for these falling levels of trust. Some believe that increasing materialism has eroded levels of social trust (Rahm and Transue, 1998), discontent with political leaders and lack of faith in the political system (Pew Research Centre, 1998), a shift to post-materialist values emphasizing self-expression and quality of life and in which there is growing questioning about authority, centralization, and bigness (Inglehart, in Nye, Zelikow and King, 1997). Some authors (Inglehart in Nye, Zelikow and King, 1997; Fukuyama, 1995, 1997) suggest that with increasing economic prosperity in developed countries, there is less emphasis on values such as duty and self-sacrifice and the accompanying deferral to authority; all of which have led to a decline in civil society. As Inglehart states, "conditions of insecurity give rise to the Authoritarian Reflex- the tendency for mass publics to seek and idealize strong, authoritarian leaders (in Nye, Zelikow, King, 1997).

Tyler (1996; and in Cook, K (Ed), 2000) has attempted to look at some of these issues in his research, which examines the relationship between trust in authorities and voluntary compliance. He distinguishes between deference to authority and people's perception that the actions of the authorities are right and whether people perceive the authorities as legitimate. Furthermore, he queries the relationship between people's judgements about authorities and their judgements about the institutions these authorities represent. In other words, do people come to trust the institutions because of their favourable interactions with those who work for these institutions or do the institutions themselves convey legitimacy, and thus authority.

What is often lacking in these studies and in the writing of these authors is a sense of what this means to people on a day-to-day basis. Specifically, what does it mean to an individual to place less emphasis on survival values and shift to values of self-expression. Assuming that this shift is subtle and that individuals do not intellectualize the process of value development, how do we learn about what leads them to feel a lack of trust in hierarchical institutions? Finally, it would be important to determine that if they do not trust these institutions, where do they turn to re-gain a sense of security and safety?

Many of these studies are in the form of surveys with provision for longer, qualitative responses. I have not yet located any study, which looks at what trust in public institutions means to individuals, probes the reasons for their inability to count on these institutions to provide for them, and explores the alternatives that people look at to replace the trust, that they had in these institutions.
The specific research questions are as follows:

1. How do individuals conceive of and define trust? What are the different criteria that people use to evaluate the presence and degree of trust?

2. How do individuals know when trust exists and how do they determine when it has been breached?
3. Do individuals value trust? How important is it to their dealing with institutions. Has the level of trust that individuals have in these institutions changed? If so, why? (Outsider question)
4. How much do individuals trust the organizational sector in which they are employed? What criteria do they use to evaluate the level of trust accorded by outsiders to this organizational sector? (Insider question)
5. To what degree do regulators influence trust in institutions of authority?

REVIEW OF THE LITERATURE

Much of the literature on trust attempts to define, measure or predict the determinants of trust. Whether one approaches the study of trust from a sociological, psychological, organizational, or philosophical perspective, the difficulties in finding definitive answers about trust and its parameters continue. It is an elusive construct that it is multi-faceted and complex with its origins in behavioural, societal and philosophical traditions. There is no simple definition of trust. Webster's Dictionary (1974) has a number of definitions of trust such as a) assured reliance on the character, ability, strength or truth of someone or something or b) one in which confidence is placed. Within this definition, however, one can deconstruct terms such as character, ability, strength or truth, thus rendering it difficult to analyze or theorize about the construct. This deconstruction leads one into endless permutations about what one really means in defining the construct, often resulting in conceptual confusion, obscurity and difficulty in understanding what one is really trying to understand or explain. Trust has also been defined as an attitude, behaviour, process, risk management tool or a combination of all of these. These terms have been studied and tested separately and together or in combination with other constructs. The wide range of these definitions is also made more complex by its usage and operationalization. Often, scholars and practitioners suggest ways in which to operationalize trust without defining it, thus leaving it to researchers and analysts to interpret data and draw conclusions. Others propose interesting frameworks for trust which often overlap other frameworks or are very subtle in their distinction. Scholars in different disciplines have studied and theorized about trust in order to explore its dimensions, its antecedents and the impact of trust on relationships, transactions or decision-making. In all these cases, it has become evident that some degree of definitional clarity is critical in order to avoid incorrect assumptions and/or interpretations. Scholars concur that trust is multi-dimensional, contextual, and situation-specific, making it difficult to define and thus to measure. Often, scholars and practitioners assume they are using definitions of trust which are understood and accepted by others. Others develop frameworks for trust without defining trust. This often occurs when scholars write about the epistemology of trust or write from a macro or metatheory perspective. Hardin (1993) argues for a street-level epistemology of trust in which the individual trustor is the focus of study and supplements the rational view of trust. Hardin, however, never defines trust but provides for different approaches to trust. McKnight, Cummings and Chervany (1998) describe the process of trust formation without defining the construct. Baier (1986) theorizes about the different forms of trust without providing a solid definition other than an expressed personal vulnerability to another.

Some scholars adopt an economic model of trust; one which uses the concept of contracts and exchange as its core, with a view to minimizing opportunistic behaviour (Williamson, 1975, 1993; Maitland et al., 1985; Hill, 1990). In

Williamson's theory of transaction costs economics, opportunism and bounded rationality are the key behavioural assumptions on which the theory relies. Bounded rationality implies limits to decision-making in which agents experience limits in their ability to solve complex problems due to the cognitive limits of both knowledge and cognitive capacity. Opportunism is self-interest with guile thus making contracts and economic exchanges risky. Transaction costs economists are interested in assessing the efficiency of economic exchanges in which opportunistic behaviour is present as calculativeness. With bounded rationality placing limits on any actor's ability to fully assess the risks inherent in any exchange, trust is a construct that does not readily align with this view of economics. In fact, Williamson states that "the world of commerce is reorganized in favour of the cynics as against the innocents". He believes that pricing out the risks inherent in commercial contracts is the key element in exchange relationships and does not view trust as forming a part of that exchange. Hill supports this perspective but takes into account the economic value of reputation. In his view, the market will select out those actors with questionable reputations thus lessening the opportunity costs associated with the transaction. It is in the interest of both parties to behave in a cooperative manner since the transaction costs involved in adversarial behaviour is very high. There is still, however, an absence of relationship and trust in Hill's model, as it is in most of the economic models. Economists have great difficulty in incorporating the 'real-life' social and psychological element of the market and the workplace.

Others look at trust from a philosophical and moral perspective; that it is in the inner life of individuals that trust forms and has a moral dimension attached to it (Baier, 1986; Hardin, 1991, 1993, 1996; Hosmer, 1995). There are attempts to measure trust in the psychology and marketing literature (Rotter, 1967; Johnson-George and Swap, 1982; Moorman, Deshpande and Zaltman, 1993) and to define it along with the determinants of trust (Mayer, Davis and Schoorman, 1995; Hoy and Tschannen-Moran, 1999).

A variety of scholars have advanced frameworks or dimensions of trust. Mishra's trust dimensions are defined as competence, openness, concern, and reliability (1996); the combination of these elements completes the trust construct. McEvily, Perrone, and Zaheer (2003) view trust as an organizing principle around which organizational structures and processes and accompanying behaviours and principles can be designed. Many scholars view trust as based within relationships, without which trust is not created (Soloman and Flores, 2001). Fiske (in Sheppard &Tuchinsky, 1996) suggests that there are four elemental forms of relationships which are fundamental and essential for all human interaction. Within these relationships, Sheppard and Tuchinsky (1996) argue that control, dominant in hierarchical organizations, transmutes into trust when operationalized within network organizations. In network organizations, control is exercised in relationships of equals. Fiske argues that sustaining a relationship within a network results in quadratic trust in which all members within the relationship must enforce the relational obligations (Fiske, in Sheppard and

Sherman, 1998). Other studies also support the importance of relationships in trust. In an empirical study of faculty trust in colleagues and in principals, Hoy and Tshannen-Moran (1999) found that trust in the principal leads to trust in colleagues and in parents and students. Faculty trust is related to the degree of the school's collaboration with parents thus reinforcing the importance of the relationship component of trust.

Measures, when they do exist, are often specific to the discipline or to the particular scenario. For example, the oft-cited scale by Rotter measures interpersonal trust among social objects such as parents, friends, physicians, and teachers (Rotter, 1967). Rotter, working within the psychological discipline, established an interpersonal trust scale based on 3 criteria of trust and asked individuals to nominate others on dependency, gullibility and trustworthiness. Some of these criteria are applicable to other domains, but the scale, in its entirety, cannot be readily applied in other contexts. Johnson-George and Swap built on Rotter's work with an interpersonal trust scale which acknowledges the situation and target-specific nature of trust (1982). They divided trust into overall trust, emotional trust and reliability. Their findings indicate that trust can fluctuate depending on the nature and meaning of the target person's behaviour. Another means of measuring trust is through the lens of behavioural intention. Weidner (1994) designed a survey in which he used proxy questions about workplace behaviour to measure trust. Weidner, a management scholar and practitioner, expands on this in later work (1999). He uses an adaptation of Zand's (1981) definition of trust as a behaviour explained by an undefined and unmeasured variable. Weidner, in defining trust as an intention to increase your vulnerability to an exchange partner whose behaviour is out of your control and where the penalty, loss or deprivation which you would suffer is greater than the benefit you would derive, moves from the indirect measurement of behaviour to a more direct measurement of intention. Sociological scholars look at trust production (Zucker, 1986) and determine that, due to the implicit nature of trust, there are indirect measures that are used to determine the presence or absence of trust. Zucker asserts that trust is produced but that difficulties in measurement of this elusive concept leads scholars and practitioners to measure trust with indicators. What is common in all of these examples is the importance of context and situation-specific scenarios in applying measures. Trust measurement often is required to cross levels and disciplines. It is simplistic to force a selection between such measures as interpersonal trust, group trust and organizational trust. Its multi-dimensional nature applies to measurement and requires measures at multiple levels. The contextual and situational nature of trust renders a single perspective to measurement inadequate and does not provide for a robust measurement tool. If one looks at the organizational setting, it is evident that there are multiple actors and groups affecting the trust level within the organization. There are also broader trust issues such as organizational structures and policies which affect the level of trust individuals and groups feel within and external to the organization.

Context is a critical component of the trust construct. Trust has different meanings, implications and outcomes depending on circumstance, institutional setting, the actors involved and the level of analysis one is assessing. Within the concept of context, is a situational and temporal component. McKnight, Cummings and Chervany (1998) believe that trust develops over time and thus measuring trust at any single point in time will have a significant impact on the outcome. Yet, they are also surprised at the high early trust levels were among individuals and wonder about its fragility should situations change. If trust develops over time, then it is also affected by the changing relationship over time and the interaction and experiences of the individuals involved. Thus, the context of the circumstances is also critical to the level of trust which does, or does not build. Other researchers clearly believe that trust is a process of repeated interactions (Granovetter, 1985) and thus builds over time. These different theories of trust formation and sustainability require a contextual foundation and underscore the multitude of approaches to trust.

Some scholars also propose a link between trust and trustworthiness or use the constructs interchangeably. Barney and Hansen (1994) see trust as an attribute of a relationship between exchange partners while trustworthiness is an attribute of individual exchange partners. They define three types of trust which, in turn, affect the trustworthiness of exchange partners: weak-form trust, semi-strong-form trust and strong-form trust. In their approach, the trustworthiness of exchange partners is variable and trust can be used as a competitive advantage.

For example, strong form trust partners can locate other strong form trust partners thus creating an important competitive advantage by working together. Hamrick (1997) conducted an empirical study of institutional trustworthiness in a university setting. She identified four influences on trustworthiness: community involvement, media coverage, status of internal trust and institutional accessibility. Additionally, she found that public institutions could demonstrate their trustworthiness by placing a high priority on outreach and community partnerships, ensuring that institutional representatives conduct themselves with high levels of integrity and being attentive to the importance of public goods such as community economic advancement. Fukuyama (1995) proposes an economic argument by positing that high-trust societies also gain an economic advantage over low-trust societies. Williamson (1993) argues that transactions in which economic actors engage in opportunism, resulting in lower trust exchanges, are less efficient due to the necessity of incurring additional contractual and legal obligations.

The literature is elusive and difficult to capture and synthesize. Academic disciplines have their own language and conventions and this often sets up barriers for inter-disciplinary work. It we attempt to capture the breadth of work done by scholars in a variety of areas, we then lose the point while we debate meaning and definition. I have attempted to capture the trust literature in a framework that is interdisciplinary and encompasses the following areas:

psychology, management, organizational theory and behaviour, education, philosophy, environment, government, sociology and economics.

A useful way in which to look at this literature is from a levels analysis perspective. This perspective is borrowed from organization theory where theorists are concerned about ensuring that theory development and measurement are conducted at the appropriate level so that research conclusions are clear. The trust literature appears to cluster around three levels: macro, meso and micro. The macro level encompasses the broadest spectrum of analysis and discussion. It looks at trust from a philosophical and societal perspective.

The macro level encompasses issues such as a) is trust a moral imperative b) is it critical that a society have minimal levels of trust in order to survive and prosper c) how much does the public trust its public institutions such as the government and d) in what ways does trust contribute to the shaping of a civil society. At this level of inquiry, the questions focus around issues of societal values, processes and broader issues of trust formation. At this level of analysis, one often finds the scholarly disciplines of economics, sociology, philosophy and political science. These scholars are concerned with the ways in which large populations come to trust or distrust government, business, bureaucratic structures, and social, political and other groups such as churches, military, schools, and other societal structures which are often meant to organize and control society or specific populations. This macro level theory does not attempt to define trust but questions its role in broader social and political terms while concurrently conducting inquiries into the nature of trust formation.

The meso level is a mid-range level of theory development. It looks at trust from an inter-organizational perspective. In what way does trust cross-organizational boundaries and how does trust factor into exchange relationships, especially between buyer and seller. While the macro level analysis looks at some of these issues from a societal and political perspective, at the meso level one begins to focus more closely on elements that contribute to a successful exchange relationship. How important is trust to the exchange relationship. Furthermore, at this level, scholars broadly define the trust construct and identify its determinants and antecedents. Context is critical, however, and is often missing from meso-level theory. Scholars in business and management, education, economics, political science and sociology are particularly interested in trust at the meso level, especially if their area of study is on the organization and its relationship with other institutions.

The micro level is theory building at an individual and interpersonal level. Literature at this level examines trust development between people, measures it and tries to predict it. Scholars in organizational behaviour and psychology are the primary researchers at the micro level in their examination of human motivation and attitudes.

This study, which focuses on the brokerage industry, looks at trust from these three perspectives. It looks at the broader question of trust in institutions and, in particular, focuses on the role of regulatory agencies in an individual's trust in brokerage firms -the focus of this study. Regulators can be regarded at multiple levels: at the macro level they represent an institutional structure that acts as a third party intermediary. At the same time, they are a meso-level institution in that they have relationships with other the organizations which they are responsible to regulate. There is a network of relationships and interactions that are formed in their execution of this role. Furthermore, their role as regulators requires them to interact with both institutional and private investors in response to complaints and concerns. Their role as watchdog for the industry places them in a macro/meso level role.

The brokerage firms exist at a macro/meso/micro level. They are macro-level institutions in that they are often regarded as a collective entity by those outside the industry. While there are many individual firms with requisite behaviours and practices, the public often regards the industry as a collective. Furthermore, industry leaders serve as lobbyists and spokespeople, thus reinforcing the singular voice. On the other hand, investors have relationships with one institution and are therefore interacting on a meso level. They regard the reputation of the institution as a collective based on a variety of factors. The firms also interact with other organizations, such as regulatory authorities, thus placing them at the meso level of analysis. The relationships of individuals within the brokerages with their clients require a micro level of analysis. These are often not discrete levels of analyses; there is frequent overlapping of relationships with external and internal factors driving the level of trust up or down.

The individual interacts with both regulators and brokerage firms at the individual level, thus requiring a micro level of analysis. However, the individual may rely on a macro or meso level of analysis to derive their sense of trust of the individual investment advisor or institution. The individual is constantly observing and interacting with regulators and brokerage firms, as well as scanning the external environment for clues and information regarding the key indicators which would assist them in their determination of risk and, therefore, trust.

There is a continuous movement between the levels as context changes and new information enters the stream. Trust is a dynamic construct that is dependent on a number of constantly changing variables. There is a shifting back and forth from macro to meso to micro and back again as large scale societal, political and legal shifts occur. These large scale shifts then trigger shifts at the meso level, resulting in modifications to individual action and reaction. A shift at any of the levels often causes a domino effect in that there is a re-evaluation of the trust level and the requisite adjustment upwards or downwards. Institutions reformulate policies and procedures while investors shift their strategies to reflect the new reality.

Macro Level Theory

Macro level theory looks at trust from a broad conceptual perspective. I look at three points of view: political, moral and the issue of trust in cooperative behaviour, as illustrated by the Prisoner's Dilemma. The societal perspective raises the issue of the role of trust in holding together the social fabric of society and whether it contributes to the social capital of a society.

The moral or normative philosophers do not agree about the meaning and role of trust in society. They approach the issue of trust from a broad variety of perspectives and there does not appear to be any point of view around which they converge. Baier, for example, discusses trust from a power perspective and, in particular, focuses her theory around the trust that infants have in their adult caregivers (Baier, 1986). She names this type of trust blind trust in that the infant, in its extremely vulnerable and helpless position, has no choice but to trust. The infant's trust is essential to its survival.

Hardin, a rational choice theorist, sees trust as a learned condition and does not agree with Baier's view that what we are observing in the infant is trust (Hardin, 1993). He contends that the infant is not capable of trusting since it cannot make a decision about whether to trust or not and has no choice in the matter. His view is that trust is established on the basis of objective data and that it is subject to change based on new information. The infant is not in the position to make these evaluations. Hardin (1991) conceptualizes trust as an issue of encapsulated trust in which he contends that there is a link between the actors in a trust relationship. That is, I am more inclined to trust you if I believe that you have an interest in the outcome. He does not agree with the normative philosophers such as Baier who contend that trust is a moral issue. Since Hardin's conception is experience-based, then it is not a morally based one, although morality does play a role in his theory. It does not, however, form the central thesis of his argument.

Adler (1994) supports Hardin's psychologically-based view in that he believes that we all filter communication through a personal lens which is experience-based. When an individual makes a statement, we evaluate the integrity of that statement based on our beliefs both about the person and our worldview about the general trustworthiness of people. Trust is, therefore, not an inherent trait or morally grounded, as Baier would argue, but is experiential.

Political philosophers look at the link between trust and social capital. Most would argue that trust is a crucial element in building social capital. Trust builds what Putnam would call generalized reciprocity (Putnam, 2000) in which we recognize that we all stand to gain if we co-operate with one another. It is the glue that cements a society together. It is a more efficient means of functioning since we do not have to repeatedly re-contract and re-negotiate with one another. Furthermore, we do not have to be continually on guard for the opportunists whom scholars like Williamson believe are out to thwart well-intentioned contracts (Williamson, 1975). Fried (2000) argues that a society cannot function without stable institutions, which are impossible to create or sustain without a community of trust and mutual respect. It is impossible to trade, conduct business or work together unless people trust each other. In contrast to Williamson, other scholars believe that even a single, one-off transaction requires a minimal level of trust (Fried, 2000; Nixon, 1996).

Putnam distinguishes between social trust and institutional trust. He sees the process of trust in people as very different from trust in government or other institutions. He accepts that institutional trust is affected by social trust but firmly states that the two are distinctly different concepts. Social trust or thin trust is a generalized state of trusting those you are unfamiliar with. It is the construct one thinks of when asked about whether you think most people can be trusted. Putnam concludes that social trust is declining in American society (there is not an equivalent poll of Canadians but given the frequent attitudinal mirroring between the two countries I would assume the trend would follow in Canada) and places the stability and smooth functioning of our society at some risk.

The issue of declining trust in society is one that has sparked much discussion among scholars who work within the political arena. The questions fall along two spectrums: 1) how much trust do people have in government and 2) should people trust government. It appears that the conclusions that people reach about their ability to trust in government are also a reflection of how people generally feel about trusting institutions of authority. There is also debate about whether it is appropriate to talk about trust in government or to look at trust in bureaucrats or the front-line employees of these institutions. Are they the ones to whom we give our trust and is our experience of them translated into our views of government generally? Nye (1997) wonders about what people really mean when they state that they are dissatisfied with government performance. There are a multitude of questions which follow this statement since measurement of government performance is very complex. Thus, when looking at the broader societal and institutional questions about trust, we find our work confounded by many of the same issues.

Giddens (2000) takes a somewhat darker view of trust. While he acknowledges that societies with high levels of trust achieve higher levels of economic growth and stability, they can also slip into cronyism and corruption. Trust within tight, closed relationships of individuals based on established routines and in inflexible institutions can contribute to long-term stagnation and paradoxically create a less trusting society. He contrasts this view with the types of industries in the knowledge economy where there is a high degree of collaboration between institutions. The level of trust in these environments would be relatively high but also open and broad, resulting in more innovation and change than in the isolated firms and industries.

Uslaner (1999) questions whether trust always serves the public good. He distinguishes between particularized and generalized trust. He cites examples of the Ku Klux Klan, militia movements and gangs as voluntary associations, which do many of the same things that “socially desirable” civic associations do. Yet, their mission and goals as well as behaviour do not serve the greater society well. These groups are based on particularized trust; trust only those who are part of your own group. Generalized trust, on the other hand, causes people to trust very widely. Uslaner argues that the only way to build social capital is through generalized trust. Democratic societies are based on generalized trust. Therefore, we must be clear about the types of trust we are seeking, encouraging and measuring.

Fukuyama takes a very broad societal view of trust in his 1995 book, *Trust: The Social Virtues and the Creation of Prosperity*. He argues that there is a correlation between level of trust in a society and the degree of social capital the society has. He identifies low versus high trust societies and the link between economic success and efficiency. He correlates issues such as kinship and family ties to trust levels and to the level of social capital and hence economic efficiency. Those societies, which foster high social capital, have a stronger economic engine than those who have little invested in social capital and thus must design compensating structures for low trust levels. Fukuyama's book builds on the seminal piece on trust written by Lynne Zucker (1986) in which she identifies three modes of trust production: process-based, characteristic-based, and institutional-based (although interestingly, he does not cite her paper in his book). Characteristic-based trust is defined as trust tied to persons such as family background or ethnicity. Fukuyama has expanded on Zucker's work by moving the analysis up to a societal level.

Meso Level Theory

Much of the literature on trust attempts to define trust or to find the determinants and antecedents of trust. The difficulty scholars encounter is that trust is not easily defined. It is a complex and multi-faceted construct, influenced by the scholarly discipline one is working in. Psychologists tend to look to interpersonal behaviour, sociologists look at trust from a broader societal point of view and management theorists focus on definitions and identifiers of trust, which they believe will assist in creating more effective work environments.

Meso level theory also focuses on inter-organizational trust and the role that trust plays in cooperation between organizations. Meso-level theory scholars have focused on network organizations (Powell, 1990), strategic alliances (Parkhe, 1993), inter-organizational relationships (Ring and Van de Ven, 1994), and on recurrent and relational contracting (Gulati, 1995; Granovetter, 1985). Their work looks at the human dimension of trust, but at a broader level than the one-to-one relationship between individuals that micro-level theory is concerned with. They do not grapple with the broader societal and governance issues of trust, accepting that trust is a key component of group and organizational relationships and transactions. They are more interested in an understanding and acknowledgement of trust and in understanding ways in which organizations and groups can use trust to facilitate their interactions.

Trust is an extremely important component of network and inter-organizational relationships, which involve continuous and repeated transactions in which sanctions for betrayal are more normative than legal (Powell, 1990). Any party in the network can create economic distress for any other and trust serves as a check against this eventuality. Trust ensures continuity, reliability, and quality, discourages opportunism and reduces the need for monitoring. In essence, it enhances organizational efficiency.

Trust that develops from recurrent contracting or repeated transactions is relationally based or what Granovetter terms socially embedded (Granovetter, 1985). Social embeddedness is defined as those relationships, which have a history of personal exchange and social relations in which trust is generated and opportunism is discouraged. Byrk and Schneider (2001) refer to social embeddedness and relational trust in their study of Chicago schools but treat their notion of relational trust as different from that of the management scholars who they believe refer to contractual trust. In fact, most management scholars do not talk about contract trust, per se, but refer to the social aspect of contractual relationships. Built into these analyses of the role of trust is an acceptance and identification of risk as a critical element As the level of trust builds between parties, so does the willingness of the parties to accept higher levels of risk. Shared values and social ties are built which further cement the relationship and set up norms of reciprocity and cooperation. Preservation of the relationship takes on significant importance. The inter-dependencies which evolve from these exchanges encourages the partners to use negotiation and mediation to settle disagreements rather than resorting to the legal system. MacNeil (1985) refers to the entangling strings of reputation, friendship, interdependence, and altruism that occur as a result of building relational-based trust. These characteristics of the exchange apply to schools, businesses and any other organizational form in which diverse groups and individuals work together.

Micro-Level Trust

Trust ultimately can be reduced to the interaction between individuals, whether they are part of a group, an organization or an alliance. Micro-level scholars are concerned with establishing the determinants and antecedents of trust, defining trust and the conditions in which one may find or develop trust, and in measuring levels of trust.

Rotter (1967) is an oft-cited scholar primarily due to his early work on the measurement of trust. His work is located at the micro-level of theory and his definition of interpersonal trust included individuals and groups, whereas most of the micro-theory and scholarship in the area of interpersonal relationships often assumes a one-to-one relationship. In fact, scholarship since then has recognized the unique relationship properties of group interaction resulting in a shift to the study of groups, separate from individual interaction. Rotter, along with numerous other scholars (Butler, 1983; Johnson-George and Swap, 1982), believed that a measure of trust would be of great value to scholars in that they would be better able to predict high versus low trust individuals, situations of low versus high trust, levels of commitment and the consequent behaviour. Presumably, one could design effective interventions based on the results of these measures. What is interesting about the scholars who design and study measures of interpersonal trust is the lack of follow-through on their survey findings. In other words, so now what? There does not appear to be a line of theory-building in which other scholars will take the measures which have been established and begin to work with the application of this data or these scales.

Other scholars who work at the micro-level of theory development are interested in defining trust and its determinants. One of the challenges of this aspect of the literature is the difficulty of merging academic disciplines and the lack of convergence of the language. Each discipline has its own academic tradition and language and, as such, there is little consensus on the definition of trust. Furthermore, trust is such a multi-faceted construct that one must question the utility of attempting to confine and define the construct. Furthermore, there is some debate among scholars regarding whether trust in a business environment is different from trust in a public sector or non-profit environment. For example, Byrk and Schneider (2001) distinguish between the types of trust needed in educational environments versus business environments. In their view, the characteristics of the specific social institution will affect the form that trust will take. They identified three forms of trust: organic, contractual, and relational. Working within the educational domain they have identified relationship trust as the primary form of trust which exists within this context. Contract trust, in which the criteria of exchange are identified and negotiated, would function primarily in a business environment. Organic trust, requiring the unquestioning belief in the moral authority of the institution, would likely occur in fundamentalist religious schools. Educational scholars such as Hoy and Tschannen-Moran (1999) define the “five faces of trust” as benevolence, reliability, competence, honesty, and openness. Their empirical study of faculty trust identified trust as a concept with multiple faces and that at the elementary school level, when faculty trust the parents, this trust extends to trust in students. Interestingly, their empirical findings align closely with similar research conducted in business settings between manager and employee (Gabarro, 1983) and especially in the psychological contract research (Robinson, 1996). This raises questions about how the type of trust, its determinants and characteristics are different, or similar, in other organizational settings.

Other scholars, especially those in the management area, view trust as a construct which can be managed and controlled in order to improve organizational performance and hence competitiveness. Trust can improve employee morale and hence performance (Lamsa & Pucetaite, 2006, Barney & Hansen, 1994), even in cases of extreme low morale. While this is clearly viewed as a positive outcome, one must be cautious in using trust as a means to an end which has little to do with values and everything to do with profit and performance.

Zucker's work on trust production looks at trust as it relates to economic efficiency and its links to social systems (1996). Her seminal piece defines three modes of trust production: process-based, characteristic-based, and institutional-based. Her work serves as a boundary-spanning piece in that it serves as a lens in which one can look at trust issues across disciplines. She links economic perspectives with sociological and organizational views as do other scholars (Parkhe, 1993; Ouchi, 1980; Powell, 1990; Shapiro et al., 1992). She concurs with the theorists that support the social-embeddedness theory in the view that trust increases as the number of social exchanges increases. She argues that the economy, at its origins, was "shaped by mechanisms designed to rebuild, to produce trust" (p.55). Thus, defining the modes of trust production can be useful in looking at organizational structures, norms and ancillary institutions and their role in enhancing trust.

There are an endless array of scholars who will continue to search for the decisive definition of trust and its determinants and characteristics. They will continue to design new scales to measure and predict trust. Their efforts will always fall short of their goals since the construct is multi-level and multi-factorial and will continue to defy these attempts to contain it.

METHODOLOGY

The primary focus of this study is to gain an understanding of the construct of trust from a variety of perspectives. The study looks at how individuals understand trust in the context of how much they trust institutions of authority and specifically institutions in the securities sector. The study looks beyond a simple yes/no answer to the question of whether an individual trusts these specific institutions and probes the deeper understanding individuals have of what it means to trust these institutions. This type of inquiry makes it a natural fit for qualitative research. As Denzin and Lincoln note, qualitative research emphasizes meaning and processes and the value-laden nature of the inquiry (1998). Since trust is a complex and multi-faceted construct and is usually laden with different meanings for people, it requires an exploration, which must go beyond the more definitive parameters of a quantitative study. For example, I provide a definition of trust but explore with people what trust means to them and try to place their responses within the context of the multi-dimensionality of the construct.

The study also falls within the interpretive framework in which the researcher sees the world as “an emergent social process, which is created by the individuals concerned” (Burrell and Morgan, 1979, p.28). This framework focuses on locating the shared meaning which exists between individuals and gaining a greater understanding of the nature of reality. Denzin and Lincoln

(1998) further explore the interpretive paradigm as one of the four major paradigm structures for qualitative research, which they term the constructivist paradigm. Within this paradigm, the criteria for evaluating research are trustworthiness, credibility, transferability and confirmability. These criteria were the most conducive to the type of research I conducted. The nature of the research and its emphasis on understanding meaning lends itself readily to this paradigm as does the criteria for evaluating the research. I appreciate the rigour and objectivity which is associated with the positivist paradigm and which can be transferred to the interpretive paradigm in the research methods.

Miles and Huberman (1994 in Denzin, N.K. & Lincoln, Y.S.) distinguish between two types of research designs: loose, inductively oriented and a tight, more deductive approach. They imply that researchers would choose one or the other, depending on whether one is attempting a more descriptive study in which the terrain is unfamiliar (loose) versus a study where the researcher has good prior acquaintance with the setting, has well-formed concepts and is taking a more explanatory role. My research is a combination of both types of designs. In some areas of the research it is exploratory (i.e. what does trust mean to individuals and do they trust institutions in the securities sector) and in other cases it is explanatory (why do you feel as you do about trust in institutions in the securities sector and what can you do to change/improve trust). Furthermore, since this research is located in a live setting and has a goal of explaining and assisting both insiders, outsiders and regulators in understanding the construct and the ways in which it impacts their interaction with and view of the financial sector, both design approaches are necessary and important.

This study uses a multi-method approach consisting of in-depth interviews (Fontana and Frey, 1994) within the sector and interviews with key informants with sectoral experience, a range of sectoral functions and from a variety of perspectives. Examples of key informants were a law professor and corporate investment lawyer, a retired Superintendent of Financial Services, investment industry executives not involved in the study, and the CEO of a research firm. This multi-method approach serves as a verification and validation of the findings. As Jick states (1979), triangulation allows the researcher to be more confident of their results. It also serves to highlight any differences and contradictions in the findings. This is especially useful in that it will force greater analysis and a search for understanding of the dynamics surrounding trust.

The interviews serve as a framework or a foundation from which I shape the direction of the research. The nature of a grounded-theory approach precludes knowing where or what the findings may show. A key interview strategy is to ask the same questions of insiders and regulators but in different ways. This serves as a confirmatory check as to the accuracy and/or validity of what the insider and regulator groups say in the interview process. It draws on a theory of learning that Argyris and Schon call espoused theory versus theory in action (1974). What they contend is that people are often unaware of the inconsistencies between what they say and what they do. They do not walk the talk and therefore lose credibility in the minds of those they interact with.

The researcher can only set the original context for the research and then be prepared to shift the direction and scope as findings and new insights emerge. In addition, I recognize that all research studies are influenced by organizational members who may direct or indirect influence the who, what, where, when and how of the study. In this case, I often allow the respondent to take the questions into areas of their choosing in order to analyze what associations they made with the questions and also to determine what they say as priorities in the discussion. In some cases, the respondent has a clear agenda and point of view that he/she wanted to disseminate and he/sheused my research as their dissemination vehicle.

Participants

For the purposes of containing the scope and manageability of the research, the study is limited to firms in the brokerage industry. I have chosen this area because trust issues have had a profound effect on this sector in addition to the crisis of confidence among the public regarding this. The economic consequences of this lack of trust are significant.

The criteria for firm selection are based on accessibility, interest in the study, and degree of researcher freedom within the organization to interview. The participants consist of three groups: insiders, outsiders and regulators. As a result of snowballing (Bogdan, in Taylor and Bogdan, 1984), a fourth group emerged during the study: key informants. Snowballing is a research method in which respondents identify individuals who will offer interesting and unique insight into the study. In the course of my interviews with these key informants, I gained valuable information, new perspectives and additional research concepts which I continued to test and explore. It ultimately enhanced the depth of the data analysis and made for a richer study.

The insider group is defined as those individuals who are employed within the brokerage sector. In this study I interview insiders from senior executive ranks: CEO, Vice Presidents, and Directors. In total, 14 insiders were interviewed from two bank/brokerage firms. Outsiders are defined as individual investors who have interacted with the brokerage industry. Seven outsiders were interviewed, with an even split between males and females and a range of portfolio sizes and investment proficiency. The regulators are those organizations charged with regulating the brokerage industry: the Ontario Securities Commission (OSC), Market Regulation Services (RS), the Investment Dealers' Association (IDA), and the Mutual Funds Dealers Association (MFDA). Three out of four regulators participated with eight executives interviewed from the level of CEO, Vice President and Director.

The key informants are individuals who are involved in the sector and have studied it, worked within it, are thought-leaders or researchers in the sector. These individuals are able to comment on the construct of trust from a variety of perspectives and are invaluable in providing another layer of interpretation of what the respondents told me. I attended conferences and meetings on ethics, governance and corporate social responsibility. Through this, I met a number of individuals associated with the sector who referred me to others, provided me with interviews, perspectives, or additional research or resources.

Participants	34
Insiders	14
Outsiders	7
Regulators	8
Key Informants	5

Procedure

To identify the candidate firms, I began with a personal survey of individuals whom I knew through my professional work. A number of these people had good contacts in the financial services sector and have expressed great interest in my study. They often consult to the financial services industry, sit on the boards of the banks/brokerage firms, or had been senior executives in the industry and have now moved on to other ventures. None of them are insiders but know the key executives in the firms. I attended a conference at which two industry CEOs spoke. I approached them regarding my study and requested a meeting to further explain my research. One was very enthusiastic and arranged an immediate meeting; the other was less inviting and I did not pursue him. The meeting led to a referral to the Vice Chair of a regulatory firm who granted me a meeting and approved his firm's participation in the study.

The individuals within my network referred me to executives at the Senior Vice President and Director level in a number of banks and brokerage firms. I contacted the executives by email, provided them with the name of the person who referred them to me, introduced myself and the nature of the study, and requested their participation. I provided my phone and email contacts and offered to come in for a meeting to explain my research and to answer any questions which they might have had. As a result, I was granted access to two organizations. In one, I was able to interview any executive or employee whom I felt could contribute to my study. The other organization was difficult regarding executive access and, while they agreed to participate, they were often defensive and restrictive in determining whom I talked to and restricted my access to certain individuals. In total, I interviewed 14 individuals in insider firms.

In these two organizations, I concentrated on the senior executives from the level of CEO to Director. The rationale for selecting senior executives is the direct communication these executives have with industry regulators, their roles as key organizational influencers, their frequent contact with clients and their contribution to strategic changes within the organization.

From the outset, I worked with the CEO's executive assistant and discussed potential executives to interview. I have described this executive in terms of rank, type of knowledge and information he/she possesses, and insight into the firm's strategy. The assistant provided me with names, email addresses and the her/her assistant's email address. The assistant handled the interface between me and the executive. I emailed an invitation to the executive to participate in the study (Appendix A). Once I received an indication of interest in the study, I mailed the participant a letter (Appendix B) outlining the study and formally soliciting their agreement to participate. The CEO did not know whom else I contacted nor which individuals ultimately participated in the study. The participants are not able to identify each other. Nothing in the reporting of the data allows the participants to be identified by details of the study and they are only identified by pseudonyms. Results which are reported in the aggregate have pseudonyms used when quotes support the findings. It should be noted, however, that this was a very open process in the organizations and most individuals spoke to one another about my interviews. I, however, continue to protect all identities.

Of the regulator group, I interviewed eight individuals. There are four major regulatory groups responsible for the brokerage industry: the Ontario Securities Commission, Market Regulation Services, Mutual Funds Dealers Association and the Investment Dealers Association. While they regulate different areas of the business, their goals of maintaining honesty, integrity and trust in the brokerage sector is shared. I interviewed the CEO of each organization as well as the senior executives of three of the four regulatory agencies. Within the regulators, senior executives, as is the case with their insider counterparts, also influence policy and strategy in their organizations as well as having direct contact with insiders and outside authorities. This perspective is key to shaping organizational direction and therefore it is critical to be able to assess the awareness level and understanding of these executives to internal and external issues.

The outsider group consists of seven individuals, excluding the key informants. As with the insider group, I used theoretical sampling and broadened the number of interviews as the criteria of theoretical relevance needed to be met (Glaser and Strauss, 1967). There are a number of people whom I contacted who indicated a willingness to share their views of the brokerage industry and their relationship with it. These people represent a broad cross-section of the population in terms of gender, ethnicity and education. As they are people who are clients of brokerage firms, they represent a narrow socio-economic span. I did not speak with those individuals who did not have funds available to invest in the market. The individuals interviewed were equally split by gender, had a range of education from Bachelor's to Master's degrees and are in a variety of professions ranging from mid-manager level to entrepreneurs and senior executives.

Once I secured access to the two brokerage firms and the regulators, the senior executives served as key informants and were able to suggest others to interview or consult with (Gilchrist, 1992). Gilchrist notes that key informants possess special knowledge or status, which these executives have. I used the process of snowballing (Bogdan, in Taylor and Bogdan, 1984) fairly early in the process. In this technique, the researcher begins the interview process with a small number of people and then asks them to introduce or recommend others to meet with. This is also a way in which the researcher can maintain control of the participants as the selection is made by the researcher and not by a gatekeeper or internal sponsor of the study. My experience has been that the researcher's credibility is greater if he/she is interviewing somebody who came to the researcher through a peer referral rather than through a more formal participant selection process.

In tandem with the snowballing technique, I used theoretical sampling as an interview selection tool for key informants (Glaser and Strauss, 1967). In this technique, the researcher determines whom to interview next on the basis of what the emerging data indicates. It allows the researcher to collect and analyze the data while also determining in which direction to take the research in order to continue to develop her theory.

Through the interviewing process, the theoretical sampling method indicated a need to include key informant interviews. I interviewed seven key informants who provided me with insight and expanded perspectives on the sector. They occupied various positions in the sector: lawyer, regulator, professor, researcher, and investor advocate. Most were thought leaders in that they were advocating for change in the sector and for a new vision of sectoral accountability and responsibility. They were helpful in providing a different perspective to the findings and for provoking different lines of inquiry.

Once I obtained a participant referral, the first contact with the participant I made was by email with a description of the study and its purpose. An interview was then scheduled with those who were interested. In advance of the interview, I emailed a letter which explained the nature of the research, their role as participants, the intended use of the study, the assurance of confidentiality, the right to withdraw from the study, the right to have the audio-tapes returned to them after the research study is completed, a copy of the transcript of their interview, and the provision of findings upon request (Appendix A). I followed up with each participant to confirm the interview date and respond to any questions about the study.

As with insiders, once participants agreed to take part in the study, I set up the interview. Each group of participants has a slightly different interview protocol: public (outsiders), financial sector employees (insiders) and regulators

(Appendices B, C, D). The protocols are established with both specific and general questions and are designed to optimize the opportunity for participants to speak in depth about the issue and to share their views about trust. As McKracken (1988, p.34) states: "the first objective of the qualitative interview is to allow respondents to tell their story on their own terms. The investigator seeks to keep as "low" or unobtrusive a profile as possible". The aim of the interview protocol is to maximize the use of grand tour questions, otherwise defined as a "type of descriptive question, (that) attempts to elicit a rich story that is completely directed by the informant" (Gilchrist, 1982, p.81). The questions have been designed with Spradley's (in Gilchrist, 1992) categories in mind: descriptive questions (grand tour questions), structural questions (more focused) and contrast questions (contrasts within a category). In addition to the interviews, I noted any interesting points as the discussion progressed, including my observations about surroundings, body language, interruptions, etc.

One of the most important issues with these interviews is for me to be open, and in fact, encourage the exploration of ancillary ideas. The essence of a grounded-theory type approach is to work with the data as it emerges. Therefore, as the interview progresses, it is important for the researcher to remain open to the conversation flow and allow it to broaden beyond the initial question. All of this is done in the context of ensuring that the interview remains on topic but that other issues surrounding trust be allowed to emerge. As Glaser (1978, p.4) states, the data should never be forced or pre-selected to fit pre-conceived or pre-existing categories or discarded to keep the theory intact. This freedom to allow free-flowing issues to emerge occurred frequently in the interviews and provided much of the richest and most interesting findings.

Data Analysis

All interviews are transcribed in full. Throughout this research, NUD*IST 4.0 is used to code transcripts, record analytical memos and perform analyses. This software allows the user to build a relational database that includes all transcripts, field notes, and documents, assigns codes to these documents and keeps an ongoing log of analytical memos. NUD*IST creates an environment in which you can create, manage and explore ideas and categories as well as ask questions and build and test theories. It is well suited to a grounded theory approach as it allows you to explore themes and thematic categories as the research progresses.

As with all research of this sort, the process is iterative. The iteration begins before the data analysis stage as the researcher lives with the findings from the various methodologies. This causes the researcher to review and revisit the material or interviews. The iteration continues in the data analysis as themes emerge, some of which are confirmatory themes and others which are new. The data is re-analyzed with these new themes in mind and conceptualizations are re-framed.

Once the themes and categories are saturated, the findings are developed with key themes emerging. The researcher's goal is to identify the convergence of findings, findings that diverge, and identification of dominant themes. Finally, the researcher analyzes and identifies the themes in order to describe, explain and develop a conceptual framework for the construct.

Limitations of the Study

There are some limitations, which arise due to the method of qualitative research itself. Qualitative research is often criticized for its inability to allow generalizability of the findings, verification or validity and reliability of the data. Triangulation offers a response to these critics. The goal of qualitative research is to describe and explain the nature of a phenomenon of interest. Its goal is not to measure, quantify and predict. It is to take the researcher and his/her audience deeply into the phenomenon or construct which is being studied in order to provide us with a greater understanding.

Yet, there are means by which qualitative research can address the generalizability, verification and reliability. One way in which this study addresses this is through the triangulation of methods in which the data are examined through a variety of strategies with the goal of determining congruity between the data and the findings. Another technique I use is to check with the participants and those with some knowledge in the field about the resonance of the findings and data with their experience; a form of 'member validation' (Miller and Dingwall, 1997). Member validation also addresses the generalizability issue. While these techniques are not meant to produce absolute confirmation of validity, reliability and generalizability, they do allow the researcher to gain some confidence in the findings.

Qualitative research is not research one undertakes if the goal is generalizability of data. Yet, the findings may be generalizability in any case if the audience sees some use and applicability in other domains. I have attempted to interview a broad cross-section of participants in order to ensure that I obtain a broad enough view of the issue and the perspectives.

The research is also limited in that it focuses on a particular domain- financial services. The issue of trust may manifest itself differently in this domain but my hope is that there will be findings that members of other organizations and sectors may find useful.

A further limitation is the focus on North America, and specifically Canada. The securities sector here abides by a different set of rules, regulations and laws than other countries and therefore, this must be taken into account when assessing the specific reactions to industry regulatory changes. On the other hand, the construct of trust and individuals' reaction to it within the context of institutions of authority can cross geographic boundaries. While many can use the Canadian context as an excuse to note our difference from other geographic areas, especially the U.S., there is behaviour that occurs among insiders and regulators that is often evident across countries.

There was not an opportunity to conduct follow-up interviews with the participants. Restrictions on time and respondents' willingness to engage in repeated interviews precluded this option. As such, the findings are based on one interview in the context of one point in time. There is the potential that participant's views can shift when the context changes or when external events create a need for re-assessment. This research is unable to explore that possibility.

DATA ANALYSIS

Individual Profiles

This chapter presents the analysis of the data collected for this research study. The purpose of the study was to determine the degree to which individuals trust institutions of authority, such as financial institutions and, more specifically, brokerage firms. The study looked at the ways in which individuals determine the basis for trust and what criteria and contextual influences affect trust. Furthermore, one of the study's aims was to identify whether there was congruity between respondent groups' perception of themselves and other groups' perception of them.

The analysis of the data collected is structured in two ways. In this chapter, data is analyzed by group of respondents and within each group, by individual response. There is a range of responses to the interview questions across groups and within groups and yet there is also a degree of cohesion within groups. Both the display of cohesion and differences allows one to understand the complexity of this construct as well as the difficulty that individuals have with articulating its meaning and definition. In the next chapter, the data are analyzed by research question and findings are presented across respondent groups. Once again, one can clearly see both range and cohesion but also uncertainty about trust and its role and meaning to individuals.

The Regulators

The regulators are rational, objective, dispassionate and measured in their responses. While the public often views the regulators as being their advocates, the regulators do not see their role as championing investor's rights or advocating for the investing public. Instead, their function is standards setting, regulating of the standards and ensuring compliance. Recently, in response to industry scandals and transgressions, governance and transparency have become areas of focus for regulators.

The regulators are closely linked to the industry which they regulate but they don't view the relationship as either too friendly or too close. There is common movement within the industry with players moving between legal firms which represent corporations or issuers, insider firms, regulatory agencies, and government appointments. The close linkage between all players in the sector is often a cause of cynicism and speculation among outsiders who are skeptical about whether their interests are fairly represented or if the industry provides insiders within an unfair advantage.

Until recently, the regulators do not focus much of their work on the investing public. They do not engage the public in discussion or queries regarding what their critical investing issues are, thus their contact with the public is reactive. They acknowledge that the public is unaware of their existence or their role in ensuring the trustworthiness of the markets. However, this is changing as the regulators are feeling increasing pressure to provide investor education services and outreach. As market scandals and breaches continue to occur, questions are raised about the role of the regulator in prevention, enforcement and prosecution. Extensive media coverage has raised the level of investor knowledge about market risk and the subsequent questions about market integrity and protection of their investment dollars.

Many of the regulators find the topic of trust difficult to discuss unless it takes the form of a discussion about business processes. In their view, effective business processes lead to better enforcement and compliance. One can only assume that the regulators draw a link between effective enforcement and compliance and building integrity in the market, which would lead to more trust. The key question posed to them, however, was not about building market integrity but was about the meaning of trust and its relationship to them in their capacity as a regulator. The question was more values-based than business-based.

When pressed to discuss trust and how it is formed, most of the regulators saw trust as being built on the relationship between individuals; more specifically between the investor and the investment advisor. They do not think in a broad way about the critical issues such as how public trust is impacted by corporate and individual malfeasance in their industry nor are they reflective about how the issues of values is pertinent to their business. They are business people operating within a highly-paced, rapidly-changing business environment. Their work and the way in which their performance is measured impacts on what issues will get their attention, in a quantitatively oriented business, the numbers get first billing. The fact that they operate in a very public environment affects their actions and decision-making. They have many stakeholders to consider, including the government, the public, investment firms and public companies. Often, their decisions are driven by the influence of one or many of these stakeholders. Their work is often politicized and they have come under criticism in the last few years for being too ‘soft’ on those who violate the trading rules or for being too arbitrary in their application of the rules.

The regulators accept that there will always be transgressions in the market and are resigned to that fact. There is a sense of resignation and inevitability about this behaviour and they feel that there is little that they can do about this other than try to minimize the damage. In light of this view, caveat emptor is advised for the investing public.

Sandra

Sandra is a Director at one of the regulatory agencies and has responsibility for the licensing of dealers and advisors, compliance reviews on advisors, and oversight of capital markets and self-regulatory agencies. Sandra has been with the agency for 12 years and has approximately 80 staff reporting to her. Her previous work within the sector was as a corporate securities lawyer.

Throughout our interview, Sandra made contradictory and inconsistent statements, which suggested the complexity inherent in any discussion about the role and meaning of trust. Even murkier responses were evident when we discussed the possible solutions to a lack of trust or to breaches of trust. For example, while she views transparency as a means to build fairness into the markets, she realizes that this leads to information overload for the public, many of whom do not have the skills to evaluate the information. While this shift to greater transparency may not increase trust, she also believes that transparency is a means of building integrity and fairness in the market. The dilemma this poses is an exemplar of the difficulties encountered when trying to build trust into a system with many competing interests.

Sandra does not consider building trust to be within the role of the regulator. Her focus is on compliance and enforcement, not as a means of trust-building, but as a way to assess “how bad the behaviour was and what the appropriate tool is to use to fix the behaviour". She believes that firms view compliance as good business, which leads to good service which, ultimately leads to trust.

In her view, trust relates to concepts of confidence, integrity and fairness. Specifically, she believes that trust is built when people have "confidence in the information you're getting is appropriate and accurate" and sees this linked to integrity. She also sees fairness as critical and thinks that the public "would like to believe that they are treated no worse than anyone else. I think they see it in terms of transparency". She sees trust as only relevant in the relationship that an investor would have with their advisor and that the regulator cannot impact this process. She believes that the public views portfolio performance as a key indicator of the satisfaction they have with their advisor. Sandra goes on to say that "this does not mean (she) necessarily had trust either". In other words, there is no correlation between an investor having trust in the market and the players in the market and that investor feeling satisfied with the results of his/her portfolio.

She has difficulty in taking a more expansive perspective on the issue. It was a challenge to engage her in a discussion about the links between the market, the public and the regulator and the way in which trust trust affects, and is affected by, those relationships. She has a very narrow focus on her regulatory role and seems unable or unwilling to think beyond that to the broader issues.

Edward

Edward is the CEO of one of the regulatory agencies. His previous experience was as a corporate securities lawyer, a job he held for 30 years. I wondered whether he felt compromised in his duties since he had spent so many years as a friend and colleague of those in the industry. Edward stated that this would be his last job in the securities industry before retirement and therefore he had no vested interest in his decision-making. Since this interview, Edward left the regulatory agency and returned to his work as a corporate securities lawyer. Towards the latter part of his work with the agency, he was subject to some criticism about his hesitation to adopt more aggressive regulatory approaches.

When asked about the core values of his organization, he launched into a discussion about the statutory mandate of his organization and its role in protecting investors from fraud and unfair conduct. He was typical of the regulators in his dispassionate discussions of securities law and regulatory processes. He presented me with the image of his agency that he wanted me to have and was often non-committal regarding his view of the market scandals which were engulfing his sector. He is clearly an in-charge executive who maintained control of the conversation, often through very lengthy explanations of the processes he used to improve the investing climate for the public.

For example, when I asked Edward to define trust, he began a prolonged discussion of the Sarbannes Oxley legislation in the U.S. as a means of addressing the issue of declining public confidence and the impact of poor market performance. He then went on to discuss the details of the new regulations and their potential effectiveness. He was unable to connect with the conversation at the level of decision-making of the average person regarding where and whom to entrust their money to. He seemed distant from the public who he is charged with protecting.

Theresa

Theresa is a vice president with a regulatory agency and her corporate background is unique in the study. There is a refreshing honesty about her. She is the only regulator to acknowledge that the public's trust is absolutely critical to the industry's success and that the industry had been hurt by the recent securities scandals (Enron, Worldcom, Yorkton Securities, and Putnam). In her view, trust is about integrity and consistency, defined as actions that indicate that people have your best interests at heart and do what they say they will do. She has great empathy for the position of the average investor who is often vulnerable to the actions of those in the securities industry and to potential breaches of ethical behaviour. She readily admitted to this vulnerability by stating:

> “they (the public) don’t believe they’re ever going to be protected and I think that volatility, that market volatility that has developed in large part due to this feeling of I don’t trust that anyone would protect my interest. That’s a very scary thing”.

Nathan

Nathan is a Senior Vice President of a self-regulatory agency. He trained as a lawyer and began his career as a crown attorney and prosecuted white collar crime cases. He was also a senior government official in the Department of Justice and has worked for regulatory agencies in two provinces. In his view, trust is integral to the investment industry and he believes that the public views the capital market as generally very trustworthy. The role of the regulator is to ensure that wrongdoing remains at a low level, but he also accepts that “there’s always going to be rogues and fraud artists”. He distinguishes between the public’s trust in the regulator and their trust in the market. His job is to build the public’s trust by ensuring that his agency is competent and effective, “knowing that it (fraud) will never be eliminated”. There is an inevitability and resignation in his attitude about wrong-doing in his sector; something which he has accepted as long-standing and as “going back as long as this country has been here”.

Diane

Diane has recently been appointed Vice Chair at a regulatory agency. She has been with the regulator since she was called to the bar almost 25 years ago. Previous to this appointment, she served as General Counsel and provided legal advice and guidance to the senior leadership group, the Board and staff. She was also responsible for maintaining contact and relationships with regulators in other Canadian jurisdictions and on international committees.

Diane focused on the regulatory process in response to questions about trust. While she feels that trust is important, she focused the discussion on standard setting, transparency around complaints and ensuring a fair and balanced system of information to the public. She believes that the marketplace would take care of transgressions. She feels that as a regulator, “we can no more do that (ensure appropriate standards) than anybody else can”. What is surprising about Diane’s perspective is that the regulator has great influence regarding perception of market trustworthiness. Yet, she adopts the familiar air of resignation which other regulators adopt, seemingly disengaged from their role as market regulate. If they are unable to do anything other than ensure that appropriate standards are followed, then there is some question about their intent to carry out their stated mandate which is to “provide protection to investors from unfair, improper and fraudulent practices and to foster fair and efficient capital markets and confidence in their integrity”.

When I asked about the concerns that investors and others have about the trustworthiness of the markets, she assumed that when the market was doing well, there is “less of a tendency to navel gaze and think about issues like ethics”. Ethics and trust take centre stage when the market begins to falter and people lose money and hence search for somebody to blame for that situation. Once the markets improve, she assumes that these concerns dissipate. If we reflect on the views of investors, it is clear that this perspective is not shared by outsiders.

Tony

Tony is senior counsel at a regulatory agency. Previous to this position, he held the same position with an industry group and also served as a securities lawyer for many years representing small public issuers. As with the other regulators, Tony talked in business and legal process terms and his perspective was often a legal one.

In his view, trust implies a fiduciary responsibility that both regulators and practitioners have to their clients. He believes that this responsibility drives all behaviour and that the client should be able to assume that the individual and the institution are looking out for his/her best interests. The primary means to ensure trust is disclosure of conflicts and transparency. Tony believes that the public accepts trust as a default position and that there is a presumption of care that they expect the regulator and practitioner to accept.

He contrasts Canadian reactions to American and states that, because much of the trading activity is conducted through the bank owned brokerage firms, Canadians are more trusting of the markets than Americans. My interviews with investors have shown this not to be the case. The investors that were a part of this study have a level of skepticism and suspicion that causes them to take a more cautious approach to investing. As is the case in the interviews with the other regulators, there is a lack of clear understanding of the mindset and needs of investors, the group whose interests they are charged with protecting.

The Insiders

The insiders are defined in this study as those individuals who work in the securities industry for brokerage firms. Investors (outsiders) interact with insiders through their relationship with an investment advisor. Insiders, such as advisors are expected to work on behalf of clients, either institutional or individual clients. In reality, they often are working on behalf of themselves or their companies. By that I mean, the compensation scheme for advisors and their managers rewards trading of securities. Almost all of the advisors are paid on a base plus commission basis, which means that the more they trade, the more they can earn. In many cases, it is not in the best interests of clients to have their account traded. Often, the best strategy is to buy and hold; in other words, buy equities or funds for a client and hold them for a long period of time. If an advisor follows this strategy, they will inevitably earn less compensation at year end than if they frequently buy and sell client equities and funds. There is an inherent tension built into this compensation scheme which all of the insiders acknowledge and which they believe they can manage. In reality, there are well-known cases of advisors who were carried away by the prospect of earning large sums of money and, as such, did not act in their client's best interests. In the worst cases, they committed major market infractions, fraud, and theft.

Some insiders bristle at the term 'insiders'. Some find the term offensive and judgmental. My intent in using this term was never to imply anything other than a distinction between those outside the inner circle of the industry- usually the investing public- and those inside the industry. Those working in the industry, though, are very sensitive to the terminology, likely due to the business climate at the time I was interviewing. There are a number of brokers and traders charged with a variety of offenses relating to their positions as insiders; and in some cases, charges of insider trading were laid. Consequently, when I use the term insider with them, they make the link to insider trading and presume a negative implication, which I never intended.

Many of the insiders are quick to draw the distinction between the ways the securities business is managed in the U.S. versus Canada. Many refer to the more aggressive, ‘cowboy’ nature of the business in the U.S. and the more conservative nature of the business in Canada. They often draw reference to the fact that the large brokerages in Canada are owned by the major banks which are highly-regulated institutions. Discussions of the scandals which have beset U.S. firms and the risks to Canadian investors if the same transgressions happened here are usually dismissed by a reference to the more conservative nature of the Canadian business.

While this is a valid point, there has been considerable question in many quarters about whether there is sufficient enforcement and prosecution of existing regulations. In fact, about a year after my interviews, both of the firms I used as my research sites drew major fines from the Ontario Securities Commission for market timing violations, the very violations we were discussing. They had been warned up to 10 times and had ignored the warnings only to find themselves subject to heavy fines. Those warnings had been issued by the time I was conducting my interviews and the senior management team would have been aware of that. One of the criticisms of the levying of these fines is that regulators had often turned a blind eye to market timing. Then, in response to external pressure, they began enforcing the existing rules and regulations, resulting in numerous fines to key industry players.

Insiders draw a clear demarcation between the personal and the professional. In other words, when I talk with them about trust, they are unable to conceive of trust in anything other than business terms. This does not appear to be due to a conscious or deliberate holding back of information or opinion, but due to their disengagement from those things deemed personal and considered to be inappropriate in a professional environment. The insiders and regulators do not tend to be deeply reflective or philosophical about the role and meaning of trust in their industry. This limits them in that they are unable to engage in personal reflection of their role and the way in which they are seen by outsiders. A common theme, though, is a belief that trust is not an issue for them or their clients. There is an impression that there is a lock-step nature to the replies, which is the result of corporate training in culture and impression management. It is in everybody's interest to be seen to be doing the right thing in order to avoid negative publicity and perhaps greater regulatory scrutiny.

Insiders view trust as conditional on the individual relationship of client and advisor. Institutional or systemic breaches can be weathered if the client/advisor relationship is stable. This can insulate the organization from breaches committed by their employees since they only need to discipline the particular employee and distance the organization from the infraction. The dilemma is that their clients clearly make judgements about the advisor they deal with and the organization which he/she represents on the basis of personal, as well as professional, criteria. The client entrusts what is often their life's savings to a professional with the expectation that the professional will behave with an ethic of care. Yet, often the professional does not see this as his/her role or obligation. While they state that customer service and satisfaction are of great importance, many do not see a fiduciary responsibility in their role. This would likely come as a great surprise to outsiders who place a great deal of trust in the advisor and often see a care taking role as part of their obligation.

When asked what they believed the public thought of them, most had an opinion which was based on personal observation or reflection rather than on objective data, since few of the organizations have surveyed their client base regarding their trust in either the institution or the advisor. Yet, they speak with great certainty that there is no distrust in the industry and that trust is assumed to be present at all times in the interaction of clients with the industry. This viewpoint is in contrast to the views expressed by the investing public but is not a position which is considered by insiders.

William

William is a branch and divisional manager, responsible for 45 brokers and 5 branches. He also serves a slate of clients. He has been a broker through his 20-year investment career. As with many in the industry, he worked for a brokerage firm which was subsequently bought out by a bank. As he notes, it was a different environment at that time with far less training, and the training they had was very brief. The advisor job was more sales oriented and less focused on financial advice. There has been a shift in the industry to elevate this role to an advisory and consultative one.

William speaks very directly and to the point. He is blunt and straightforward, with less of an orientation to 'corporate-speak' than those who were more senior to him. Typically, though, he responds to the question of organizational values by referring to a goal of providing a high level of service to clients and through full, true and plain disclosure which is a fundamental principle of the Ontario Securities Course. This principle requires all those involved with a security to reveal all material facts about the security. This includes disclosure of any financial relationship those involved with the security have with the organization, including any commissions or benefits paid to advisors or firms who purchase or recommend the security.

William has a very clear perspective on his industry and its relationship with the broader community. As with many insiders, William believes that the regulatory environment, which he acknowledges is in place to protect investors, is too restrictive and punitive for the firms. William feels that he and his colleagues are unfairly misrepresented by the media and the regulators who focus on ‘a few rogues’. There is ”a certain amount of sensationalized aspects to what regulators do, that are probably propagating the press and can erode the feelings of trust versus the regulators themselves”. In other words, the rogues in his industry are not really rogues at all; it’s the regulators being unnecessarily hyper-vigilant.

In his view, trust is not an over riding concern in his business and he does not believe that his clients are concerned about the security of their investments, the credibility of the firms they deal with or the trustworthiness of the advice they are being given. He sees it as a cycle and when the markets turn down, then clients become less trusting and things are going to be “tainted by bad equity markets”. This is not an uncommon view which can lead to ‘situational ethics’ which results in reactive responses by the industry. Policy and regulatory changes which emerge from situational circumstances often lack credibility with those upon whom they are being imposed, resulting in cynicism and non-compliance.

Susan

Susan is a Senior Vice President with a bank/brokerage firm. She began her career as a research analyst in the insurance business and then moved to a brokerage firm. Her firm was subsequently bought by one of the major banks and she moved into a training and recruiting role. Her current function is professional development and service quality.

I asked Susan to talk about the core values in her company. Her first response is "I always forget". Does she forget because it is so ingrained in her corporate psyche that it is second nature or does she forget because core values do not appear to be related to the bottom line business principles that she and her colleagues relate to. She goes on to identify values such as respect for others, being knowledgeable, and having integrity. She states that in her industry they make reference to integrity rather than trustworthiness because it is a term which is used in the Canadian Securities Institute Practices Handbook. Much of what she is referring to concerns issues of corporate governance which ensures regulators and the public that the company is operating with a minimum set of standards which ensure honesty, integrity, and transparency.

When I ask Susan what trust means to her, she replies in business terms and talks about reliance, the relationship of reliance to fiduciary duty, and competence. There is a divergence between the expression of trust-meaning by those in the business and the investors they serve. When you query individual investors about trust what they describe is the depth of the relationship between people, the inherent vulnerability that comes with a trusting relationship, and the deeply personal nature of trust and relationships. Oddly, this discourse is absent from the conversation with those involved in the industry. While the industry talks about the importance of the relationship between advisor and client, they again talk about it in the language of customer service and not personal relationships. This is evidence of the emotional distancing that is ever-present in the business environment and which results in a disconnection between the needs of outsiders and the understanding of those needs by insiders.

There is little sense of deep reflection of values and trust in light of the scandals besetting the industry both in Canada and the U.S. When queried about changes in values over time, Susan says that values need to be

> “refreshed either because somebody notices that they’re stale or because you have some organizational changes that then require you to go back and say is that still valid, or do we need to work with the language or do we actually need to work with the concepts”.

Yet, nowhere in her thoughts or statements does Susan indicate a need to reflect on the essentials of the business she is in nor does she feel it necessary to query values in light of the egregious transgressions taking place in her industry.

Gail

Gail is the CEO of a major market participant. Her previous employment was as Chief Financial Officer for an investment banking division of a major bank/brokerage firm. In her earlier career, she was a partner with a major international accounting firm. Since our interview, she has taken on a bigger and more prominent job in the field. Gail is very dominant in the conversation. She directs the discussion of the issues and is insistent that the conversation follow the line of questioning that she deems acceptable. The occasions when I question her or appear to challenge her views are met with a visible tightening up of her body and an iciness in her tone. This is clearly a person who wants to determine and control the agenda. As a result, we often speak about business issues which are particular to the securities business and rarely approach any topic which can be identified as being about values or personal relationships and how those issues might impact on the ways in which she carries out her business.

Gail's view is not that divergent from the views of her colleagues in that she does not perceive a large gap in credibility and trust between market occurrences and investor trust. She concedes that there is a link between investor confidence and market activity, but she does not discuss what the elements of investor confidence are. It is difficult to discuss issues like trust and values with her because she is very protective of the industry and the players in it. For example, when I question her regarding the scandals afflicting the markets in Canada and the U.S., she attributes much of that to investors who are carried away and valuations that cannot be supported. She also believes that “regulators over-reacted and that the regulators themselves believe that the regulations are going too far. But investor sentiment prevents them from actually moving in the other direction”. In her discussions, she emphasizes that the public does not understand the issues that corporations, investment firms and regulators deal with. While this may be factually accurate, it indicates a distancing from the reality of everyday investing decisions that investors make and the importance of addressing investor needs. It is quite common for insiders to think that they do not have an obligation to address investors’ concerns, even if those concerns are due to a lack of understanding of the mechanics of the business.

When I approach the issue of specific key, senior players in the business who had been criticized in the media, she is highly defensive and supportive of the actions of these individuals. It is almost a closing of ranks around the industry and those in the centre of it. This attitude is not particularly helpful to investors and offers a very close-minded view of the issues. In particular, when I raise the issue of a highly criticized CEO (who subsequently retired under a cloud), her defense is that “he is a very ethical guy. There is no way (he) and the Board could possibly know about what some guy is doing in New York on a day-to-day basis”. This statement represents a minimization of the involvement of her colleague since the ‘some guy’ she referred to is the #1 executive in their U.S.

operation. If the CEO is not accountable for the actions of such a senior employee, then this suggests an accountability model which is highly deficient and a corporate culture which is unlikely to change.

Paul

Paul runs the research department at a leading bank/brokerage firm. I spoke with him on the recommendation of a senior executive at his firm who thought that he would have an interesting perspective on the public's trust in the industry. I wanted to talk to Paul about whether he perceives any skepticism from the public about the research released by his department; in other words, does the investing public think that his department skews research to support institutional clients whom they represent?

Paul began his career with this firm and has been with the company for almost 20 years. In his role as director of research, he is responsible for all investment research for his firm. His research is intended for two audiences: institutional and investment advisors and their clients. In his view, "it's less of an issue of trust and more the issue of what's useful to the institutional investor". He links trust to performance and transparency. He believes that his analysts are trusted because they consistently rate companies accurately, their ratings are public and therefore open to scrutiny. In his view, a key trust measure is whether his company's analysts are viewed as opinion leaders.

He talks about the importance of the relationship between the analyst and the client and that, over time, the trust builds as the analyst produces reliant, consistent reports. He also discusses ethical breaches in his industry and believes that a firm is complicit if it designs a reward structure that puts employees into a conflict of interest. Complicity is an issue which most industry executives were reluctant to discuss. Paul's openness about this was encouraging, honest and straightforward.

Paul follows the pattern of his colleagues in not broaching the topic from an emotional and values perspective. He talks in terms of business principles and business performance. Paul is very open and comfortable discussing the topic but he is focused on trust as it relates to his business and does not make a connection between values-based trust and trust as he conceptualizes it.

Patrick

Patrick has spent over 30 years in the investment industry. He started his career as a salesman with a brokerage firm and then stayed on when a major bank bought his company. Patrick is Chairman of the organization and has prime responsibility for governance issues and in the investment banking side of the business. I found him to be a very charming and engaging person who is clearly well suited for his role as the public face of the organization. Many years of dealing with clients has trained him well in public relations and in controlling the message.

When asked about the core values of the organization, he spoke in business terms about the need to be client-centric. Patrick says that he places the client at the centre of everything that the organization does and therefore relationships are rule number one. The second thing he mentions is skills and competence. He discusses the importance of being a "highly ethical and principle-driven organization that puts the client's interest first and foremost". He discusses the importance of trust as a "key underpinning of any relationship", that "trust is sacred and at the core of the respect which we provide for our clients". Yet, he later expresses the view of 'caveat emptor' and "that people have to be sage in terms of when they observe, how the men and women who deal with them behave". Clients have a responsibility "to protect themselves". It is this double-speak which hints at the existence of a 'for public consumption' position and an insider, real-time operating position. This type of incongruity is what often contributes to the cynicism and lack of trust that the public often has with these institutions.

He refers to the inherent conflict faced by his organization which serves both investors and issuers. He explains how his organization manages the conflict but the explanation is complex and obtuse and framed in technical terms. He does not discuss the ways in which the conflict is, at times, unable to be managed and the risk to investors or clients.

Many of the insiders present their views in what seems to be a simplistic manner in that they gloss over the occasions when conflicts cannot be managed or investors are not reassured or regulators take issue with their practices. In fact, when I ask him if he believes that investors approach the company from trust asa default position, he says he believes that clients expect to be treated ethically and that the organization respects their trust. He does not explain the way in which this view can be consistent with an environment of multiple industry breaches thus causing investors to express skepticism about the integrity of industry players.

Ron

Ron began his career in a brokerage firm which was subsequently acquired by one of the major banks. He has been in the investment business for over 25 years, primarily as an investment advisor and then moved into senior management, presently as a Senior Vice President. When asked about the core values of the organization, Ron names trust and integrity as key values. He also links values to the organization’s commitment to the community and in charitable giving. One measure of trust is the speed and efficacy of reaction when there is an issue or a problem.

Ron is one among very few insiders who expresses the view that problems at one firm can spill over to all firms in the business and cast a pall over every firm. He talks in terms of responsibility not just to his firm but to all the firms because of the industry’s reputational risk which can be compromised by bad practices or behaviour. The end result is a loss of public confidence in the industry and the subsequent financial consequences for all.

Ron believes that trust is at the core of his business and that if trust is violated or clients lose confidence, “clients vote with their feet”. From an investor’s perspective, however, voting with their feet is not always as easy or as attractive an option as Ron suggests. Investors often view transgressions as systemic and see all of the firms as similar in orientation and operating practices. They do not assume that the situation will be significantly different at another firm. So, what we observe is, in Ron's case, a genuine understanding of the importance of trust in these investor relationships but a reality that indicates that it is often not in the control of the individual advisor or senior manager. Often, the institution has to endure a 'guilt by association' environment and the subsequent reputational risk that often accompanies such a situation. This presents a situation where it is critical that the industry and regulators remain committed to an environment where investors can once again count on industry ethics and integrity.

Mike

Mike is the Vice Chairman of a bank/brokerage firm. He has been in the investment business throughout his 35-year career. He spent a good part of his career in corporate finance, which required him to interact primarily with other investment dealers and with corporations. In the last 20 years, he has shifted his focus to the private client sector in which he is responsible for the investments of individual investors.

When asked about the core values of his firm, he discusses the importance of integrity, which he defines as honesty, self-respect, respect for individuals and transparency. He sees a clear link between transparency and trust and says "that transparency makes it that people have trust". He is very consistent in his message to me that trust is defined as a sense of honesty and transparency.

Mike speaks at great length about the importance of corporate integrity and citizenship, reputation, and organizational culture. He never provides examples of ways in which the organization ensures that these values are practised by all employees. In fact, he never makes the link between these named values and trust, nor how transparency links to these values.

He anticipates my thoughts about the influence of spin doctors and the way in which many firms were using them to present their public face. He acknowledges that the firm's spin doctors "manage the optics" but that the "bottom line is that people must feel that you are managing substance". I wonder throughout this research whether I am being 'spun' since many people whom I interview provide me with such consistent replies that it appears that they are responding with the company line.

His conversation has many tangents and it is difficult at times to understand the links between many of his points. In one case, in response to my question about ensuring compliance by employees, he talks about the compliance department. This department's function is to ensure that all regulations are being followed and that no securities rules are being violated. In discussing this department, Mike makes an odd link to the importance of ensuring that people speak respectfully to one another and then uses his wife as an example. He believes that you can ensure respectful behaviour in his organization because of the existence of "informal intimate intelligence" which can be defined as the company grapevine and which he would call getting “tips”. All of this seems unusual in ensuring trust and compliance; that the senior officer of one of the largest bank/brokerage firms relies on tips and informal intelligence as a means of providing assurance that regulations are being respected.

One of the things that is noticeable about Mike is that his management style may be that of an older generation manager, when organizational culture was much more formal and in a sense, almost patriarchal. For example, his use of personal examples and his reference to employees feeling that they speak to him about interpersonal problems between employees suggests a more hands-on, familial culture with Mike at the top. This type of informal and more subjective means of assessing issues may lend itself to a sub-culture with Mike as arbiter of right or wrong and subject to the manipulations of more favoured employees. One wonders whether this style could allow some employees to engage in behaviour which borders the line of non-compliance but is ignored if Mike believes that the “informal intimate intelligence” has rendered this employee as “Okay” - a passing grade.

Elaine and Sue

Elaine is a Vice President with a large bank/brokerage firm and has been in the industry for a number of years. In her early career, Elaine was as an accountant and then spent a number of years with a regulatory agency. She moved from the regulator to her current position within the industry about two years ago. Elaine commented that, in the past, the major regulators “never flexed their muscle” but that things changed once a different kind of investor entered the market. With the introduction of mutual funds, you no longer had to be wealthy to invest in the market and different people began to invest.

Sue has been in the securities industry for about 30 years, 27 years of which were spent with a brokerage firm that was subsequently purchased by a major bank. Sue is the only respondent who did not follow the traditional route of attending university. She began her career in a clerical position and moved up in the industry through the compliance side of the business. She has experienced many changes throughout her 30 years in the industry. She notes that in the past the compliance department was quite small, comprising of six to eight people. Her group has grown significantly and is now a major department in the organization.

Sue believes that the shift in emphasis to compliance occurred after the major market crash in 1989 when the industry realized that such a situation not only affected the wealthy investor but everyone in their daily lives. Relatively unsophisticated investors entered the market in the 1980’s and were economically hurt by the 1989 market crash. Sue also notes that it was in the 1990’s when “you started to hear about corporate shenanigans” and began to see “individuals who get in there and romanticize illegal activities”.

When asked to define trust, Sue defines it as the comfort level of the individual and that “we’re going to put their interests first”. Elaine links trust to making relationships and “the power of the brand”. Her view is that strong branding “somehow has been able to get respect from the community”. This respect confers a halo effect on the organization and its employees, thereby providing a blanket of security to the public.

Elaine and Sue are very open about their views and the importance of the organization’s reputation to the health of the business. They place strong emphasis on the importance of enforcement and rigorous standards. Sue talks about the change in the relationship that compliance has with investment advisors. It has shifted from what advisors viewed as an adversarial relationship to one of partnership. The goal of partnership within the context of this type of compliance and enforcement function may be questionable. When organizational integrity is as critical as it is in this industry, the separation of an enforcement/compliance function from those whom you are supervising is of particular importance. The public needs to know that there are no compromised relationships between those in charge of administering their investments and the internal watchdogs.

As with many of those involved in the industry, Elaine and Sue believe that a focus by external bodies such as the media or the SEC in the U.S. has created a situation which has exaggerated the level of wrongdoing that has taken place.

Elaine believes that the enforcement actions of the SEC, which has informally set the North American standard, are “not necessarily well managed, what they do is make it like an internal competition with the investigators there”. She does not appear to be concerned about the possibility that if there were no cause, the competition would never produce results.

Chris

Chris has been in the investment business for over 10 years. He progressed quickly and is now a managing director of a branch. In his capacity, he supervises a group of 31 investment advisors and support staff, as well as his own group of clients. It is an unusual role in that most organizations in the investment advisory business do not have managers also serving a group of clients. It is difficult to do an adequate job of supervising advisors if you are also attending to your own client needs. On the other hand, being a manager with a group of clients allows one to stay close to the front lines of the job and increases credibility in the field.

Chris believes that the core values of the organization are its focus on clients, its entrepreneurial approach, its creativity and its excellence in research. These business oriented values are rational in nature and reflect corporate goals more than they reflect the human values that would be expected when discussing relationship-based interactions.

When asked about his definition of trust, Chris is quick to identify two levels of trust: institutional level and the personal level and believed that both levels co-exist within his organization. He defines institutional level trust as the brand and the trust factor that is inherent in the association with a large institution. There is an assumed level of institutional trust. The level of trust that is involved in the client-adviser relationship is, in his view, “far more intense, far more personal and far more important”. Chris believes that the primary, personal trust relationship is the critical one to maintain. In cases where the institutional trust has been breached, the personal trust relationship is not affected.

> “Basically, the underlying message was, as long as I trust you, then the fact that someone else in the organization did something they shouldn’t have, well at least you guys took care of what had to be done”.

When I query Chris about the scandals which have plagued the mutual funds industry and the potential spillover to Canada, he states that this would not happen since the key brokerage firms are owned by banks which are by nature conservative and highly regulated. He also states that it is rare for one firm to commit a violation such as market timing.

> “Firms tend to pretty much behave like each other. It’s a very competitive, oligopolistic industry, where practices are really followed and then when

> there is a breach, they all do something and they get caught. They all sort of become born again".

Chris is resigned to the fact that the public might view his industry in a negative light and does not believe that there is anything which he can do about it. Once there is negative press regarding industry violations, the public then paints the industry with a wide brush and thinks "they're all bums. They're all crooks. It's a crooked game". In his words, it's an irrational perception and he does not think that a majority of people share this view. So, there is no sense in trying to counter it. "It's the old greed and fear thing". The minute it goes away, the trend reverses itself. It appears that Chris sees this as a cyclical event with no long-lasting effects thereby not requiring any specific intervention.

Chris later comments about breaches that have occurred in the industry, some appearing as collusion between senior executives. Interestingly, he reflects on the fact that "so many people are making so much money that no one really steps back and says, hey what's the ethics of this behaviour? Like, who's going to spoil the party". His view is supported by Madeline Drohan in a Globe article in which she says in reference to the weak approach to protecting investors: "No one wants to step outside the circle and criticize the actions of others for fear of being ostracized". (Globe and Mail, Jan. 26, 2004) So, where he earlier comments that the media and the public paint the industry with a wide brush, on the other hand he confirms that it is a systemic issue in the industry reinforced by a high degree of self-interested behaviour.

Alan

Alan has been with his organization for over 20 years and is now Vice Chairman of one of the major divisions. He defines the core values of the firm as employing people of integrity, honesty, trustworthiness, a high degree of skill, intelligent and respectful. Awareness, behaviour and training are the means by which the organization can impart these values to employees. His organization creates awareness through a variety of programs and he used a potluck lunch as an example of an awareness building program. The example of behaviour as a means to impart organizational values was when executives walk the talk. An example of training consists of new product knowledge. He does not explain how these three methods result in improving levels of honesty and trustworthiness.

When I ask him to respond to the word trust, he cites trust as the prime element in their relationship with the client. The measure of trust for a client is the quality of the brand and the trust that comes from the person that they are dealing with. In his organization’s case, he believes that they set their standards very high in the marketplace. Furthermore, in his view, they are a highly regulated industry and this fact contributes to trust-building among clients and investors. One of the key points to note is that while the industry is very regulated, one of the key regulators is a self-regulating body,. This has resulted in some criticism and question regarding whether it is appropriate for this type of industry to self-regulate and whether this self-regulation creates an inherent conflict among the parties.

Alan also believes that the integrity of the marketplace helps to build trust. This type of trust would be trust that extends beyond a specific institution and would be systemic and industry-wide. His further comment about some of the scandals that are occurring in the US is that clients "will absorb the information and come to the conclusion that things for the most part are going pretty well". As other insiders have stated, he ascribes most of the industry problems to a few rogues, as exists in any industry, and to difficult markets. He also believes that the many guidelines and policies in place to ensure that there is a Chinese Wall helps to ensure integrity.

The term, Chinese Wall, refers to the separation between investment bankers and brokerage firms in order to avoid the conflict of interest between objective analysis and the desire to have a successful stock offering. These regulations became known as the Chinese Wall because they were meant to create a barrier as effective as the Great Wall of China between the two operations. The term is now extended to any parts of the organization in which there is an attempt to separate potential conflict of interest areas. There is not a consensus in the industry that this Chinese Wall is real or effective. There are some who believe that the Chinese Wall can be readily breached, and has been.

For many insiders, a measure of client trust is the amount of money that they manage for clients. Therefore, if dollars invested are constant or increasing, then they assume that trust is not at issue. When asked about the breaches that have occurred with competitors and whether clients are concerned about his firm, Alan believes that clients view this as “something that is happening elsewhere. They have a great deal of faith”. Ironically, only a year later his firm would find themselves in the same situation as his competitors, accused of violating regulations and having to pay out millions in fines. Is this insularity of thinking partly to blame for his firm’s later regulatory breach?

Ian

Ian started his career in the brokerage business as counsel and as a compliance advisor. He currently holds the position of vice-president, compliance and general counsel. When asked what the core values of his organization were, Ian states them as know your client which is defined as know their financial circumstances, their risk tolerance, and their investment knowledge. These criteria for core values are more aptly linked to business oriented criteria such as good customer service or marketing rather than a more people-oriented, ethically-based set of values. The identification of business goals as values rather than values based on principles or ethics as values was a common characteristic among this group.

At the time of my interview, there was significant media coverage about questionable practices regarding market timing and late trading that were occurring in the US. This resulted in the issue being raised in Canada. Late trading is illegal whereas market timing, while not illegal, favours a select group of investors who benefit from the practice. Fund managers have a duty "to act in the best interests of their fund and to take reasonable steps to protect funds from harm that may be caused by market timing activity". When I asked Ian about this, he stated that late trading is clearly illegal but market timing is not. His position was that there is no specific regulation against market timing, but it is "clearly conduct unbecoming". He readily admitted that market timing occurs and that the regulators move to impose penalties and restrictions on the practice. In fact, his firm was levied a significant fine about a year after our interview.

When I asked him whether this negative coverage affects the business, his view was that they do not see clients pulling their money out of the market and they were not receiving a flood of calls. It all reverts back to the relationship between the investment advisor and the client. If the client feels confident and trusting of the advisor, then the ramifications are minimal in response to news of major market breaches. What cannot be measured is the opportunity cost of new investment that may now be diverted elsewhere.

He discussed changes in their hiring processes that are now more stringent and the reverse onus on the employee to explain any past transgressions and provide a rationale regarding why their behaviour is excusable. The shift is a result of the whole industry “trying to raise the bar”. He believed that people enter into the advisor/client relationship with trust as a default position partially based on the institution’s reputation and the trust associated with that.

Surprisingly, Ian does not believe that the advisor has a fiduciary duty to the client which would require that advisors protect their client. In his mind, his duty is to give the client good advice but not to protect them. This view calls into question the values and ethics of those in the industry who hold that view. It also causes one to wonder whether the client knows that their advisor or the senior management group does not believe that they have a moral and legal obligation to protect them and their funds.

Ian sees the regulators as demanding that the organizations and its employees act more in the role of ‘gatekeeper’ in that they should be potentially refusing to accept and process orders that they believe may not be in the client’s best interest, even if the client appears to be fully informed and is willing to accept that level of risk.   This is a shift in role which Ian does not fully support since it moves him closer to a fiduciary role and one which requires him to accept greater responsibility for his client’s outcomes.

The Outsiders

The outsiders are individuals who have invested in the market. Some of the outsiders are very sophisticated investors who have a substantial sum of money invested. Other outsiders have modest investments often held through pension funds, mutual funds, and RRSPs. All of the investors rely on advisors to manage and invest their money for them. In most cases, the major focus of the investment is to ensure adequate funds for retirement.

All of the outsiders are middle-aged with an even gender split. They are all well-educated with all holding at least a Bachelors degree. A number of the outsiders are self-employed. All of them have been investing in the market for over 10 years.

The outsiders have a much different view of the securities industry than either the insiders or the regulators. The outsiders are much more cautious and less trusting of the industry than those involved in the industry. There is a level of cynicism that they evince which is made worse by the recent scandals besetting the industry. This group is skeptical of claims made by insiders and their organizations about the safety and security of the industry. Advertising about the relative safety of investment vehicles such as mutual funds is not believable in light of the occurrences of illegal or unsavoury practices by those in the industry. Outsiders do not expect that most advisors will work with their best interests in mind to the exclusion of consideration of monetary rewards from their organizations. Outsiders recognize and expect the conflict of interest that is part of the investment advisor's role but continue to view this as a significant impediment to the ability to form a trusting relationship with the advisor and his/her firm.

Outsiders have a strong desire and motivation to trust their advisors who are often charged with managing their entire portfolio of savings and investments. Outsiders often take a leap of faith in working with advisors since the only means they have of knowing the trustworthiness of the advisor and the organization is by investing their funds with him/her and assessing the situation as it occurs. It is only through the process of investing and taking the risk that the outsider is able to determine how trustworthy the advisor and organization are. As a result, there is a sense of vulnerability that many investors feel by what is often an asymmetrical power relationship. While insiders will deny that they have power and authority over their clients, outsiders rely on insiders to adopt a duty of care with their investments and are unable to fully determine whether this is a prudent approach prior to engaging the insider in this role. Insiders will claim that competitive market forces will take care of breaches and malfeasance but the investor often has lost their investment by this time. Market forces do little for the bereaved investor who may have lost his/her life's savings.

As a result of this scenario, outsiders adopt a variety of strategies to attempt to offset this risk. They accept, however, that they are never able to operate in a risk-free environment unless they choose to self-manage their investments and even in this case, they are still vulnerable to breaches from corporations and unsavoury market managers. The marketplace has provided us with ample evidence of this with the Enron, Nortel and Worldcom scandals as well as examples of breaches in mutual funds investing such as Putnam. Outsiders view the industry as having a fiduciary responsibility towards them due to the lack of full knowledge and control which outsiders have and their reliance on insiders to act with integrity. Outsiders expect regulators to act expediently and with proactive regulation and enforcement.

Sam

Sam is a very sophisticated investor and very knowledgeable about the securities industry and about the business environment. He is a director and Senior Vice President of a leading, internationalsoftware firm. He is an accountant and owned his own company until it was purchased by his current firm. His areas of expertise include mergers and acquisitions, business strategy, MIS and data centre operations among many other areas. Sam has an MBA from the Schulich School of Business.

When asked about what trust means to him, Sam states that “it’s just an emotional bond”. He describes it as a selflessness, “they put you before them”, not self-serving. When discussing the securities business, Sam has a somewhat cautious and cynical view of the business. When I muse that advisors can potentially sell you a limitless number of products, Sam replies that they definitely try to.

There is a duality of roles which the investment advisor holds- that of salesperson as well as advisor. Yet, one wonders how they can fulfill both roles and still build trust with clients, remembering that most respondents defined trust as looking after my interests first. This calls into question whether the concept of trust as defined by the many respondents can be effectively applied. Sam states it clearly later on: “Trust is not blind”. He also believes that it is a complex concept and involves a degree of faith in that one has to believe, in spite of not always having complete information.

Sam further states that it was important that investors should have fundamental knowledge of the market and investments because otherwise “you will have your head handed to you on a plate”. His view is that the investor with less knowledge and sophistication is treated differently than investors with more money to invest and with more knowledge. The unsophisticated investor is assigned to an advisor who is sitting in a ‘bull pen’ and “always get their heads handed to them on a plate”.

In terms of building trust, Sam links trust to enforcement, compliance and penalties. “What you need are people with spines who know what good values are and then judge against those values”. This perspective is associated with the concept of market integrity, something which others have referred to. Market integrity is raised by many respondents who also link this to transparency and confidence. One of the concepts behind transparency is the willingness to share information as broadly as possible, to make evident the firm’s business processes and to make public any transgressions and disciplinary procedures.

Andrew

Andrew is the department manager at a local college. Previous to this position, Andrew was the Vice President Human Resources for a major Canadian corporation. When that company restructured and Andrew’s position was eliminated, he began to search for a new position which would provide greater meaning to his work life. He viewed this next position as his last before early retirement and, as such, wanted to ensure that he could make a major societal contribution and bring meaning to his life. Andrew is a conservative investor and has used a financial planner who provides him with investment advice, as well as an investment advisor. He uses both individuals in order to ‘balance off the advice’. He pays his financial advisor for his time and therefore believes that he is received ‘fair, unbiased, and neutral advice. In other words, the conflict of interest issue which is predominant in brokerage firms, doesn’t exist in a fee-based structure

When asked about his reaction to the word trust, he refers to a “cascading series of reflections”. First, he sees it as a value system. Secondly, trust facilitates personal interactions. He also sees it as a way of determining team strength. Andrew links trust to integrity which he defines as personal accountability in which a person will do what they said they were going to do. He also relates trust to risk-taking in that if one is venturing into an area of higher risk, then the level of trust is more critical and there cannot be an element of second-guessing. Andrew is very reflective about trust, its dimensions and degrees and how one uses it and needs it throughout different aspects of life. As a human resource professional, he has a great deal of exposure to trust in the context of work relationships both on a one-on-one basis and in groups.

In an indirect manner, Andrew is also echoing what the regulators and insiders say regarding the importance of transparency to trust. In his environment, the transparency he deals with is on the level of his work team and the employees he manages. He builds trust by personal contact, by revealing his values, what his goals are and a managerial style that is values driven. He also emphasizes the importance of truth-telling; that he is not interested in being told what his employees believed he wanted to hear. By espousing this leadership value system, Andrew is making the process more open to everybody, thereby allowing them to test him and to publicly see the results.

When we speak about trust and the securities industry, Andrew emphasizes the importance of neutrality and the necessity to minimize conflicts of interest. In discussing the motivation for the recommendations made by advisors, Andrew is clear that he believes that impartiality would be difficult for advisors if they have a financial interest in your decision. This may hearken back to the importance he places on transparency. In the investment advisor relationship, it is not always made explicit what the advisor stands to gain, financially, from the advice he/she is providing. Without that disclosure, it is difficult for the investor to assess the quality of the advice. As he states “money erodes ethics in any environment”.

Later on in the conversation, Andrew talks about trust and his banking relationship. He doesn’t consider trust as relevant to this relationship. When I comment that he doesn’t trust them to put his interests first, he replies “Why would they? The only people who do that are charitable organizations and social workers. This is a bank. It’s about making money”. This view drives his actions and decisions regarding his investments and the nature of the trust he places in those he relies on for advice and guidance.

Vera

Vera is an independent consultant who has been self-employed for a number of years. She has a modest portfolio and uses an investment advisor through a bank/brokerage firm. Vera is a cautious and astute investor who tries to stay current with investment issues which may affect the performance of her portfolio.

When I ask Vera what comes to mind when she hears the word trust, she talks about integrity. She expands this to say that she looks for full integrity; that what people are telling her is true and she doesn't have to verify the information. I don't feel I have to go in there and try and figure out…am I going to be taken, you know, fooled". She goes on to state that trust is when "you really believe, like it's honest, it doesn't leave me with any doubts. Like trust is sacred. There are no hidden agendas".

It is very important for Vera to believe that there is an element of safety in her trust relationships. While she states that she doesn't enter a relationship with full trust, she would go in at 7 on a scale of 10. She thinks it's wrong to assume trust is there all the time because "it's human nature, the way the world is". Since her investments are "all I have", she assumes there is safety, but tries to figure things out by talking to others, interviewing the advisor, ask friends for advice and recommendations.

Vera's views of trust echo Andrew's comments about the importance of integrity, transparency and the elimination of conflicts of interest. They both emphasize the importance of the advisor having their interests as the prime focus and express concern if the advisor has goals other than doing what is best for his/her client. Vera comments:" …the word is really important. If you say you're gonna do it I trust you to do it". This is also something that is stated by insiders and regulators: the high level of importance that people place on individuals following through with commitments and stated intentions.

Lydia

Lydia is a real estate agent who has a modest investment portfolio. She has good knowledge of the investment business and was married to a broker, therefore providing her with a unique perspective and some knowledge of the way in which insiders view the business.

When asked what trust meant to her, her first response is relationships which are established on trust. The "value of your word, how you deal with the questions that comprise the relationship". Lydia goes into new relationships, business and personal, assuming there is goodwill, good intentions and a fundamental level of trust. She is always alert to the signs that trust isn't there and has learned how to adapt to changing trust circumstances. She provides an example of working with a client who second-guessed her and didn't have trust in Lydia's ability to sell her house. Lydia finally recommended that she find another agent. In this case, Lydia did not feel that the requisite trust was present and rather than remain in that circumstance, chose to terminate the relationship.

In her financial dealings with her investment advisor, Lydia mitigates the need for high levels of trust by adopting a zero risk investment strategy. She “doesn’t trust the market” which she equates with gambling and with increasing levels of complexity. This leads her to a conservative strategy and to dealing with an investment firm that has a long history in Canada and is known for its conservative philosophy. In her words, “they rub two pennies together and have been around since 1865”. She also values the transparency that accompanies open and honest discussion about her investments, especially when they have not performed to expectations. As she stated about her previous advisor, “…this young guy called me up and said, buy this. I need to put braces on my kid’s teeth”. This is the conflict of interest that has often been referred to by those I interviewed and is a large part of the reason why there is some cynicism about the industry.

Maureen

Maureen is a partner in a major Canadian consulting firm. She is very knowledgeable about her investments and about the investment options which are open to her. She has a mid-size portfolio and an independent financial advisor who analyzes and researches investment options and coordinates her investments. She prefers this fee-for-service arrangement as it provides her with a hedge against any conflict of interest which might arise if the advisor is paid on a commission basis. As Maureen has stated, “he’s completely independent of all”.

When I ask Maureen what trust means to her, she talks about the idea of relationship and support. She also makes a clear distinction between trust in a personal relationship versus an organizational relationship. In an institutional relationship, you will be looking for longevity and the “history over a number of different people in their relations with a number of people”. In an individual relationship, it depends on your personal history; “what have we done with each other and have you hurt me in the past in any way”.

Maureen goes on to clarify that institutional trust can be built up either through repeated transactions with the institution over time or through the relationship you have with individuals there. Furthermore, trust can also be built on the basis of how the institution handles a trust breach. She doesn’t assume that an individual is the “sole carrier of the institution’s reputation”. So, an individual can breach trust but that doesn’t necessarily spill over to a violation of trust at the institutional level. Therefore, in Maureen’s view, it all depends on how the institution “then deals with it and their follow-up which will determine whether the organization is trustworthy in the future”. She later talks about regulators and the importance of prosecuting individuals when violations have occurred. Therefore, at all institutional levels, Maureen places great importance on accountability demonstrated through real consequences for breaches of trust.

Jennifer

Jennifer is the Director of a department at a college. She is thinking of early retirement and therefore her investments are focused on their ability to provide her with a comfortable retirement. As a consequence, Jennifer has a very low risk profile and is extremely cautious with her money. She has a modest investment portfolio and is very familiar with investments and investing strategy. She works with an investment advisor at a full service investment firm.

When asked about what trust means to her, Jennifer replies that “it’s a concept where you feel very comfortable with someone and you have confidence in them that they aren’t there to hurt you”. She does not make a distinction between personal or institutional trust but believes that personal trust is a much more intimate relationship. When choosing an investment advisor Jennifer will look to the person’s reputation, as she would in any business relationship. Reputation seems to be a key component stated by many respondents in both the organizational and in the business environment. A number of insiders refer to reputational risk as a key business risk which needed to be managed.

One of the assumptions Jennifer makes, as do other outsiders, is that they use investment advisors due to their level of expertise in the area. The outsiders turn to these advisors because “this is not my area and I don’t want to do it”. Others state that the advisor is looking at the market and analyzing a variety of investments on a full time basis, thereby accumulating a wealth of knowledge which they couldn’t hope to have. For this reason, they are willing to cede a certain level of trust and control over to the experts.

Jennifer is very incensed by an encounter with her advisor in which he appeared to be unprepared and made some fundamental errors. Her reaction to this error was “I think you have misconstrued my indifference for stupidity. I trusted you in the past, I didn’t feel the need to keep on top of it but now I realize I have to. The trust, as far as I’m concerned, is broken. It’ll never come back”. This is a critical issue in the relationship with investment advisors. Most people have a good percentage of their money invested in securities, either on their own or through company pension funds. As a result, there is a certain level of vulnerability outsiders feel regarding the safety of their investments. When an advisor does anything which causes the client to question his trustworthiness, the outcome can be very damaging and is often irreversible, as it was in Jennifer’s case.

This is the reputational risk that has been referred to by all in this study, but is of special concern to insiders. In this business, the product which these organizations are selling is intangible and only measurable in hindsight. One of the only means by which outsiders can judge the organizations and the investment advisors is by reputation and past performance. However, much of the performance is out of the control of the advisor in that he/she is affected by extraneous market forces. There are measures one can look at to try to predict the performance of a firm, a stock or a fund. Ultimately, though, reputation and trustworthiness is what drives many outsiders to choose one institution or advisor over another. If reputation and consequently trustworthiness are compromised, it is very difficult to recover from.

DATA ANALYSIS

Analysis by Research Question

In this chapter, I will present the analysis of the data collected by research question. Each research question is analyzed across all respondent groups and individuals. It should be noted that there are many occasions when the respondent chose to move away from the question being posed and into an area in which they felt more comfortable. The struggle to demarcate the personal and professional is evident in this research as individuals attempted to define trust within a business context but found the personal evident through the discussion of trust breaches. Furthermore, there were specific points that the respondent wanted to make and used this research as a means of doing that. What follows is the data analysis by respondent group and by individual.

Research Question 1. How do individuals conceive of and define trust? What are the different criteria that people use to evaluate the presence and degree of trust?

The interview process began with a discussion of what trust meant to the individual. The actual question I ask is: “When I say the word trust, what does it conjure up in your mind?” I left the question open-ended and undefined as I was interested in learning what their initial response is to hearing the word trust. The responses are wide-ranging and there is not a consensus around a definition. Trust means many different things to people. Much of what determines trust is the context in which you are asking the question. Trust is influenced by a variety of factors and the nature of the research has an impact on the type of responses I hear. This research is conducted in the domain of the securities sector and as a result, the participants anticipate and try to respond to what they assume I was interested in hearing, and in many cases, they are not entirely wrong in this assumption. I am interested in how they view trust given their interaction and participation in the securities industry. I am also interested in knowing whether trust means something different to them because they are thinking about it in an institutional versus a personal context. Or are they? This is a key question.

It is natural for us to attempt to categorize what we hear in order to create a sense of order and to bring a predictive quality to the research. Yet, research such as this is not focused on prediction but on gaining a deeper understanding of a construct such as trust. In the case of this research, there is little homogeneity and, as a result, few theme categories. The words that people use are unique to them and to their experience. Many bring life experiences to the discussion and thus talk about trust from a relational perspective. In the case of outsiders, they impart a great deal of responsibility and obligation to the insiders and regulators, relying on them to protect their investments and act in the client's best interest. Insiders tend to stay close to the business context and therefore trust was another business variable one could work with to gain competitive advantage. Regulators bring their own context to bear and relate to trust as a compliance and enforcement issue. The challenge becomes the sense-making involved in working with a complex construct such as trust. If trust means such different things to people, how do we work with it, build it, restore it when it's breached and still understand it? This speaks to the folly of many who try to package the 'trust solution'. How can you package that which is often indefinable?

There is one point, however, on which they can all agree- trust is a default position. People assume that trust exists and is present. One enters a relationship, whether business or personal, from a standpoint that assumes that there is a certain degree of trust at the outset. This is fundamental. Much of life could not be effectively negotiated without a certain level of trust. What is debatable is the degree of trust that individuals believe is required and the nature of that trust. One person says that "trust is a truism. The industry wouldn't exist without it". Certainly, the securities industry could not function without trust. Much of the decision-making in this industry is about intangibles and a great deal of judgement is involved. Trust is critical because the outcomes are unknown and all players must trust in the decision-making abilities of the individual or firm whose advice they are relying on. As one insider states,

> "There were individual instances where Mrs. Jones, who might have been a balanced investor, had some BreX in her account and it wasn't suitable, but it doesn't mean we were doing her a disservice by recommending it. It's not like they were paying us money to write the report. It wasn't a conflict. It was bad judgement and bad judgement is a fact of life".

Therein lays the inherent risk in the industry and the vulnerability of investors with limited knowledge. Insiders recognize and accept this risk and are able to rationalize their errors in judgement. Outsiders have a much higher bar and poor judgement which results in financial loss is, in their view, a cause for loss of trust.

One key issue is whether a business and its clients agree on what constitutes trust in their context and how one measures whether it is being achieved. Businesses often see trust as a competitive issue and clients (outsiders) see trust as a fiduciary issue in that they entrust professionals to protect their interests. How do we reconcile what appears to be competing interests? The depth of emotion that outsiders have invested in trust is illustrated by the following comments: "It's an emotional bond"; "Relationships and the value of your word"; "A feeling of comfort, they won't hurt you"; "Support"; "When you really believe. There are no doubts". The language is powerful and suggests an expectation of a depth of commitment by outsiders which may not be matched by the institutional actor (insider). While the insider views trust as good business and as an essential element to ensuring an effective client relationship, the outsider is placing a great deal more emphasis on the care-taking part of the relationship. In fact, the outsider may more readily label an action as a trust breach than the insider due to the high expectations the outsider has of the relationship.

Regulators have mixed views about what constitutes trust. They agree that a culture of compliance is a good indicator of trust in the market and of their ability to trust market players. The assumption is that the culture of compliance and trust would minimize bad behaviour by insiders through self-regulation. One regulator believes that

> "The brokerage industry is too large and too complex for us to be able to regulate as an all powerful, all seeing, all pervasive regulator. The best that we can do is to establish the ground rules and require firms to self police through their own compliance efforts".

The assumption is that the rules imposed by firms in the industry and a culture of compliance practiced by these firms would be sufficient to mitigate damage inflicted on investors through transgressions by insiders. One would have to wonder whether outsiders feel reassured by this regulator's stance. Furthermore, continued industry breaches seems to suggest that self-regulation is not entirely effective. Another also believes that regulators need to participate in building a culture of compliance which would enhance trust, but he also said: ”So it becomes building that culture as opposed to creating more rules because the ones who are intent upon breaking them will find a way around the rules”. Further, he says:” Oh yeah, because we, we have to be able to rely when they tell us, this is what we have been doing and so on. Like we don’t go out and check everything that they have done”. Regulators recognize more than others that trust is integral to their business; that the sheer volume of transactions makes it impossible for them to check on everything. There is also a certain resignation and inevitability about market transgressions by regulators and insiders. This is not a view shared by outsiders who look to the regulators to ensure that these transgressions are not able to occur because the consequences to individual investors are high.

Insiders look at trust from a client relationship and institutional reputation point of view. Trust is an outcome of business strategies which focus on building the organization’s reputation in the market, achieving high performance metrics, and good client relationships. One senior executive states that he

> “sees the trust relationship which exists between client and advisor as “far more intense and far more specific and far more personal and far more important really in the grand scheme of things”.

Another says: “It’s a huge word of mouth situation and personal”. When I ask one executive what establishes the trust level at his institution, he replies: “I don’t honestly know the answer to that”. It is evident that while trust is necessary and critical to the smooth functioning of relationships, the criteria for establishing and ensuring trust is elusive and, to some, unknowable.

For many, it is the uniqueness of the client/advisor relationship that is instrumental in building trust in this context. Yet, the power and knowledge differential is often skewed in that the advisor possesses specialized knowledge which the client does not have. The client places a lot of faith in the skill, knowledge and integrity of the advisor in an unequal and unbalanced power relationship. One executive becomes angry when I include bank/brokerage firms in my domain of study of institutions of authority. In his view, the brokerage and banking industry have nothing to do with authority. The business is based on a market-based business model and authority or power do not factor into the matter. He is offended that I should include his business in my authority framework, despite the fact that many customers view the banks as having power over them. Brokerage firms and banks operate in an oligopolistic market in which customers have choices, but from a similar menu. Customers can “go down the street” as he says, but the product is not very different and the fundamental rules are the same. The securities industry has hold of a market in which their insider knowledge and status grants them great advantage over the average investor. They have access to vast stores of information which are not easily available to the public. The banks have the power to determine your financial viability and options by retaining the power to grant you credit and allow you to carry out financial transactions. They set rates and fees that don't vary much between institutions with the consumer having virtually no choice in the matter. Their decisions are final and binding. As one outsider notes, the organizations offer "the veneer of trust" and at times don't know or fail to acknowledge the ways in which they are regarded by outsiders.

The people I interview are talking about trust in what they consider to be a clear context: the securities sector. If one looks at the literature on trust, the findings are similar in that scholars cannot find a single definition of trust nor can they limit the conceptual range of the construct. This becomes even more apparent when one looks at the literature from a cross-disciplinary perspective or from a levels perspective. Psychologists tend to focus on trust as it relates to individuals and families, sometimes extending to group interaction. Trust is often discussed in terms of measurement and experiments, with a goal of trying to determine the criteria for trust or a means to predict trust. This represents the micro level perspective. Social scientists and management scholars look at trust from a larger perspective, often the group or the organization. They are interested in building trust or manipulating the group dynamic in order to build or increase trust with the goal of improving team/group effectiveness. Management scholars also look at the competitive advantage of trust and share this focus with economists. This is a meso level perspective. Philosophers analyze trust from an ontological perspective and try to frame trust from a position of meaning and sense-making. They ask the ‘big’ questions such as the purpose of trust and its necessity. Political theorists look at trust and its impact on social capital and civil society. The one thread running through the literature is that nobody can lay claim to the truth on trust. This is the classic conundrum of relativism and the ‘it depends’ response. Trust is influenced by so many factors, known and unknown, that it is very difficult for people to articulate what they think about it and even more difficult, and foolhardy, for anybody to attempt to pin it down. It’s as slippery as an eel and as undefined as the blob.

Many people grapple with trying to define the line between institutional and personal trust. In fact, there is no agreement regarding whether such a line exists, or should exist. To some, institutional trust is clearly distinct from personal trust. This view is usually held by insiders. Insiders see trust as an outcome of branding and what one person calls ‘spin’. His comment is “… I think the organization builds trust in its own way by…its marketing spin and the scuttlebutt on the street”. Trust is less a value than a business input which you can manipulate and manage. If you manage it well, then trust contributes a positive outcome. Others talk about the “quality of the brand” and brand recognition, acknowledging that it is more superficial and generic. The assumption is that trust is a business variable that management can work with and control. An insider describes it in this way:

> "It's not totally black and white. And when it's played out, it's always played out on a political stage by the media. And the firms, any firms, be it in the financial services, always try to work the media as well. Advertising, product placement, what have you, to make it look like they're holier than thou. Right? It's a game. There's a bit of a game to it."

I searched the text for evidence regarding whether outsiders share the view that trust is just good business. Outsiders do not share the view that trust was about branding and maintenance of reputation. Trust is much more fundamental and personal and linked to values of personal and professional integrity.

An interesting finding in this study is the reaction of respondents to my questions. For example, the angry reaction of the executive to my inclusion of banks/brokerages within the framework of institutions of authority leads one to wonder why he feels so defensive. Another executive, the CEO of a regulatory agency, sent me a strongly worded memo that rejected my thesis that there were trust concerns in his sector. He wonders

> "After the many scandals emanating (mainly in U.S. Bond industry) throughout the 1980's, how do you account for the massive rise of the retail investor (totally unprecedented) in the 1990s…. I guess at first glance, one obvious answer is an increase in "trust" (or greed)…"

Others control the conversation so that they can ‘get out the spin’. They have an agenda and a message and will not allow my questions to interfere with that agenda. When outsiders have a chance to expand on their thoughts, they often tell stories of having had negative experiences with individuals who violated their trust and the major impact this had on them as a result. Most of those stories involve a breach of the duty of care that they felt that the professionals owe them regarding their investments. Once this occurs, most are unable to have faith and trust in their advisor’s advice, fearing that one violation may readily lead to another. They will not place themselves in a position of such vulnerability again.

People have a difficult time defining the criteria they use to know whether trust is present and to what degree. There is a certain element of ‘knowingness’ about the construct; you can’t describe or define it but you know when it’s present or it isn’t. They either talk about trust in very personal terms with value-laden language or they are dispassionate and business-like. In either case, they are unable to identify trust by degree but can only identify it by its presence or absence. Trust is something people assume is present but they don’t tend to think about the quality of the trust, its intensity (or lack of), nor do they consider its inherent qualities. Trust is a given and people assume that we all mean the same thing when we use the word. Upon closer examination and discussion, it is clear that the inherent assumptions which we all use are often at odds with the other person.

Research Question 2. How do individuals know when trust exists and how do they determine when it has been breached?

My interviews begin with the question of definition and clarification of what trust means to people. This second question is a follow-up to that discussion. I discovered that the “how do you know” question was even harder for people to articulate than the question of definition. These are issues that people do not think about; they are articles of faith that people simply accept to be true until and unless somebody gives them reason to think otherwise. Trust is so basic and fundamental to the lives of most people that they rarely contemplate its presence or its dimensions. Individuals cannot explain why they think as they do nor can they easily reflect on the question of why they hold this view.

For many of the respondents, there is not much to reflect on. Since trust is their default position and it is assumed to always be present, then there is little to think about or to question. Its presence is known, until circumstances cause it to be absent. In fact, one respondent believes that if trust is breached then there is no sense in talking about breach of trust because we are more accurately dealing with an absence of trust. His view is that if the person whose trust had been breached is compensated, then there is no need for a reference to trust. In many ways, he is equating these events to a business transaction which would not require trust because the concept of contract would allow for remedial, legal action in a case of breach of trust.

When I press some of the respondents to reflect on what processes they use to determine the presence of trust, they either struggle with the question without answering it or they begin a discussion about a business issue which is unrelated to the question. I try to use proxy terms, statements and questions that flow from the respondent's conversation in order to encourage reflection on the 'how do you know' question. For example, I ask about actions and behaviours that would cause people to say that the organization or the person was trustworthy. While trustworthiness can be seen as a different construct, many respondents use the term interchangeably with trust. Individuals tend to blend concepts and allow one definition to bleed into another without clarifying what differentiates one term from another. There is a great deal of fuzziness about the concept but it is important in work such as this, to stay close to the words and concepts of the respondents.

The question of trust breaches is much easier for individuals to discuss than trust itself. It is very clear to them when trust is breached and the limits they place on the relationship or interaction that results from the breach. In fact, it isn't that different from what one feels when one thinks about trusting a person. Much of this works at the 'gut' level; a clarity of view and 'knowingness' that doesn't require much analysis or thought. It is similar to trust; people know what it is and when it's present but can't define it clearly. The critical difference is that people can point to a specific event or situation that led to a trust breach. Most respondents provided examples of trust breaches and they were often consistent with one another.

Trust breaches are very personal, even in the business context. Some of this is due to the way in which individuals come to trust others. People trust with their hearts, not with their heads. It is in the place of the personal that a value such as trust occurs and when this is violated, it leaves the realm of business and enters the realm of the personal. When a breach occurs in a business context, the breach occurs to a person, by a person. It is the individual and personal context of the breach which creates the feeling of betrayal; often the word used to describe the feeling associated with a breach. As an outsider states,

> "I would have a personal response to that apart from the administrative managerial response. So personally I guess on a trust level, I take it personally first as opposed to organizationally and intellectually". He continued, "and if you break that value in that relationship ... but it's always tied to a relationship, you know, it's not a matter do I trust myself, it's do I trust another person, do I trust a system".

When these respondents have a chance to expand on their thoughts, they often tell stories of having negative experiences with individuals who violate their trust and the major impact this has on them as a result. Most of those stories involve a violation of the duty of care that they feel that the professionals owe them regarding their investments. These situations are emotional for outsiders because of the deep association individuals have with money and their personal security. When a person hands over the care of their money to another individual, part of what they are entrusting is their sense of safety and well-being and it is a deep betrayal if an insider is seen to be ignoring that for personal gain or due to inattention or carelessness. The outsider begins to feel that they do not matter.

Outsiders articulate examples of trust breaches which, in many cases, incorporate intangibles which are not usually identified by insiders. For example, one respondent tells a story about a meeting with her investment advisor that does not go as planned.

> “No. He didn't explain it, he ... and then he said, oh my god, I gotta go back and recalculate this, I'll email it to you tonight. And I said, well make sure you have my email address so I made him write it down and I left. Of course I got nothing from him, nothing, and I've been stewing about it. Now that's a breach of trust. I got stewing about it. So apparently ... I came home and a day later I wrote to my guy, the one I'm supposed to meet and I laid out for him that I would never talk to this guy again and that I was very disturbed and I thought it was a breach of trust, I thought the whole thing had gone off the rails and that he had mis ... he had misconstrued my indifference for stupidity”.

This scenario occurred when the advisor and his assistant neglected to tell the respondent of incorrect calculations of her future investment needs and requirements along with the senior advisor allowing a junior to meet with this respondent without informing her. This series of events caused this woman to wonder what else they had miscalculated and resulted in a loss of trust and credibility by the respondent.

Insiders articulate specific actions and behaviours which constitute a breach of trust in their context. For example, one insider cites two examples of clear breaches.

> “Right. So, if you are a balanced investor and we’ve determined that in our gaining knowledge of you through the know-your-client process and its determined that for one reason or another your account is filled with speculative gold mining shares and you weren’t aware of the risk that was involved or coded for that or signed off, we’ve got an issue. Similarly, if we were buying and selling on your behalf without consulting you verbally, it doesn’t have to be written each time, as long as it fits, then there’s an issue”.

Insiders are very cognizant of the importance of trust to their business success and to their credibility. They recognize that what can take many years to build can be quickly destroyed by a false step or by any questioning of their integrity. There is a clear distinction among insiders between a breach of personal trust and a breach of institutional trust. Personal trust is viewed as both more durable but also more fragile. In other words, a strong trust relationship between client and investment advisor is believed to be able to withstand an attack on integrity or credibility of the institution. However, at the same time, a breach of trust which is perceived as personal and representative of a betrayal is often seen as irreparable by the outsider, despite the reputation of the institution. For example, as one outsider states," I said, all I ... I had trusted you in the past, I didn't feel the need to keep on top of it but now I realize I have to. So I said, I will never meet with that guy again and the trust as far as I'm concerned is broken". Another circumstance in which trust is not redeemable is in the case of a systemic breach which could involve parts of the industry or the greater system failing to act on clear violations of rules and regulations. One regulator provides the following example:

> "I think seeing things like, and this is near and dear to my heart, BreX go unpunished. And here you have to believe in further than the regulators; you have to ask yourself what kind of a justice system do we have. So you have to ask yourself, what's going on. And I think if that doesn't define a kind of breakdown of trust, how can anyone in the public trust the system if every part of the system broke down".

While everybody agrees that they know when trust is breached and can readily identify the breach, there isn’t consensus among outsiders regarding which action or behaviour constitutes a breach of trust. One outsider, who is a very senior executive with a substantial portfolio, wonders whether one can even talk in terms of trust or loss of trust in a situation where there is a breach but there is also financial compensation. As he states,

> “And typically if trust is breached, someone gets hurt. So as you’re talking about caveat emptor from a business perspective, if there is a high degree of trust, somebody will be very hurt if something happens. The question that I would put forward is - if nobody has been seriously hurt…then people have been compensated. So how can it be trust? There’s an absence of trust”.

Most outsiders, however, do not share this perspective. One states that in her view, a trust breach will occur if “Somebody doing something that's not in your best interests”. Another states that she differentiates between an underperforming market and breach of trust if the advisor gained more than the client. “… breach of trust is if you had some personal gains which is bigger”. They don’t share the perspective of a financially sophisticated outsider who believes that the philosophy of caveat emptor from a business perspective is appropriate in this context; that if you rely on a high degree of trust, you will inevitably get hurt. For most outsiders, their belief is that while prudence is sensible, it is reasonable to place their trust in the players and structures of the industry.

Surprisingly, most respondents comment that breaches are not always irreparable; that there is always room for forgiveness and reconciliation. In most cases, what is critical is the way in which the institution or individual chose to handle the transgression. If it was handled in an upfront, honest, and direct manner with transparency, disclosure and admission of fault and responsibility along with a clear plan of corrective action, then respondents are usually willing to offer a second chance. As this insider comments,

> "Usually people give you the benefit of at least a few opportunities institutionally. And interestingly enough, I found that personally, as long as you personally don't breach trust, the institutional trust doesn't breach the personal trust".

This is in keeping with the comments by other respondents, especially outsiders, who place emphasis on the importance of the personal relationship. If, however, the individual or organization engages in a scenario of blaming the client or others, evading responsibility or 'spinning' the scenario, then respondents were quick to react in a strong and unambiguous fashion. This will result in trust permanently lost.

In the eyes of many insiders, the securities business is a risk-based business and investors are required to understand and accept the risk inherent in participating in the market. In fact, one insider went so far as to state that he doesn't feel any fiduciary responsibility to his clients.

> "Fiduciary duty turns on a couple of concepts and I would say that your client has a sophisticated knowledge of the fund, you don't have a fiduciary duty, you have a duty to give him good advice, but you don't have a duty to protect".

Insiders are often resigned to the fact that breaches have, and will continue, to occur. A vice-chairman states:

> "At the end of the day, you can supervise that person but you can't look over their shoulder 24 hours a day. You can't sit in their office during their working day and watch everything that they do. And greed is a funny thing and it's greed. And greed is an emotion that once it clicks in, it is very difficult to overturn it".

Regulators have a range of perspectives regarding what constitutes a trust breach in their context and whether breaches are something one must be resigned to or whether they are preventable. What I find most surprising is how often the regulator's views align with the insider's view. Some of this may be due to the shared backgrounds of regulators and insiders. There is a reciprocal relationship between regulators and those being regulated. Often regulators are drawn from the ranks of insiders within the industry or from supporting professions. For example, the CEO of the key provincial regulator was a prominent securities lawyer who had represented many of the insider firms. Relationships with these firms had already been established over a long period of time when this individual assumed this position. He has since returned to his legal practice and represents many insider firms. Regulators also believe that a relationship of trust and cooperation is essential in this industry since limited resources precludes their ability to monitor all activity. As this CEO states:

> "And so for a regulator to ever have those financial resources to be able to keep up with that it would just be unrealistic and it wouldn't be cost effective to a marketplace, it would become a real drag on the marketplace to have to carry that cost. So it's in everybody's interest for us to get the right balance between reliance on the market and enough of an understanding to be able to make sure that reliance is justified".

Another regulator is very clear about her perspective on the way in which insiders view compliance. In her view, many insider firms view compliance as less of a values issue and more of a compliance and cost issue. She says:

> "The firms see compliance as overhead. And it's that same issue of when you want to make sure that the rules are enforced it leads to good service

> and it leads to trust which means clients want to stay. The firms don't evaluate ... they evaluate mostly by performance. And so they look at compliance as a legal risk issue which means no one is really looking at it as is this right or wrong? They're looking at it what will it cost me if I get caught".

These comments align with what has already been said by insiders. Trust is not always an appropriate concept in dealing with the securities/brokerage industry and there is limited capacity for prevention. It appears that regulators have rules in place but are under-resourced to effectively enforce them, leaving insiders, outsiders and regulators hoping that moral suasion is sufficient to ensure that market violations don't occur.

Research Question 3. Do individuals value trust? How important is it to their dealing with institutions. Has the level of trust individuals have in these institutions changed? If so, why? (Outsider Question)

In the course of these interviews, the first part of this question becomes very apparent and implied in the responses to the previous questions. In the discussions about definitions of trust, breaches and their impacts, people speak with intensity and conviction about the importance of trust in their lives. There is no question that trust is a deeply held value for people.

For those individuals who believe that trust is foundational to all interactions, business and personal, then the question of whether they value trust becomes redundant. They value trust because without it, any interaction would be difficult to engage in. It underpins all that they do. For others who have a more nuanced point of view, the question is too simplistic and one-dimensional. Some of these individuals draw a distinction between trust in institutions and trust in individuals, and also trust within the context of a personal relationship. In some cases, they differentiate between different types of trust and in varying degrees. Much depends on the circumstances in which trust is required and the degree of risk inherent in the activity or the demand for trust. For example, trusting somebody to baby sit your children requires a different type and level of trust, trusting that your friend will follow through with a personal commitment to safeguard your children. One common view that most respondents share is that trust is about doing what you say you are going to do and the certainty that your actions will not harm them. This is like a 'golden rule of trust' that is a common theme in the conversations with respondents. Therefore, whether trust is foundational or nuanced, the importance of commitment and a do no harm philosophy is paramount.

Do individuals believe that trust is important in dealing with institutions? Originally, this series of questions was directed at outsiders but the conversation ultimately drifted to this with all interview groups. People are interested in talking about how trust impacts their work and how important trust is in their ability to do their job well. Both insiders and regulators understand the limitations inherent in their work and realize that creating a good climate of trust can significantly enhance their ability to do their work well. Most individuals either talk directly about trust as a universal concept that is integral to the smooth functioning of all relationships and interactions. The presence of trust can render transactions both more efficient and effective. Trust eases the stresses of life through its presence by negating our need to build checks and elaborate surveillance systems in order to reassure ourselves that all is well.

The issue for this study is more particular to trust in the securities sector. In this case, there is some ambivalence regarding the degree of importance one would ascribe to trust in this sector. There is no agreement regarding the nature of that trust and the reciprocal obligations parties have to one another. In one case, a regulator, when asked about whether it was important that member firms trust his organization, replies that it is less important that they trust him and more important that they believe that he was fair.

> "I'm not sure that they have to trust us. I'm not even sure if it's all that relevant if they trust us or not, but it is certainly important that they think that we're acting fairly and not in a high-handed, draconian way. So, that says we have to have a fair process that produces a fair result. And people aren't going to agree on the result, but at least they can say they had fair hearing".

The above statement relates to the concept of transparency of process which is referenced by a number of respondents. This comment represents a commonly held view that greater transparency enhances the trust-building process.

> "I don't think you can trust an organization unless you understand what motivates the organization and the only way you can do that is to have some transparency to know who's driving what and why, so what is the main focus".

Another regulator stated, "And more focus, I think, within companies on what their practices actually are. Because once you have to start disclosing them against an articulated or quantified set of standards, it gives you pause". In other words, greater transparency of process and increased public access creates a higher level of accountability against these standards.   The vice-chairman of a brokerage firm stated this:

> "…it's about being able to show respect about people, being transparent. I mean not hesitate to admit that you've made a mistake or that listen guys, this is the reason why we're doing this. No secret agenda. That's why we're going with this. Whether it is a business decision in terms of cost, in terms of how we want to go about things, always being straightforward. And that transparency makes it that people have trust, you know, in you and that's basically what we are trying to earn from our client".

A senior compliance executive with a brokerage firm, in discussing his firm's willingness to publish a quarterly review on their performance, believes it is beneficial because "… a good way to build trust because it creates some transparency to trust".

It is interesting to listen to the diversity of views expressed by outsiders. Many recognize that in many ways there are significant changes that need to be made and that they, as clients, are demanding more information. One outsider believes that more information is beneficial to clients; "…think transparency is the answer and I think being transparent about their fees and why they invest and how they invest". Others, however, are quite critical of the situation and the need for changes to increase transparency of the process. In one case, one insider challenges the very concept of transparency and states that if one has to raise the issue, then that is an indicator of the depth of the problem. In her opinion, transparency should be a minimum standard and that to speak of creating a transparent process causes her to wonder why there is a deficient process to begin with.

> "I think when you start ... when you start using those words that means that their meaning is essentially gone. I think if you have to talk about transparency you ... you probably ...When you have to start naming things like ...the Bureau of Transparency, the Bureau of ... and the Harris government had a lot of them that we're still using ... Public Integrity.

> Then to my mind, that is a sign that these things, these values, these expectations, have vanished".

Finally, there is the view that agrees that there is more transparency in the process but questions whether that has hindered rather than helped the trust people have in institutions.   As a regulator comments,

> "I think in fact we have more transparency but I'm not so sure that's created more confidence or trust because I think it's just made it more confusing. Well it's about too much information. People are receiving too much information and don't have time or skills to evaluate that information and therefore have more doubts and lack of confidence about decision-making because they don't know what to do with all that information. Overload".

An insider's commentary on the purpose of the shift to greater transparency and disclosure is: "In case we're on the bullshit we're shoveling you here, here's why we're covered off". It may be that the industry is in technical compliance with the regulations that require disclosure and transparency, but the information is not meeting its goal of informing and reassuring the public.   Therefore, adherence to the letter, but not the spirit, of the law.

It appears, therefore, that while individuals value trust and hold it dear in all aspects of their lives, there is some divergence of views held by regulators and insiders versus those held by outsiders. Insiders and regulators acknowledge the importance of a process which is transparent as a means to build credibility and integrity. Yet, the very segment of the population with whom they are trying to build credibility often doubts the sincerity of the efforts. There is a certain degree of cynicism which exists as a result of the many scandals that have occurred in the corporate and securities sector. Some outsiders wonder if there is too close a relationship between the industry and the regulators. The Globe and Mail, in January 2004, published an article about new rules for the mutual fund industry which were described as 'watered-down. There is some speculation that this represents a 'sign of the power of the mutual fund industry and its increasing sway with regulators'. (Globe and Mail, June 22, 2004, page B9). One regulator is keenly aware of the public's perception of the industry. The public believes "It's an insider's game. And some people have a special advantage and take advantage". Yet, he also notes that the public continues to invest despite these perceptions. I was surprised to find that the most sophisticated investor in my study, who has a very large portfolio and a firm understanding of the market, shares this view. He says: "So how can you have an OSC or a stock exchange which is made up of membered chairs that police themselves if they're not handing out stiff enough fines?" I then ask him: "And why do you think they're not doing that?" His reply is: "It comes out that you've got people who are in a club. And it needs to be shaken".

The last part of this question centres on whether individuals have seen changes over time in the degree to which they trust institutions. In some cases, individuals do not talk directly about changes in trust per se, but talk about general changes in values, morals and ethics which have occurred over time. In other cases, the issue evolves out of a discussion about changes in the polls over the last 40 years suggesting overall changing levels of public trust in many institutions. With that as a backdrop, there are many views of what this shift looks like and why it has occurred. Education is mentioned as a significant factor by a number of respondents, in terms of what is and is not taught in schools. Many feel there is a moral and ethical vacuum within the educational sector in which values education do not form a substantive part of the curriculum. There is no context provided to students about where morals and ethics fit into other subject areas and therefore it is either subsumed within other areas or it is ignored. This occurs while people are becoming more technically sophisticated and are able to access vast stores of information, but often without a framework or critical thinking ability. As one thoughtful respondent reflects on this,

> “I don't know, you know, it's just ... I think it's a social malaise. I think people are not being educated, I think a lot of it has to do with how people are educated and values. And things like television, you know, all these things ...that really undermine what we expect”.

Another shares the sentiment: “It starts with the way we are educated. The way we are reinforced as we go through life. The way we are excused on white collar crime”.

Others talk about change which has resulted in improved screening, hiring and training of employees in this sector. One regulator talks specifically about the new rule which requires CEOs and CFOs of publicly traded corporations to publicly certify the validity of financial results. He states that this has been a big shift for this level of executive in that they now are personally held accountable for the declaration of the firm’s performance. Of course, this would lead many to question under what circumstances had these organizations operated previously and in what way had the securities sector been party to a system whereby they made recommendations to clients on the basis of financial statements of performance which were not certified at this level. As one CEO states publicly,

> “We used to think we had the best management information systems you could possibly have and the best controls you could possibly have but now that I have to certify, I can’t tell you how much better our systems are than they were before. The quality and timeliness of the information that I’m getting now is much better than it ever was before and I didn’t think there was room for improvement”.

On the other hand, some feel that things haven’t really changed that much; that the values were always in place but perhaps not reinforced nor adhered to. The values one respondent refers to can be seen as fundamental values to the securities industry. She says,

> "I always forget. There are things around being respectful, around being knowledgeable, around valuing the opinions of others. There is a whole kind of chunk around trustworthiness and integrity, which…. Language is kind of a tricky thing to people, because depending on the word it has colours to it. So within the brokerage industry, we tend to use integrity rather than necessarily being trustworthy. These were values which spoke to the notions of integrity, fairness, trustworthiness".

As she notes, this is the language of the Handbook of the Canadian Securities Institute, a program of study which all advisors, brokers, and dealers follow in order to obtain a license to trade securities. These are so-called 'motherhood' values which are very basic and with which few would debate or argue. Yet, most of these organizations have not operationalized these values nor incorporated them into norms of behaviour for employees. In most cases, senior executives are held accountable for some of these values, but it often filters down to lower levels in such subtle ways as to be difficult to notice and harder to measure. Yet, without operationalizing these value concepts, how does an organization ensure that it is imparting these values to all employees.

Skeptical outsiders wonder, however, that given that those in the industry must adhere to these values, how is it that there continues to be trust breaches by those who are obliged to follow these values. Proclamation of these values is a requirement for entry to the industry, but perhaps there has been more lip-service and pronouncement rather than understanding of the context of these values and the implications of violating them. Furthermore, it is noticeable that this respondent answered the question by saying that she always forgets what they are. One can speculate whether she forgets because it is so integral to her work and her ethic at work or whether she forgets because there is insufficient reinforcement within the organization of these values.

Most organizations have a values statement that employees must sign but other than that, I didn't observe nor was I made aware of an organizational process that kept these values top of mind for all employees. Often the process is an employee handbook, signage or speeches by senior executives. What seems to be lacking, however, is the incorporation of values into the strategic life of the organization represented by such things as incorporating the living out of values into employee performance and into measurement of organizational performance. In fact, most organizations don't do an adequate job of assessing or measuring how well employees are living out of these organizational values. This concern regarding the keeping of values alive and real for employees is brought to light every time there is a violation of the trust ethic in an organization linked to the industry. For outsiders, it is not the extremes that always cause concern; it is often the 'playing with the rules' or the walking the fine line between the spirit of the law and the legal language. A Report on Business headline reinforces this and points to an example of how investors become jittery and cynical about the way in which insiders self-regulate. The headline states “Shady Bond Trading Prompts Scolding From Bank of Canada”. The article focuses on the way in which bond dealers use their knowledge and access to manipulate the bond market. When investigated by their regulatory body, the conclusion is that there are insufficient grounds to justify further investigation. It is this grey area that concerns those who believe that the industry should be working to the spirit of the law. It does not instill confidence when outsiders perceive that the industry is not acting in the best interests of individual investors.

Research Question 4. How much do individuals trust the organizational sector in which they are employed? What criteria do they use to evaluate the level of trust accorded by outsiders to this organizational sector?
(Insider Question)

The vision behind this question is a discussion about the conflicts of interest inherent in the sector and the consequences of those conflicts to those trying to do their jobs, service their clients and meet their goals. There is an ongoing debate in the sector regarding the over-lapping relationships between business units and how best to serve and represent different groups of clients while trying to achieve goals specific to the business unit. As I conducted interviews, it became apparent that what I perceived as a concern was not shared by insiders. This is a case of what is not being said is more significant than what is being said. It is clear that the question and the issue that is being probed through this question does not hold any resonance for those interviewed. Insiders do not regard the other business units as potential areas of conflict. Only one insider brought up the issue by citing the case of Merrill Lynch US in which a heavy fine was imposed when it was discovered that they had written inaccurate, but favourable research reports on behalf of an investment banking client. This is regarded as a major breach of trust and resulted in a re-design of business unit relationships. In referring to this example, the insider removed his and other firms from the fray and stated the following:

> "We were virtually untouched in that scandal. It changed certain behaviours. Actually, the Canadian firms interestingly enough have not had very institutionally based scandals or problems".

In fact, a few months after this statement, this firm and a number of others, were cited by the Ontario Securities Commission for market timing offenses; offenses about which they had been warned numerous times to curtail.

One of the factors contributing to this unwillingness or inability to acknowledge current or potential conflicts is due to the belief that the "Chinese Wall" is effective in preventing such lapses. Many firms created these Chinese Walls in an attempt to insulate the different business units from one another. There was increased emphasis in these Walls in response to highly publicized breaches and conflicts of interest. They serve as an attempt to reassure outsiders that the sector is concerned with minimizing these occurrences. Chinese Walls are zones of non-communication which are designed to prevent conflicts of interest. There are a variety of structural measures in place in organizations to reinforce the Chinese Wall but the organization can never control the communication between those who are determined to share information. In fact, despite the existence of these Walls, there continue to be breaches and incidents of conflicts of interest. Chinese Walls are another example of individuals within the organization choosing to live to the spirit of the law, rather than the letter of the law, since it is not possible to control communication between individuals. As many executives state, "At the end of the day, you can supervise that person but you can't look over their shoulder 24 hours a day. You can't sit in their office during their working day and watch everything that they do". As the vice-chairman states, "Sure, I'm not going to tell you that there are, just the law of large numbers will tell me that there are some crooks out there that have slipped in. "A regulator comments, "There are so many employees that work within these institutions and you can't necessarily guarantee the moral character of every individual that works here". While many of these statements represent an objective reality of what people encounter in working in this sector, the issue of moral character is critical in this business. How does an organization control for moral character when individuals are able to re-frame their behaviour and breaches into an acceptable practice. One regulator who served as a crown attorney prosecuting white collar crime recounts the following:

> "Very few people that I prosecuted for white-collar crime ever believe that they did anything wrong. Because they haven't got a very good moral compass. Well, they explain it to themselves first. Usually it's, well, nobody really lost any money. Or, I always intended to pay it back. I never intended to take it. There's as many rationalizations as there are people. But inevitably what you find is they seem to convince themselves that they didn't do anything wrong. There are a few rare occasions, but most don't think they did anything wrong."

Another contributing factor in the unwillingness of some to acknowledge potential problems in the sector is the need for institutional actors to view themselves as different from their US counterparts; above the fray. In their unwillingness to accept the less than desirable elements in their sector, the sector has created the 'other'. We're not like them, they declare. They are more aggressive, their market and laws are different from ours so it couldn't happen here. It's win at all costs in the US, not so here. Yet, the Canadian sector has seen its own share of transgressions, malfeasance, and greed. The Canadian sector is not immune to the same occurrences as in the US sector yet institutional actors refuse to acknowledge this. Among some regulators there is an acknowledgement of the non-insularity of the market in Canada and the consequent spill-over of the negative impact of behaviour in the US market to the Canadian market. One regulator acknowledges that these issues are not put into "watertight compartments; it all spills over". There is also the sense that there is a cultural difference in the way in which white collar crime is viewed in the US versus Canada. In the view of one regulator, the U.S. views white collar crime as seriously as any other crime. In Canada, while things are slowly changing, there is less interest by law enforcement to prosecute white collar crime.

Finally, many in the sector blame the media for their aggressive pursuit of stories relating to these breaches. Regulators and insiders believe that the media sensationalizes their coverage of breaches, fraud and conflict of interest. In some cases, respondents believe that the media seeks out stories; that they have somebody planted at the courthouse full time simply to uncover small breaches, the ‘minutiae’ and turn them into major headlines. What is particularly interesting about this attitude is that the media covers what is apparent and in the public record. When I comment that it appears that the media does not manufacture these breaches and that, in fact, the breach is evident and public, the respondents claim that the media is targeting their sector for particular salaciousness. One insider talks about ‘the game’ played by the media and the sector, another calls it a “reality TV thing – this is voyeurism.” Another’s view is:

> “There is no such thing as let’s just settle that between the boys. I mean it’s important that these people are flushed out. However, in their desire to do this, I think that they’ve added confusion to some of these situations that took place by not putting them into the proper context.”

For these respondents, the media’s coverage of sector scandals and breaches only serves to hamper the trust that they are trying to build in the sector. In particular, they believe it erodes trust with the regulator. In fact, the regulator shares the context, and hence the views, of the insiders regarding the perceived enhanced scrutiny of their sector by the media. They are correct, however, in assuming that this coverage has a negative impact on outsiders. It contributes to a certain degree of cynicism, distrust and insecurity among outsiders.

Insiders do not have a clear view of what outsiders think of them. It is difficult to elicit an in-depth conversation about this and this may be partially due to their inability to see how this question holds any relevance for them. The industry measures success by the number of dollars invested in the market and if these are at a constant or increasing level, they assume that outsiders feel a sense of confidence and trust in the sector. This may be partially true in that dollars would leave the sector if outsiders perceived a high level of risk with this type of investment. On the other hand, investors have limited options for their investment dollars and often continue to invest, but with hesitation and insecurity. Some insiders acknowledge this hesitation:

> "Yes, with a lot of hesitation. It's like one toe in the water. No one's jumping in without doing that. So they're not sure. So they're coming back because they think they should, but they're not really totally sure".

Perhaps the attitude of outsiders is not perceived as an issue of great concern to many insiders. One insider who is skeptical about the relationship between market dollars and outsider's trust of the market is a senior compliance executive of a major bank/brokerage firm. In her view, dollars coming back into the market is merely a reflection of the cyclicality of the market. As she says:

> "So there's that core element to the market and I think probably that a lot of the money that came back in is not necessarily a sign of trust or

> investor confidence as much as okay, we've had three years of not just a down market but more of a sideways market which is nowhere and everybody gets bored with that”.

It is important to note, however, that this is not a typical view and I would attribute it to the straightforwardness and clear-headedness of this particular individual.

The risk to the sector, however, is that with a jittery and insecure public, the government and hence the regulator may feel the need to impose greater scrutiny and hence increased regulation on the sector. This has already happened in Canada and the US, with accompanying complaints of the burden and increased costs to brokerage firms and corporations who are now required to achieve a higher level of accountability regarding their declarations of financial performance. As one insider says in frustration:

> “…getting an erosion of trust, maybe not trust but, you’re getting an erosion of confidence by people in the industry and it’s the regulators who say, fuck, you’ve been circling the drain for three years. We’re trying to make out clients money and every way we turn we can’t do it because we’ve got to repaper all our accounts up, cause you think they’re a crook or I’m a crook.”

There is heightened pressure on government and regulators to loosen regulations in order to lessen the burden on the sector and on the corporations.

At this time, there is some movement in rolling-back and easing some of the regulations and requirements in order to address these concerns.

Most insiders talk philosophically and generally about the importance of trust to their business and about the way in which they think the public and their clients view them. Few, however, are aware of any study or survey done by their organization about outsider trust in their organization. They are operating in a vacuum and making many assumptions about the state of the client relationship, but cannot confirm the accuracy of their view. I do not get the sense that they feel that it is necessary or important for their organization to attempt to solicit this information from their clients. From a performance perspective, as long as they achieve their financial targets, there is limited incentive to pursue an examination of client attitudes regarding trust. Furthermore, if they do not receive calls from clients with questions or concerns, then the organization often assumes that no issue exists. Others believe that just by force of their organization's history and reputation, clients will approach their organization with an assumption of trust and an expectation to be treated respectfully and ethically. The only executive to offer another explanation regarding the paucity of calls says:

> "I certainly, as a broker, have no calls on that. But people may be totally numbed by the frequency of general corporate mismanagement, malfeasance, fraud and…".

This is a rare admission by a brokerage executive of the impact that sector scandals had on outsiders. Interestingly, I did not hear this view from outsiders. Most outsiders are frustrated and angry that there continue to be breaches by both the corporate sector and the securities sector. They are discouraged that despite new regulations and very public condemnation of these breaches and fraudulent behaviour, the sector continues to experience these incidents. The spirit of the law is ignored while insiders manipulate the rules to their advantage, at great disadvantage to the public.

All insiders agree that the key component in the outsider/insider relationship is the degree of trust the individual has in the investment advisor. Some insiders concede that the breaches and malfeasance that occur in the sector pose a big problem for all involved in the industry. “It's hard to know how it affects the individual investors. It has to have some impact because it's just a negative comment about the industry ... so it has to have some kind of impact”. What is key in this quote is that the speaker is uncertain about the veracity of this statement. Insiders simply do not have the information which they need to adequately respond to this issue.

Question 5. To what degree do regulators influence trust in institutions of authority?

There is a sense of general agreement that regulators influence trust but there is no consensus regarding in what way they wield this influence. The issue respondents struggle with is in trying to define the degree of influence that regulators have and the mechanisms by which they wield this influence. Responses to the question about regulator influence are indirect and respondents reference other factors such as regulator's impact on market integrity, regulatory compliance and enforcement. These activities can obliquely influence trust in the market, however most respondents view this impact as indirect rather than direct. The market influence that regulators have is in designing effective regulations, governing the market behaviour of insiders, enforcing market rules and regulations, and ensuring compliance with market rules. Presumably, trust is built by consistent follow-through and penalization of those who violate market rules and regulations. While insiders agree that these elements are critical to ensuring that an effective and reputable market is in place, most prefer to discuss the ways in which the regulator is either inconsistent in applying existing regulations or question the need for additional regulation. The regulators have imposed a new set of regulations and criteria in response to public concern over breaches and questionable activities by insiders. Most insiders feel that the primary motivation for new, additional regulation is to placate the public and stave off heightened scrutiny and potential loss of outsider investment. Many believe that the market already has adequate regulation in place which addresses public concerns but insufficient enforcement creates a trust void. New regulation without consistent enforcement and prosecution is inadequate and will not likely result in anything but marginal change. A clear line of accountability with the associated consequences is the most effective means of maintaining confidence in the regulatory apparatus and consequently the market.

The fact that regulators have toughened up the rules can be seen as both a good thing and at the same time, a sign that the industry has not been doing an adequate job of looking out for the best interests of clients. Therefore, while some claim that the public can now feel more reassured with tighter regulations, others regard this as a sign that the industry wasn't forthcoming in the past when they were reassuring the public that all was well. One regulator illustrates both sides of the issue:

> "On one hand, well, the public expects you to do that. So, does that reinforce public confidence that the system works. On the other hand, the regulators uncover wrongdoing. Is that corrosive of public trust, because now something that shouldn't have happened has been revealed. So, you know, there's both those things going on at the same time".

Outsiders, however, are much more reassured about the appearance of new regulations. This indicates a few of key points to them. First, that the regulator is listening, noticing and taking action. Secondly, that the market players (insiders) are being sent a message that the rules are changing and that actions which, in the past, were tolerated, would now be unacceptable. Thirdly, that there will be public consequences for non-adherence to these new rules and norms of behaviour. As one outsider expresses,

> "... people are pushing to say what's really going on here? How are these decisions being made, you know, are you really acting in my best interests? I think those questions come up a fair amount more than they did in the past. Everybody's fed up so there's more people blowing whistles, at least anonymously if not publicly on things. So it's a lot harder to cheat than it was. I think that the processes that are being put in place and the checks and balances give me more confidence, not less".

While insiders complain about the increased paperwork and the lack of direct effect this has on fraudulent behaviour, some outsiders feel more reassured as a result. As has been stated previously, perception is reality in many of these circumstances and the outsider has to make decisions with imperfect information. Processes that assist them in this decision-making will ultimately benefit the insiders as well. The key fact that insiders seem to have failed to grasp is that these new regulatory measures would not have been necessary had they done a better job of self-regulation; had they had voluntary compliance processes in place that could have prevented questionable practices to occur in the first place.

There was a diversity of opinion regarding the strategies which regulators could implement which would enhance trust levels. The opinions ranged from improved transparency, rule enforcement, consistent and public prosecution, to more public education. However, one wonders whether the new regulations are having the desired impact of reducing the incidence of market breaches. There is no data regarding which of the regulatory mechanisms is most effective in reducing fraud and manipulation of market rules. In fact, the market continues to experience incidents of questionable behaviour and actions which do not put client interests first. This, despite all insiders claiming that their primary goal is gaining client's trust through actions which put client interests ahead of the investment advisor's or the organization's interests. The indicator usually used by insiders is dollars invested in the market, especially increased dollars. As has already been discussed, there are a variety of reasons for the continued investment of dollars in the market and it is speculative to assume that there is a correlation between dollar investment and trust. It may be as simple as what one outsider replies when asked about what people thought about the sector, "Hmm-mm ... well I thought that they were a bit of a necessary evil." Insiders, however, are content to believe in the relationship between the two indicators of investment: dollars and trust. Also, as one confesses, " Everyone is making so much money, that no one really steps back and says hey, what are the ethics of this behaviour?" To think otherwise is to require insiders to reflect on their behaviour and their actions; something which may prove very discomforting to many.

Interestingly, few outsiders are able to directly address the question of regulator influence on trust. This may be due to a lack of awareness by outsiders of the existence and role of the regulator. It is difficult for them to comment on whether the regulator influenced trust if they have a vague notion of regulators but aren't sure what role the regulator plays. Outsiders are also unsure of whom the various regulators are and in what way they represent investor's interests. They do, however, have very clear ideas on the benefits of additional regulation and the positive impact on market oversight, and consequently trust. This may be due to an overarching belief in regulatory power and an inherent understanding that the net effect of regulation is beneficial to them. At the same time, some are discouraged enough to be cynical of the long-term impact of these changes. They believe that there are changes in the short-medium term but ultimately, due to the self-interest of insiders and regulators, their client commitment runs somewhat hollow to some outsiders. As one comments,

> "It doesn't make a difference because it's done under this rubric of transparency and they ... whether it's conscious or not the fact is that people will assume that things have been looked after and they won't have been. I think it's political. I think it's an attempt to control public reaction".

One insider inadvertently supports this view by saying,

> "Yeah, they've sort of seen that the conditions are improving, we're more confident in the way we're projecting, we're projecting more confidence in what we're suggesting to them. They see things going up a little bit. It all kind of goes together."

This comment leads one to wonder how close to the truth this statement really is; that much of the 'game' is about projecting an image, maybe illusory, about the security of the market. Perhaps under the guise of research, specialists and experts, and a large corporate bureaucracy is the reality that much of what occurs is speculative and uncertain. The rules and regulations are clearly intended to control wrong-doing, but do they also play into a need for certainty and reassurance by all market participants who collude to create a patina of security.

On the other hand, there is this minority position in which a more positive outcome is possible due to the renewed focus on regulation. "I think I was probably more at risk three years ago and just didn't know it". But even this is tempered by reservations about the extent to which regulators would go to enhance regulation, and particularly, enforcement.

> "I think the regulators were not as active as they could've, should've been. I think they were a little too cozy, number one. I think we're absolutely under-resourced and I think there was probably more push to settle things quietly rather than let them become public. And now I think they're just less willing to do that so."

She went on, in response to my questions about why she thinks they aren't willing to do that,

> "We all went to the same school… you know. Half of the regulators came out of these organizations, they know these folks. So they'd go really public with some poor schmuck that they weren't friends with but…the other ones they were a little more willing to compromise quietly."

Another believes that the investor has to bear ultimate responsibility for their decisions. His comments, though, support the perspective that there is self-interest at play and therefore limits on how far insiders and regulators are willing to go to protect investor's interests. He says,

> "Shame on you if you can't because you have to have a fundamental knowledge of it so that you can make the call. If you haven't set out your criteria, you will have your head handed to you on a plate."

It is clear that the sector has not done an adequate job in convincing outsiders that things are markedly different and that change is on the horizon. Time and again, outsiders express their doubts about any positive impact due to regulatory change and continue to remain skeptical about the relationship between insiders and regulators. This comment is representative of many outsiders,

> “I cannot guarantee that they're working in my best interests, okay, because bluntly they aren't. There's too damn many stories in the paper that say, you know, they're churning people's accounts just to make commissions, they're doing this, they're doing that. The rewards? What are the rewards? The rewards are money, you know, so money erodes ethics in any environment, lots of environments. So you've got an environment where there's lots of money and 'everybody else is doing it’”.

Another outsider believes that what we are seeing in the securities sector is played out elsewhere as well. She says,

> “And the other institutions are not necessarily highly scrutinized ... Well they have regulation but until the get caught they can pretty well play around. Oh masters of the universe, good old Tom Wolf, I think they think they're above the law. I think they think that they're above it, I think that they think they have privilege, that they can do what they want.”

This is a scathing, but not uncommon, condemnation of the environment in which this sector functions. Finally, this outsider reflects on restoration of trust in the sector;

> "So how can I restore trust? It's almost as if trust instead of being a pervasive and ethical issue that is always omnipresent, becomes more of an event driven type of thing. When I have an issue I will resolve it. And so I'll be contrite. I'll say all the right words."

Such is the cynicism expressed by outsiders, unacknowledged by regulators and insiders.

Concluding Comment

Trust is a much more complex issue for all of us. It suggests that when we discuss, question, research or evaluate trust that it is critical that we do not assume a definition of trust but clarify what the shared definition of trust might be. It is also important that not only do we articulate our definition but also our assessment of its presence. In other words, when we determine that we do or do not trust somebody, what do we mean and how do we know? Many actions and reactions are driven by what we believe the other person intends or implies and my research is uncovering that our assumptions can frequently be wrong.

CONCLUSIONS AND IMPLICATIONS

This chapter presents the conclusions of this study and implications for theory, research and practice. The conclusions are presented as over-arching themes and represent the major findings of the study. One of the goals of this research was to look at the construct of trust from an individual perspective and to ask those directly impacted by trust about what it meant to them. Most scholarly research focuses on defining trust, determining its attributes, measuring it, and debating its importance. These studies usually take a macro, broad-brush perspective; one that requires the researcher to step back and act as observer. An important, but missing, element in much of this research was the individual; a focus on what it meant to people to trust, how they defined trust, and how it affected their interaction with institutions. I embarked on this research journey in order to ask these types of questions of three groups in the securities sector; insiders of banks/brokerage firms, regulators, and outsiders who are investors in the securities market. The over-arching themes that emerged were: a) trust is multi-dimensional and contextual; b) trust is a default position; c) resignation and acceptance of ongoing breaches; and d) discontinuity of views between respondent groups.

Trust is Multi-Dimensional and Contextual

A key finding is the multi-dimensional aspect to trust. Trust has always been difficult to define. Many scholars have understood this to be the case (Lewicki, McAllister, Bies, 1998; Caldwell, Clapham, 2003; Rousseau, Sitkin, Burt, Camerer, 1998). The “elusive notion of trust” has challenged scholars and practitioners and many continue to grapple with this construct (Gambetta, 1988). Knowing this to be the case did not preclude scholars before them nor after them to continue to wrestle with and try to contain this construct. The respondents in this study had difficulty in coming up with a clear definition of trust and often provided me with a series of adjectives which approximated what trust meant to them. Often, trust was changeable, emotional, contradictory, positive and negative. Trust was safety but it was also treacherous; reliable but also uncertain. For as many definitions and meanings are attached to trust, there were also innumerable ways to measure, build, and predict trust. The need for a rational response compels scholars and practitioners to search for clarity in this. The desire for answers also compels practitioners to offer solutions and programs such as The Speed of Trust, the latest product out of the Stephen Covey organization. The thesis of this program: high trust speeds up organizational effectiveness and increases profitability. One would wish it were that easy and that simple. This is not an original argument. Economists such as Oliver Williamson have written extensively on transaction cost economics (Williamson, 1993) which posits that constructs such as trust and reputation have an economic cost in that they limit the probability of interaction with an organization or individual with a questionable reputation (Hill, 1990). Transactions and relationships of low trust increase transaction costs due to the need to build in contingencies and safety mechanisms, resulting in decreased organizational efficiencies as bureaucratic structures are designed to facilitate this process. Increased emphasis is also placed on third party intermediaries such as regulatory authorities as the level of trust declines, thus increasing overall market costs to all parties involved.

The contextual nature of this research was very evident when the respondents were asked what trust meant to them. The process of articulating an answer to this question indicated that they were trying to frame the discussion in ways that they believed were relevant to me, to the research and to what they thought I was looking for. Furthermore, it appeared that they were orienting themselves to a perspective that was appropriate to their setting. For example, when I asked insiders what trust meant to them, none of the respondents spoke in personal terms about what trust meant to them. They discussed trust in relationship to their organizational role or to their interaction with clients. At no time, did they step back and take a broader view of the construct or the ways in which trust could serve as a moral and ethical beacon for them and for their sector. They viewed trust as just one more variable in a competitive marketplace which should be managed for maximum impact and efficiency. There was a compartmentalization of trust into business and personal and at no time did they allow such a deeply held value to cross those boundaries. In analyzing the data and the conversational flow, it is understandable that the respondents would view trust from their current context as they were aware of the nature and purpose of my research. This knowledge would orient their thinking about trust as it related to their business lives. Furthermore, the fact that they didn't stray from their context was not surprising given their environment and their need to keep the conversation at what they perceived was a professional level.

One of the limitations in adopting a professional approach to trust in which one isolates the personal from the professional is that trust crosses into the realm of the personal for many people. While there are many definitions and measures of trust, most of them contain some element of a values-orientation. Many insiders are unaware of what outsiders think and feel and their measures of trust are different from the measures that outsiders would use. This often results in insiders feeling misunderstood by the external community and outsiders experiencing a degree of cynicism and skepticism about the securities sector.

When insiders were asked what they thought outsiders thought of them, most could not tell me. They shared their beliefs of what they thought might be the perspective of outsiders, but this was not based on anything other than speculation or assumptions based on their experience. For example, the vice chairman of one organization stated that

> "That's been my experience and I've dealt as a retail salesman a good part of my life, I've dealt as issuance salesman, now I'm Chairman and my profession is really investment banking. So I mean, my sense is that precondition honorable, that precondition, there are a certain number of expectations that the clients have as they come and sit with us to the same degree that I have when I meet with my doctor".

It is important to value the deep experience of insiders who have an intimate knowledge of the industry and the way in which it functions. The risk in this, however, is that there is narrowness in thinking in which insiders fail to recognize attitudinal shifts. Furthermore, all of the organizations involved in the research professed to place great value on trust and reputation. In fact, there are few organizations that would not state that building trust is a key priority and objective for them. The predicament this creates is when they do not understand what trust means to outsiders and regulators. This results in a disconnect between their goals, objectives and measurement of trust and those of the community they serve. They may believe that they are aligned with outsiders and regulators but may, in fact, not be. Without a willingness to engage with outsiders and regulators on the construct, they will continue to misread their actions and reactions, resulting in inappropriate strategies.

Regulators did not talk about trust in the way that insiders and outsiders did. Again, they thought and talked about trust in relationship to the professional environment that they find themselves in. Trust, for them, was about regulatory compliance and enforcement. Regulators were very consistent in limiting the trust discussions to their professional role. In fact, some regulators weren't certain that trust was a term that would readily apply to the role they play in the industry. In their perspective, trust is a by-product of industry compliance and effective enforcement. Therefore, it is an outcome and not a goal. Yet, in holding this view, they failed to realize what the priorities of outsiders were. Outsiders regard the regulators as their trust guardians; as the third party intermediaries who will ensure that the behaviour and actions of insiders is honest and the market functions with integrity. Outsiders want the regulators to be visible in their policies and actions; they want to hear and see regulators make a commitment to the individual investor who often is not easily heard above the din of the institutional power brokers and self-interested industry groups. Additionally, the regulators must acknowledge the cynicism and skepticism that exists among outsiders regarding their perceived close ties to the industry that they regulate. While they may acknowledge this to be a factor, it does not appear that they are overly concerned nor do they believe that assuaging these concerns is part of their mandate.

Outsiders were the most likely to link the personal and the professional in their discussions of trust. They believe that there is a duty of care that the industry is obligated to uphold, much of it owing to the nature of the securities industry and the high level of personal risk outsiders experience when they entrust their savings to an investment advisor and his/her institution. The personal nature of trust becomes especially evident in the discussion of breach of trust. Outsiders spoke in very personal terms; in terms of betrayal, violation of a relationship, and a stepping over the values/ethics line. While they are able to acknowledge their own role and responsibility in managing their money, most recognize the complexity of the industry and their inability to devote the time required to achieve an adequate level of expertise to manage their own investments. As such, they turn to an industry specialist who is in a better position to assess the appropriateness of the various investments and the investment strategy that best meets the client's goal. All of the outsiders stated that they hoped that this expert would act in the best interests of his/her clients because there is a clear disparity in knowledge power, thereby rendering the clients somewhat vulnerable. All of the respondents recognized this disparity but the insiders and regulators believed that outsiders had an obligation to take charge of their portfolios; outsiders believed that is what they paid insiders to do. With this incongruity in views and approaches, it is inevitable that the insiders and regulators would not wholly understand the needs of outsiders nor be able to adequately address their concerns.

Given that trust is multi-dimensional and contextual, any discussion of trust requires care and attention in the framing of the discussion or questions regarding trust. Much of the trust research that involves quantitative methods attempts to measure generalized trust where the context is assumed or, more likely, not seen as relevant. For example, one of the most cited trust measurement scales by Rotter asks questions such as, “In dealing with strangers one is better off to be cautious until they have provided evidence that they are trustworthy” (Rotter,1967) The findings of my study concur with those of Johnson-George and Swap (Johnson-George and. Swap, 1982). Their findings acknowledge the target-specific and situation-specific nature of interpersonal trust. My findings would extend this to include generalized discussions of trust in which context is crucial to interpretation. A common flaw in much of the research on trust, especially the practitioner research, is that the organization attempts to measure trust by asking questions that are so generalized as to render them either meaningless or broadly open to interpretation by the researcher. The other flaw is the use of a Likert scale, a tool which cannot accommodate the many nuances that are part of respondent’s lives. For example, one consulting firm’s question about the ethical behaviour of organizational leaders asks simply if leaders hold themselves to the highest standard of ethical behaviour. A reply on a Likert scale in this instance is not helpful because ethics is not defined nor is the context in which the respondent expects ethical behaviour delineated or the notion of what constitutes the highest standard. Yet, these types of questionnaires are used frequently and policy decisions arise from these outcomes. This was evident in my research where trust assumptions were made by insiders on the basis of measures that were not reflective of the way outsiders thought or acted. Insider organizations conducted customer satisfaction studies which asked questions regarding levels of service and response, but not about levels of trust. Outsiders can concurrently approve of service levels but also feel cynical and hesitant about the security of their investments.

Trust is a Default Position

All of the respondents stated that they entered into new personal and business relationships assuming that trust was present. Their trust was not blind but was measured and watchful. Most found it more effective to approach an interaction assuming trust than an interaction that carries suspicion and uncertainty. Many researchers have stated that trust develops over time (McKnight,.Cummings and Chervany, 1998) requires repeated interactions (Shapiro, Sheppard and Cheraskin, 1992) or only emerges when those involved enact contractual arrangements that make it in their best interest to behave in a trustworthy manner (Williamson, 1975). McKnight, Cummings and Chervany (1998) state that some researchers have been surprised at how high their subjects' early trust levels were (eg. Berg, Dickhaut, & McCabe, (1995) in McKnight, Cummings Chervany (1998); Kramer, 1994). The authors call this the paradox of high initial trust because several theorists predicted low initial trust.

Yet, had these theorists moved out of the realm of theory and into the realm of the ways in which people actually behave, they would not have been surprised at the outcomes nor would this be viewed as a paradox. In part, when those interviewed were asked about how they knew that trust was present, many replied that it was linked to the trust people had in the institution that they were interacting with. As an insider stated: “Yes. There’s an assumed level of institutional trust on the part of the clients”. This was a common response. Another perspective placed trust in the hands of regulators and their role in ensuring trust. This regulator said: “Yeah, there is almost this presumption of trust. You can trust him because, if he was doing anything untoward, you know, it wouldn’t be permitted”. The assumption was that if there were anything to worry about, the regulator would alert the necessary authorities and move to protect the interests of all parties. Even in situations where individuals did not believe in total and complete trust, they were still willing to enter the situation with guarded optimism. This outsider’s point of view was the following: “I mean I do assume that trust is pretty well there but I don't assume a hundred percent. Like I feel that wherever I go I have to figure things out as to whether I can trust. Like I don't assume a hundred percent, no”. The preference is to trust to some degree rather than not trust at all.

Insiders were very sensitive to the value of preserving the trust relationship. In most cases, they had put considerable effort into building trust both on a personal level with clients but also on an institutional level. The primary concern of insiders with respect to institutional trust was the reputational risk of any type of violation or malfeasance. This vice chairman stated “If you don’t have your reputation, the phone stops ringing, people don’t want to be associated with you”. There has been considerable cause for concern over the past few years as scandals and violations continue to impact the sector. Regulatory reform has been one of the responses to these contraventions- a strategy which has not been embraced by many insiders. In some cases, insiders feel that there are enough regulations and that proper enforcement is the key to building trust in the market. Others believe that regulatory reforms are window-dressing, designed to appease a nervous public. In the end, they were somewhat resigned to trust breaches and assumed that no matter how many rules and regulations you imposed, breaches and transgressions would always happen. Insiders did not have any suggestions regarding the rebuilding of trust. Given the emphasis placed by insiders on reputation, it was surprising that there were few specific plans or programs to ensure the preservation of the organization's reputation, other than harnessing the power of the public relations team. When asked about how they built trust throughout the organization and ensured consistent trust behaviour, most insiders made vague references to behaviour training and awareness building, but there was no link to performance appraisal or the reward system. There were no articulated consequences for violations of these organizational values and also no measurement or means of assessing whether the values were being upheld. This would cause one to wonder about the degree of commitment many of these organizations made to trust and in ensuring that all employees respected and enacted that value. Without measurement and accompanying consequences, there is limited incentive, other than personal values, to ensure adherence to organizational ethics and values norms.

Regulators shared the view of insiders that breaches were inevitable and, in fact, expected. One of the key reasons that regulators believe this to be the case is the lack of resources available to them to enforce their own regulations. There is difficulty in harnessing the resources of outside agencies whose jurisdictions encompass breaches of the sort that would occur in this sector. Many of these breaches would be in the fraud and white collar crime area, and this would require police and judicial support. With limited resources, assistance with and prosecution of these offenses would be difficult. Furthermore, the regulators have limited resources within their own agencies and have stated that the self-regulatory model is the only option that they have in order to enforce compliance. Yet, the self-regulatory model is inherently conflicted in that there are competing interests and conflicts of interest. Outsiders were quick to note that an industry that regulates itself is self-serving and incapable of effectively representing their interests. Self-regulation reinforces the cynical view that outsiders have towards both regulators and insiders whom they see as functioning within the same sphere of influence, whose interests are closely aligned and entangled. In fact, one regulator stated that "the insider's club is working well" and admitted to problems this causes for the industry. Unless there is visible enforcement, she believed that public cynicism would continue. Madeline Drohan believes that there are two factors behind the "tepid approach to protecting investors. On is the cozy, comfortable club that is corporate Canada." (The Globe and Mail, Jan 26, 2004)

The need of individuals for trust-based relationships also leads them towards flexibility regarding forgiveness of trust breaches. There are clear parameters which individuals have created which assists them in determining when trust can and cannot be rebuilt. One of the key determinants is the size of the breach and the degree of harm caused to the individual. Also, the deliberateness of the action; did the individual who breached trust act solely to his/her benefit and self-interest? If so, then the breach is considered to be intensely personal and harmful. This type of breach is more difficult to overcome than a breach which is viewed as an organizational breach. Organizational breaches are often of the type which are either organizational or industry-wide and have a systemic nature. It is less personal than the type of breach which may be caused by an investment advisor to an outsider. Outsiders have stated that an organization could recover from a breach more readily than an individual. A key component of recovery is the speediness of the acknowledgement, immediacy and transparency of the resolution and changes in order to prevent a recurrence. In the case of an individual breach, the rebuilding of trust is much more difficult due to the personal nature of the violation. If it can be recovered at all, it is usually a lengthy process in which the relationship is managed very differently than before. As one outsider put it, “They would still be on my radar track, but I could never be close again”. Outsiders also were concerned about the lack of regulatory or managerial oversight that might occur in a situation where an investment advisor could breach trust with a client. Therefore, a system response would be required which would be individual, organizational, and regulatory.

Resignation and Acceptance of Ongoing Trust Breaches

All respondents were resigned to the existence of breaches and inappropriate behaviour in the securities sector. The imposition of new rules and regulations, the pronouncements of changes in operational procedures and the adoption of rigorous ethical standards has not succeeded in reassuring outsiders of a restoration of integrity and trust. Among insiders and regulators, there was a sense of acceptance that there will always be those who will violate rules, norms and values and there is little that can be done about those individuals. Insiders assume this to be a stable state and regulators view their lack of adequate resources and judicial support as hindering their ability to regulate and enforce the market rules. It is difficult to intellectually integrate the claims by insiders that trust and reputation are the most important values for the organization yet reconcile that with their acceptance of the inevitability of violations. It was surprising to hear the unanimity in this view and it was an unexpected finding.

Interestingly, insiders did not perceive any inconsistency in what they stated as corporate goals and priorities and the subsequent comments about the inevitability of dishonesty within their ranks. One has to wonder how an organization can be fully committed to an agenda of building trust within the organization if they are resigned to the failure of such efforts. One vice chairman conceded that there will always be "rogues and fraud artists but it is up to the regulator to make sure it is dealt with and minimized". Another insider stated that there is so much money to be made in the market that nobody wants to spoil it by changing the rules or questioning the ethics of the behaviour. The vice chairman did not appear to see himself or his organization as having an active role in the prevention of these occurrences but, instead, left it to other organizations to enforce. He went on to discuss that the building of investor confidence was the job of the regulator and that if the regulator did his job adequately, “knowing that it can never be eliminated, then the public’s trust can be ensured. At no time did he indicate the means by which his organization would ensure that the same thing occurred within his organization so that it was stopped before it would become a situation requiring regulatory intervention. One must wonder about the rationale behind the regulator’s view that the best solution to regulatory compliance is a self-regulating scheme when those who would be in control of self-regulation do not even recognize the responsibility that they have to ensure market integrity.

If we take the view that the insiders are just being realistic about human nature, which would follow the argument put forward by Williamson regarding market opportunism and free riders, (Williamson, 1993) then this would argue for the need for strong internal programs to entrench the trust value within the organization, with accompanying measurement and consequences for non-compliance. A comprehensive and integrated program of employee selection, internal training and monitoring would be a minimum standard if the self-regulatory model were to have any credibility. After all, Williamson argued for the need for strong contracts and external devices to guard against those who do not play by the rules. In the context of this research, the internal monitoring system would provide some safeguards to the organization for those who do not comply. One senior insider, whose role was ensuring compliance, stated that insiders off-load the compliance problem to other areas such as regulators or the legal department. They do not take personal responsibility for ensuring their own or their department's compliance. He cited the case of hedge fund managers who promise clients a certain level of returns. In his view, it is critical that a process and operation be put behind that claim with a means to measure the outcome and a process to report findings. In many ways, while he is advocating for organizational processes and structures, he is also espousing the need for an organizational culture that calls for and reinforces these values and is willing to be held to account for them.

Outsiders are also resigned to breaches despite the changes that regulators have made to improve accountability by market participants. Many outsiders question the impartiality of regulators since there is a close network of ties between regulators and brokerage firms. In many cases, those employed by regulators were previously employed by the major law firms which handle investment banking clients. When questioned about these relationships, all of the regulators claimed that there was no question about their ability to do the right thing and effectively enforce all regulations. In fact, one CEO guaranteed his effectiveness since he had no plans to return to his legal practice. While this eventually was borne out to be untrue, many of these senior executives look to private sector boards as retirement positions. It is difficult for them to enforce compliance and perhaps fine and prosecute without creating both a personal and professional conflict of interest. It is very difficult to convince outsiders that there is no conflict and that regulators and the players in the brokerage firms are not part of the 'club'. As one outsider commented," Well, it comes out that you've got people who are in a club. And the fact of the matter is that you will think about the industry first - not until someone gets burned. Sponsorgate. Think about it". This comment was made by an outsider with a very large investment portfolio who was a senior executive with an international organization. Most outsiders shared this view. The Conference Board of Canada conducted a study in 2003 in which they their respondents found it difficult to trust corporations despite recent corporate governance reforms. There are ongoing issues regarding trust and integrity which insiders and regulators have still not effectively addressed. It is this sense of resignation and futility experienced by outsiders which increases the reputational risk for both insiders and regulators.

Discontinuity of Views Between Respondent Groups

The research revealed a lack of common language and understanding between the three groups of respondents. While the respondents identified similar issues, their language, contexts, assessments and expectations were quite different from one another. Therefore, while they were part of an integrated process, they were not cohesive in approach. This caused difficulties in building, retention and re-building trust since the goals and messages were often at odds. It was no surprise, then, to hear outsiders claim that the changes adopted by the regulator did little to assuage their concerns about market integrity and contributed to their resignation to ongoing breaches.

Insiders agreed that trust was very important to their business and to managing their reputational risk. They were sensitive to the impact that breaches could have to their business and that the cost of re-building lost trust was very high. Despite this, there was a sense of distance and lack of real comprehension of the mood and sensitivities of outsiders. Often, insiders used indicators which were not pertinent to outsiders or might not be an effective gauge of investor mood or concerns. They believed that the power of the investor/client relationship was sufficiently strong to be able to weather market scandals. When queried about the reaction of clients to specific scandals, most insiders believed that if they didn't receive many client calls, then clients must be satisfied with what they are reading or hearing and are, therefore, not concerned. On the other hand, they do acknowledge that outsiders remain in the market with hesitation. This hesitation does not augur well for the organization as it limits future investor growth and requires more organizational resources to ensure client retention.

One of the key issues affecting both regulators and insiders is their distance from outsiders. This distance is both psychological and philosophical. Outsiders come from a variety of backgrounds. Some are wealthy, sophisticated investors who are very knowledgeable about their investments. Others are middle of the road investors who have good knowledge of investments, but are busy and prefer to have a professional manage their money. Others are lower income individuals who many have money invested through a company pension plan, employee savings plan or through a mutual fund managed by an outsider individual or group. Insiders and regulators are removed from outsiders and have limited direct links to the lives and concerns of this group. It makes it difficult, therefore, for insiders and regulators to respond to concerns from a group of individuals about whom they have limited understanding. Furthermore, the insider and regulatory organizations do not appear to focus any research on issues of trust and market integrity among the wide array of outsiders. The research that is conducted by these groups appears to be more focused on customer satisfaction about general levels of service and product offerings, rather than on perceived trust and integrity regarding the behaviour of market players. The Ontario Securities Committee held its first Investor Town Hall on May 31, 2005. David Brown, then Chairman of the Ontario Securities Commission (OSC), acknowledged in his remarks before the Standing Committee on Banking, Trade and Commerce that investors lack trust in the regulatory authorities charged with protecting their interests. Many of the questions posed to the Ontario Securities Commission (OSC) by outsiders who attended this town hall indicated a level of fear, suspicion and anger towards individuals and practices in the industry. There were many questions which centered on individuals having lost life savings, retirement savings, and investments due to poor judgement, unethical behaviour or negligence. Outsiders time and again bemoaned the lack of action and recourse available to them. Some accused the OSC of handling the industry with ‘kid gloves’ (Ontario Securities Commission Website, Investor Town Hall Questions and Answers, May 31, 2005). While the OSC continues to make changes to hold the industry accountable, it is not clear that these actions will result in improved investor confidence. Furthermore, insiders continue to resist many of these regulatory changes, complaining of the increased business costs associated with these new requirements. These costs will be passed along to investors. To this date, it appears that nobody within the industry has surveyed investors to determine what their views are on this issue and whether they are willing to absorb increased costs in exchange for increased accountability.

Outsiders had a different perspective on the way in which they viewed trust. Often, they were very concerned about what they saw as a lack of integrity in the market and had concerns about financial losses and risk. Their response was not always to call their advisor because they did not feel that they would get an adequate or authentic response from their advisor. Also, they felt that they did not have much choice regarding investment options and therefore were resigned to maintaining the status quo and hoping that things would improve. They clearly did not view the changes in reporting requirements as adequate to restoring their trust in the integrity of the industry. This was especially true if the outsiders felt that the industry and the regulators were part of an inner circle of insiders whose changes were mere window-dressing but lacked the regulatory teeth to have a significant impact. Outsiders had neither voice nor access to those who may have the power and influence to enact systemic changes in the way in which insiders and regulators meet outsider's needs.

Regulators are even farther removed from the investor than insiders as they have little direct contact with outsiders. Their contact with outsiders is limited to investor education which takes the form of printed material, information lines, and the OSC website. It was not clear during the research process how the regulators determine what information to provide to outsiders. When asked whether they intended to conduct research into investor attitudes and needs, the regulators appeared puzzled that there would be a need for that. They view their primary role as ensuring compliance and enforcement and it doesn't appear to be relevant to them to communicate with outsiders. One regulator replied, when asked whether he believed that the public viewed regulators as part of the insider group, "There are cynics out there. It's hard to tell whether that is a public perception or whether it's the radicals on one side of the issue. There are cynics out there. I don't think that that is a public perception but I don't have any really strong base for that". It is not surprising that outsiders feel dissatisfied and cynical with the changes enacted by the sector when the regulators are unaware of what outsider's views are. While regulatory changes must be driven by the expert's knowledge and expertise, the rebuilding of public trust involves a level of communication which the regulators are not engaged in. Outsiders expect that regulators will listen to and address their concerns. When this does not happen, it reinforces the outsider's view that regulators do not have an interest in addressing their needs.

Implications for Research

Take the Context into Account

This study was focused on the securities sector as the domain of study but the findings, conclusions and implications are readily applied across many sectors. Trust is fundamental to most institutions, most of which require trust to operate effectively. This is especially true in domains where individuals feel that there are important matters at stake. A key finding of this study is the importance of context-setting in which the researcher must identify clearly defined parameters of the construct. Much of the survey research on trust poses general questions on trust with broad statements for respondents to react to. If given the opportunity, individuals would likely provide conditional responses to questionnaires which would allow them to provide their own context. They may expand and clarify, providing detail and perspective that may be missed in a questionnaire. Trust is a construct of gradations and qualifiers that scales such as the Likert cannot adequately represent. Once the responses are recorded, without clear context setting and understanding, the researcher interprets the responses thereby introducing assumption and bias into the analysis.

The issue of context is apparent in the literature by scholars who engage in philosophical reflections on the meaning of trust. Sheppard and Tuchinsky (1996) highlight the uniqueness of trust research in organizational behaviour research. In their view, it should always take into account the context in which the relationship is embedded. There are other perspectives on trust from many disciplines, thus reinforcing the importance of context-setting. Scholars have a variety of definitions of trust, as do individuals. Therefore, one must be cautious, when discussing trust, in assuming that we are all referring to a construct which is viewed and valued in the same way. Baier, for example, asks what the difference is between trusting others and merely relying on them (Baier, 1986). She also asks what do you trust to them (Ibid.) Hardin discusses Williams' view that it is not possible to trust political leaders due to the absence of thick trust and must instead refer to the construct of confidence (Hardin, 1993) Yet, how is one to interpret survey data which asks about trust in government. What are we really asking if, in fact, we follow Williams's line of argument? Is the respondent thinking of confidence when they reply that they do, or do not, trust government? Or is there another conceptual frame they are using in the discussion. Furthermore, if they reply that they do not trust government, is it all levels of government, all departments and all individuals? One can assess the difficulty in interpretation of survey data that does not clarify or define this type of data. Furthermore, when scholars develop theories about trust which attempt to describe such things as the definition and determinants of trust or how trust is built, consideration of context is critical to provide intellectual clarity and discipline so that the research boundaries are clear. It assists the reader in situating the research and understanding the researcher's perspective.

Domain-Specific Research about Trust

There is also a need for domain specific research about trust, especially in financial services and in the securities sector. As stated, trust is context specific and therefore the approach to trust and its critical features would differ from one domain to another. When one looks at the research and literature on trust in government, it is clear that the concerns are very different than the literature would be on trust in financial services or in corporations. In fact, there is a dearth of research on trust in corporations or financial services. Most of the business research looks at trust from a competitive perspective, incorporating business effectiveness and efficiency into the research. This research is focused on intra-organizational trust- building team trust, leadership trust, or organizational structures to enhance trust production. The business research also focuses on inter-organizational trust and the role of trust in shifting and changing economies and changing workplaces. There is very limited research that would look at the fundamental issue of trust in corporations, and specifically financial services.

Interestingly, the issue of trust in financial services and in the securities industry is of great importance as the sector has embarked on significant re-organization in order to respond to the decline in the public's trust and loss of market integrity.

There is, however, a gap in research in the sector regarding the meaning and importance of trust, trust measurement and its meaning and relevance to stakeholders, trust building, loss and re-building after individual and market breaches. Researchers need to define the terms regarding trust and should compare and reconcile differences between insiders, outsiders and regulators. Furthermore, in examining trust and it's meaning to these groups, researchers need to understand the forces at play that are resulting in the fact that regulatory changes are not having the desired impact among outsiders. It appears that despite major upheavals to market structures and processes, outsiders remain cynical, insiders' support for market changes are lessening resulting in resistance to continued and future changes, and regulators are under increasing pressure from insiders to either roll back changes and to halt future regulatory reform.

More Qualitative Research on Trust

There is a need for a greater preponderance of qualitative research in trust. Trust is a construct that is difficult for both researcher and respondent to conceptualize. We all think we know what we mean when we use the word trust, yet it is often only through the process of open-ended interviewing that a researcher discovers whether or not their assumptions about what they are hearing are accurate. Unless the researcher has built in a mechanism in which they can verify or validate their assumptions, they will be unable to determine the veracity of responses. This research has indicated that there are many biases and assumptions that individuals have built into words and unless we ask the respondent to articulate their own meaning, we will build theories based on false assumptions. It is also critical that researchers design checks within well-designed questionnaires that allow for a more clearly articulated interpretation of questionnaire responses so that both respondent and researcher are clear about the context in which the question is being asked and answered.

Research Articulating Differences between Institutional and Personal Trust

Additionally, additional research would be helpful in more clearly articulating the types of trust that respondents use when interacting with the securities sector. There is a need for research which can identify the interaction, if any, between institutional and personal trust. Some of the respondents discussed the presence of one, or both, types of trust within the sector but were unable to describe the way in which the two interacted, it at all. Also, it was unclear how institutional trust was formed. There was some discussion by insiders about the importance of reputation and image and of controlling the spin. Insiders also talked about the brand and the ways in which the brand was of paramount importance to the organization, but they did not discuss how this translated into building trust in the organization. Additionally, what was the role of corporate philanthropy in building trust. Again, this was mentioned as a reputation builder and by implication, a trust builder. It would be useful to determine whether corporate philanthropy contributed to building trust and, if so, within which communities.

Exploration of Formation of Institutional Trust

There was some discussion regarding the order of institutional trust-building. Research should explore the process of institutional trust-building and the sequencing of its emergence. Some respondents believed that positive interaction with individuals at the organization contributed to institutional trust and their likelihood of approaching the organization with a positive and trusting attitude. Others believed that the organization built trust through its corporate reputation established through the years and overseen by federal and provincial authorities. This ‘halo-effect’ of trust extended to all employees. A key research question is how trust in institutions is formed and the role of individual employees and organizational efforts. Furthermore, is there a halo effect that extends to employees and, if so, how is this established and what is its resiliency? If the organization suffers a reputational set-back, how is the halo-effect impacted by this, if at all. If it is affected, does this lead one to conclude that institutional trust is established via the organization’s efforts and individual behaviour has less influence on trust levels?

Implications for Theory

The theory that has emerged from this study suggests that trust is a value that is inherent at the beginning of a relationship or interaction between all participants in an interaction or exchange. In other words, all of the respondents stated that they embarked on the relationship or interaction assuming trust was present. The form this trust took, however, was undefined. The findings suggest that while respondents found it difficult to articulate or acknowledge the personal nature of trust, preferring instead to confine their discussions to the rational aspects of their businesses, the personal element of trust is ever-present. This became clear during the discussions about trust breaches and their impact on respondents and on market performance. Individuals viewed trust breaches as a violation and a betrayal, even when they occurred on a scale which was organizational or sectoral. Breaches of trust violate fundamental values which people hold dear. The literature which approaches trust as a variable which can be controlled and measured must acknowledge the personal nature of the construct.

The business literature is focused on trust in organizations and between organizations with a primary focus on how to build trust in order to ensure creating more effective and efficient organizations. This research has revealed that in order to build trust one must first determine what that means to those involved in the exercise. Researchers who design theories regarding trust-building processes including factors which contribute to conditions which contribute to trust must ensure that those involved in the exercise concur with the strategy. Many employees are cynical about trust-building within organizations since they are often not part of the process which defines the role and meaning of trust for them. The role and meaning is assumed and it is assumed that it is consistent for all individuals.

Yet, despite the individual nature of trust, there are certain features of trust that are common among individuals and which were often repeated. These common characteristics of integrity, meaning what you say, putting others before self, support, and the emotional bond of trust; form the core of what trust means to people. It is important that theorists look at these characteristics in order to determine key principles of the trust relationship, whether on a personal or institutional basis. While researchers focus on theorizing about the rational model of trust in order to operationalize it, their theories are missing the more critical 'what does trust mean to me' component which is the basis on which many individuals make decisions. They need to build this into their conceptual frameworks in order to build a more robust and comprehensive theory.

Theory in the financial services sector tends to focus on theories of market performance, function and behaviour. The theory takes both a macro and micro perspective in that it looks at the overall market as well as individual investor behaviour and performance. Much of this theory attempts to explain how markets and individuals behave in order to better predict market valuations, trading decisions and market shifts, often with a goal of controlling risk. The theory does not look at the relationship between all market participants: insiders, outsiders and regulators. There is a gap in assessing the interplay between these market participants and their impact on trust, integrity and market performance. If theory takes into accounts the interaction and acknowledgement of the relationship between participants, what are the research, policy, and decision-making implications of this.

There is a need for theory which integrates the personal and the professional, recognizing that there is a constant tension between the two. That is, individuals alternate between professional and personal thought and at times have some difficulty in reconciling the two. During the course of the interviews, respondents contradicted themselves or would reply to the same query with both a professional and a personal point of view. It is difficult for individuals to compartmentalize those aspects of themselves which involve their values. There are continuous values struggles in which the inner, more personal values confront the external and more dispassionate values. One can see this happening when discussing trust in a business context. Individuals are confused between what they should feel and talk about in this context versus what they do feel. As a result, there is an inconsistency in views or an inability to engage those deeper parts of themselves in the discussion, as if the personal part of them is not appropriate for discussion in this setting. Yet, their behaviour is driven by a combination of both their rational thought and emotional investment in the issue. Begley (2006) identifies this dilemma through his discussion of ritualized rationality in which executives rationalize decisions which work in their favour through the language of rational decision-making. This phenomenon was also evident in this research in the rationalizations that insiders and regulators provided regarding fraud, malfeasance and questionable behaviour by insiders which negatively affected outsiders.

It would behoove researchers to recognize this and acknowledge it in their theory development. In this way, theory can be operationalized in a more realistic manner with greater probability of success in implementation.

Implications for Practice

Close the Gulf between Respondent Groups

This research highlighted the gulf that exists between the three categories of respondents in this study: insiders, regulators and outsiders. The perception that these groups have of one another is based on assumptions about the attitudes and motivations of each of the groups to the other. These assumptions have not been tested but have been formed and reinforced self-referentially. In other words, without substantiation, each group commiserates with its peers about the intentions and attitudes of the other without confirming the veracity of their point of view. The group then bands together in a defensive posture, believing that the other groups do not understand their circumstances or their unique perspectives. As a result, the groups' understanding of one another drifts further apart. The views become reinforced. This stance becomes difficult when policy changes, regulatory changes, organizational changes or response to inquiries require an accurate and reasonable response. If the response is based on an incorrect presumption, then it is clear that it will be both inefficient and ineffective. This is apparent in the securities sector where both banks/brokerage firms and regulators have made substantial changes to policy and procedure. This research has discussed these changes and the findings indicate a great deal of frustration on behalf of all respondents. All of the groups feel misunderstood by the other. Outsiders remain cynical and mistrustful of insiders despite significant procedural changes and stated commitment by organizations to ensure a more secure investing environment. Insiders are frustrated by what they view as the pendulum having swung too far to the regulatory side with onerous rules and regulations and accompanying increased costs. Their cynicism causes them to view these changes as nothing more than window-dressing, arbitrarily applied. They are resigned to future breaches and do not believe that regulatory reform will achieve its objective of protecting the public. Regulators are frustrated by their lack of resources and feel thwarted in their efforts to truly effect change in the markets. They are facing pressure from the corporate sector to roll-back regulatory reform while banks/brokerage firms are complaining about increased costs and the futility of regulatory changes. Outsiders believe that both insiders and regulators are working in tandem to protect the interests of the sector and that they, as individual investors, are not being heard or accounted for. Despite the significant changes in the sector designed to respond to nervous investors, outsiders do not feel better protected than before. They also recognize that the process of responding to their complaints through regulatory changes did not include them nor did the changes, or the communication of these changes, take the needs of outsiders into account. As a result, much time, money and effort has gone into regulatory changes without a subsequent significant shift in attitude. Cynicism continues to pervade the sector, breaches of trust continue to appear on the front pages of business newspapers, and complaints continue in the industry.

Much of this scenario could have been averted had insider organizations and regulators taken the time to research the attitudes of those within the sector. When asked whether they were aware of any research conducted by their organization regarding outsider attitudes, almost all insiders and regulators replied in the negative. It appeared that if research had been conducted, it was not communicated to the senior executives whom I interviewed. It is clear that policy and regulatory changes were designed from a legalistic perspective with the intent of ensuring security from a legal standpoint. There were obvious gaps in the regulatory regime which allowed fraud, breaches and malfeasance to occur and these gaps needed to be closed. Market integrity, security and confidence, however, are often driven by participant attitudes and there was no consideration regarding how to improve this aspect of the market. It appears that there was an assumption made that once the regulatory gaps were filled that outsiders would recognize and appreciate the changes and the sense of market security would return. What the regulators and insiders did not recognize was the deeply held view among outsiders that the two groups were tightly integrated and that outsiders would view the changes as self-serving and as half-measures. The 'window dressing' was meant to appease, not meant to substantively change the manner in which the market functioned. The reality was that the changes were very substantive but the message not reached the outsider who continued to doubt the integrity of many market participants.

It is critical that these types of major changes take all participants into account. Any institution which has a public face must understand what its public thinks of it and what the public's key issues are. It is risky to make assumptions about the types of resolutions or communication that the public wants without understanding the key motivators for the group. In this case, neither insiders nor regulators understood the outsiders. Perhaps they didn't view the outsider as a critical player. In fact, the regulator did not view outsiders as a group that they were accountable to. While they may not have been technically accountable to outsiders, the role of the regulator is to protect investor interests and thus, by default, is accountable to outsiders. The media continues to report on the ongoing breaches that persist in eroding confidence. Unless the groups can align their goals, then the distrust and cynicism will continue.

Clarify the Context

The context of the construct of trust is essential in order to accurately explore its meaning to individuals. As this research has shown, individuals will adjust what they report regarding their views of trust according to the context in which they are in when the conversation is taking place. If one makes assumptions that individuals will provide their views and definition of trust in complete form, then one will receive incomplete information and an incorrect view of the construct. Therefore, trust must be viewed within the context in which it is being analyzed. Furthermore, it is necessary to clarify what individuals mean when they discuss trust. There are often implications which are not explicit or are assumed between the individual and the practitioner. In some cases, individuals have different expectations, approaches, outcomes and language for trust. This research has shown that trust has a personal nature to it and it is a value which is held in high esteem. Individuals judge whether or not somebody is trustworthy or whether to place their trust in individuals or institutions. As a result, trust becomes a value which is difficult for an organization to manage or control. Some individuals question the basic premise of trust within organizations and whether trust was a concept which was appropriate to the workplace. This was a view one heard especially against a backdrop of organizational realignment, scandal, compensation inequities and ethical breaches.

As the context changes, so does the meaning of trust. Trust at the senior executive level has a different meaning and set of implications than trust may have at lower levels in the organization. The degree of control that is exercised at different levels of the organization will affect the level and type of trust experienced by individuals. Trust also means different things to individuals depending on where they are situated within the sector. As indicated by this research, the role and meaning of trust for regulators is different from that of insiders or outsiders. Therefore, if one is planning to address the trust issue in response to sectoral-wide events, then it is necessary to address trust from the unique perspective of each group. Their context sets their interpretation of what trust means, how best to build it and the critical measurements of trust for each group.

Context affects the interpretation of data and measurement results of things such as employee or client surveys. Many of these instruments ask generalized trust questions which the researcher interprets in his/her own way. The researcher brings bias to the data and interpretation and it is this bias that the researcher must be aware of and attempt to control. One means of control is to ensure that the context is clear when the survey is designed and that the data interpretation takes place within a clearly delineated contextual frame. In that way, there is clarity around the language of trust and it's meaning to the respondent and to the researcher.

Review, Re-Conceptualize and Restore Meaningful Values and Ethics Processes into Organizations and Sectors

The research has indicated that all groups were resigned to the inevitability of future of trust and malfeasance. This resignation was present within the framework of ethics programs which were instituted in all of the organizations. While one recognizes that it is impossible to eliminate all fraud and dishonesty, it does not breed confidence when all the participants in the market share the view that breaches will continue to occur. Yet, none of the organizations discussed plans to review their ethics and values programs in light of the recurring scandals and subsequent loss of trust by other market participants. It would be at this critical juncture that a program review would be most appropriate in order to assess whether the program is appropriately designed to reach corporate goals. Moreover, one would have to wonder about the effectiveness of this program if the participants within the organization accept as inevitable further breaches.

Effective ethics and values programs require more than a handbook and a self-administered questionnaire regarding ethical behaviour. Often, this is the typical ethics protocol at organizations. In order to effectively communicate that ethics is an organizational priority, a series of training, intervention and measurement programs must be aligned so that there is consistency of message and accompanying consequences. Also, in an environment such as the securities sector, where regulatory oversight is critical and outsiders are especially vulnerable, it is important that review and reconceptualization occur within a contextual structure that takes the values of all stakeholders into account.

Appendix A

Letter to Nominee

Your name, along with 9 others, was given to me by ………..(name of referral). I am writing to invite you to participate in a study that I am conducting at OISE/University of Toronto. The study is being carried out as a partial fulfillment for the PhD degree.

Purpose

The purpose of the present study is two-fold: a) to determine the degree of trust that individuals have in the brokerage and banking industries and b) to assess the fit between what the trust that individuals have in the industry and what those in the industry perceive is the level of trust that individuals have. The study will also look at the role of regulators to assess whether they have an impact on the trust that individuals have in the industry.

Confidentiality

All of the interviews will be confidential and nobody in your organization will have access to the names of the interviewees or the content of the interviews. The interview will be approximately 1-1 ½ hours long. The interviews will be taped and transcribed. At any time in the interview, you may refuse to answer any questions and may withdraw from the interview. The tapes and transcriptions will be filed at the researcher's location. The only individuals who will have access to the data are Deborah Nixon, the principal investigator, and Dr. Paul Begley, the thesis supervisor. All data will be destroyed when no longer needed for the purposes of analysis or reporting (maximum four years).

In the final dissertation, pseudonyms will be used to identify all the participants in this study including all individuals and the company. Any references in the final report that may reveal the identity of an individual or group will be removed or altered.

Benefits and possible risks of participation

The risk of being harmed as a result of participation in this study is minimal. You will be asked to describe their perceptions, thoughts, opinions and beliefs. There is the risk of emotional discomfort if you find that you are not able to respond to a particular question, or the possibility that the question may be politically sensitive. Your responses will be probed, but not challenged or evaluated in any way during the interview. No value judgement will be placed on your response and no evaluation will be made as to your effectiveness as a manager. In addition, it is your right to refuse to answer any question.

You will benefit from this study. It will contribute to your knowledge and understanding of how your customers, the regulators, and your colleagues view trust in your industry.
This, in turn, could have a positive influence on your business practices and enhance your ability to serve your customers and the public more effectively. It can assist you in understanding the expectations of customers, the general public and the regulators and in responding to them.

Involvement in this project is completely voluntary, and if a person decides to participate, they will have the right to withdraw at any time.

I hope that you will agree to take part in what I hope will be an informative and worthwhile experience. I will be in contact with you by phone to discuss your interest in participating in this study and to answer any questions, which you may have. I can be reached at 416-763-6985 or deborahnixon @sympatico.ca You may also contact my supervisor, Dr. Paul Begley at OISE/ University of Toronto. He can be reached at 416-923-6641 ext 2406 or pbegley@csolve.net

Yours truly,

Deborah Nixon

Principal Investigator

Appendix B

To Participants in this Study

The purpose of the present study is two-fold: a) to determine the degree of trust that individuals have in the brokerage and banking industries and b) to assess the fit between what the trust that individuals have in the industry and what those in the industry perceive is the level of trust that individuals have. The study will also look at the role of regulators to assess whether they have an impact on the trust that individuals have in the industry.

The study will be carried out in 2 brokerage firms and 2 banks as well as with the OSC, TSE, IDA and the Office of the Superintendent of Financial Institutions. The study will also involve 10 individuals who are not employed in the financial services sector.

A face-to-face interview of approximately 1½ hours will be scheduled. During the interview, you will be asked questions about what trust means to you, how you define trust, how you know when you are in a trusting relationship, what do you do when your trust has been breached and how much trust you have in the financial services sector, especially banks and brokerage firms. We will also discuss how much trust you have in your bank and in your brokerage firm. As the interview proceeds, I may ask questions for clarification or further understanding, but my part will be mainly to listen to you speak about your views and experiences.

It is the intention that each interview will be tape-recorded and later transcribed to paper. There are two reasons I'd like to do this. First, it enables me to concentrate on our conversation much more effectively. Second, it improves the accuracy of my analysis. I want to assure you that everything is confidential and I do not use any names in the analysis.

All of the interviews will be confidential and nobody in your organization will have access to the names of the interviewees or the content of the interviews. The interview will be approximately 1-1 ½ hours long. The interviews will be taped and transcribed. At any time in the interview, you may refuse to answer any questions and may withdraw from the interview. The tapes and transcriptions will be filed at the researcher's location. The only individuals who will have access to the data are Deborah Nixon, the principal investigator, and Dr. Paul Begley, the thesis supervisor. All data will be destroyed when no longer needed for the purposes of analysis or reporting (maximum four years).

In the final dissertation, pseudonyms will be used to identify all the participants in this study including all individuals and the company. Any references in the final report that may reveal the identity of an individual or group will be removed or altered.

Thank you in advance for your participation. The study supervisor is Paul Begley, Professor, OISE/University of Toronto. Professor Begley can be reached at 416-923-6641 ext.2406 or by email at pbegley@csolve.net

Deborah Nixon
PhD Candidate
University of Toronto

By signing below, you are indicating that you are willing to participate in the study, you have received a copy of this letter, and you are fully aware of the conditions above.

Name____

Organization___________________________________

Signed____

Date___________________________

Appendix C

Interview Protocol for Individuals (Outsiders)

1. When I say the word trust, what does that conjure up in your mind?
    a. What does it mean to you?
    b. What are the first thoughts that jump into your head when you hear that word?

2. How would you define trust?
    a. Can you come up with your own personal definition of trust?

3. Do you use different criteria for trust in a personal relationship vs trust in a relationship with an organization?
    a. If so, why and what is the criteria?
    b. If not, why not?

4. How do you know when you have trust in a relationship, whether it is a personal relationship or an organizational one?
    a. What do you look for to know whether there is trust in a relationship?
    b. What are the criteria you use to determine whether you are in a relationship of trust?

5. How do you know when your trust has been breached?
    a. What happens to indicate to you that you no longer have trust in the relationship?
    b. What types of behaviours indicate that the trust is gone?
    c. Does it happen all at once or is it gradual?
    d. Is it irreversible? If yes, why is that and is it always the case?
    e. If not, how can it be reversed? Can it ever the way it was before the breach?

6. Is trust important to you?
    a. Why or why not?

7. Is trust important in dealing with the financial sector
    a. Why do you need trust in the broker
    b. Why not, and what criteria do you use to make decisions about the security of your money or investment?

8. Has this level of trust changed over time?
    a. How long a period?
    b. Why and how did it change? What caused the change?

9. If your level of trust has declined, can the brokerage do anything to restore it?
10.
    a. If no, why not? How will that affect how you deal with them?
    b. If yes, can you be specific and describe what they can do?

11. If you no longer trust your financial institution, what mechanisms do you use to help you to make decisions?
    a. What has replaced trust in your decision-making process?
    b. What or whom do you now rely on to assess the information you receive to make decisions?

Appendix D

Interview Protocol for Financial Sector Insiders

1. When I say the word trust, what does that conjure up in your mind?
    a. What does it mean to you?
    b. What are the first thoughts that jump into your head when you hear that word?

2. How would you define trust?
    a. Can you come up with your own personal definition of trust?

3. Do you use different criteria for trust in a personal relationship vs trust in a relationship with an organization?
    a. If so, why and what is the criteria?
    b. If not, why not?

4. How do you know when you have trust in a relationship, whether it is a personal relationship or an organizational one?
    a. What do you look for to know whether there is trust in a relationship?
    b. What are the criteria you use to determine whether you are in a relationship of trust?

5. How do you know when your trust has been breached?
    a. What happens to indicate to you that you no longer have trust in the relationship?
    b. What types of behaviours indicate that the trust is gone?
    c. Does it happen all at once or is it gradual?
    d. Is it irreversible? If yes, why is that and is it always the case?
    e. If not, how can it be reversed? Can it ever the way it was before the breach?

6. Is trust important to you?
    a. Why or why not?

7. What level of trust do you believe that your clients or the public have in you or your institution?
    a. Do they trust your judgement and recommendations?
    b. What leads you to believe this?
    c. Has this changed over time?
    d. Why or why not? What tells you that there has been a change?

8. What should you or your institution do to build trust in you or your institution?
    a. Is this a goal worth striving for?
    b. Why or why not?
    c. What kind of behaviour or actions can you display which would build trust?

Appendix E

Interview Protocol for Regulators

1. When I say the word trust, what does that conjure up in your mind?
    a. What does it mean to you?
    b. What are the first thoughts that jump into your head when you hear that word?

2. How would you define trust?
    a. Can you come up with your own personal definition of trust?

3. Do you use different criteria for trust in a personal relationship vs trust in a relationship with an organization?
    a. If so, why and what is the criteria?
    b. If not, why not?

4. How do you know when you have trust in a relationship, whether it is a personal relationship or an organizational one?
    a. What do you look for to know whether there is trust in a relationship?
    b. What are the criteria you use to determine whether you are in a relationship of trust?

5. How do you know when your trust has been breached?
    a. What happens to indicate to you that you no longer have trust in the relationship?
    b. What types of behaviours indicate that the trust is gone?
    c. Does it happen all at once or is it gradual?
    d. Is it irreversible? If yes, why is that and is it always the case?
    e. If not, how can it be reversed? Can it ever the way it was before the breach?

6. Is trust important to you?
    a. Why or why not?

7. Is trust important in dealing with the financial sector?
    a. Why does an individual need trust in the broker
    b. If no, why not? What criteria would an individual use to make decisions about the security of his/her money or investment?

8. Has this level of trust changed over time?
    a. How long a period?
    b. Why and how did it change? What caused the change?

9. What role do regulators play in building trust in financial institutions?
    a. How do you think the public sees your role?
    b. Does this align with how you see your role?
    c. If there is a disparity, what do you think causes it?
    d. What can regulators do to change this?

10. If the level of trust has declined, can the regulators do anything to restore it?
    a. If no, why not?
    b. If yes, can you be specific and describe what they can do?

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