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# Trust Capital is an Important Component of Moral Capital

Katalin Illes and Ágnes Laáb

## Abstract

*The paper argues that whilst it is important to appreciate the contribution of technical, theoretical, tangible types of knowledge to education it is also important to appreciate that without the intangible aspects of reflection, mentoring, practice based initiatives and opportunities for character building, education will not fulfil its true potentials and will fall short in giving the support that current and future generations are looking for.*

*The authors base their discussion on the work of Kopatsy, the Hungarian economist, who claims that the multiplication of the four components of knowledge, morality, talent and effort show the size of the Intellectual Capital of the individual. It is argued that one's level of trusting is an important part of one's morality and as such can influence the Intellectual Capital of the individual and of the community.*

## Introduction

Knowledge creation, knowledge transfer and reports on innovative methods of education are frequently used themes of journal articles and conference presentations. Much attention is given to identifying the various dimensions of knowledge itself. Simmonds et al <sup>1</sup> suggest that knowledge comprises both 'information' (facts, axioms, symbols) and 'know how' (accumulated practical skills). In 1988 Drucker <sup>2</sup> envisaged the organisations of the 21<sup>st</sup> century as entities with high level of technological development with a structure in which everyone would have a clear idea of who they depended on and depended on them for information. One could say that Drucker's vision was correct as far as the technological enhancements are concerned. However, we can hardly fail to notice that organisations in general are still far away from the harmonious, supportive and responsible culture where information flows freely and people work in co-operating teams. There is a considerable gap between 'ideal' and the reality. The major source of the 'gap' is the lack of dependability that Drucker had talked about. When present, dependability and trusting can counterbalance the competitive tension between individuals, teams and the external environment of the organisation. Life in a competitive environment without dependable colleagues is stressful and rather bleak. Such a culture does not leave room for the organic growth of individuals, organisations and communities.

The authors in this paper bring examples and refer to business and management education however, the fundamental message of the paper is relevant to all areas of education. The authors believe that management education has a role to play in reducing the gap between the ideal and the current reality of organisational life by changing the ratio of tangible and intangible components of the curriculum and

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<sup>1</sup> Simmonds, P.G, Dawley, D. Ritchie, W.P and Anthony, W (2001) *An Exploratory Examination of the Knowledge Transfer of Strategic Management Concepts from the Academic Environment to Practising Managers* Journal of Management Issues, Fall 2001 Vol. 13. Issue 3. pp 360-376

<sup>2</sup> Drucker, P (1998) *The coming of the new organisation*, Harvard Business Review on Knowledge Management, Harvard Business School Press

this way creating opportunities for those who attend such courses to put the management related issues into a broader perspective of society and human life.

Tangible components of education are the elements of the curriculum that can be acquired and measured with the help of IQ (intelligence quotient) and intangible are the ones that are not necessarily acquired and measurable within the short term of a course however they help to develop the individual's character, emotional and spiritual intelligence.

Many writers on organisations notice the gap between the ideal and current reality and note that we are living in an age of 'discontinuity', or paradox, Peters<sup>3</sup>, Handy<sup>4</sup>, Cloke and Goldsmith<sup>5</sup>. It is also argued that organizations are not prepared for the social, economic, political, technological and organizational change that they are currently experiencing and will continue to experience.

Other writers<sup>6</sup> suggest that we need to take time and make sense of our activities and relationships in the workplace. Csikszentmihalyi<sup>7</sup> calls for the review of our intents in business and boldly states that "If the firms that employ an increasing majority of the population are driven solely to satisfy the owners' greed at the expense of working conditions, of the stability of the community, and of the health of the environment, chances are that the quality of our lives - and that of our children- will be worse than it is now."

Organisations in the 21<sup>st</sup> century are confronted with a fast paced and turbulent environment. External challenges from new technology have created a 'borderless' business environment, which in its turn poses significant challenges in terms of people management and organisational structures. Anyone trying to exist and prosper in the world of the 2007 workplace has a feeling that the key criteria for being able to handle the demands placed on them at work is the ability constantly to change or at least consider the possibility of changing in response to events in the internal and external environments. On the whole individuals are facing change at individual, team, project and organisational level without knowing with a great deal of certainty if they are heading in the right direction and doing the right thing.

Change is a natural part of life and it could happen more naturally in organisations if there was a trusting relationship and dependability at all levels. Change is a process where one is trading a 'certain present' for an 'uncertain future'. Trusting relationships create a sense of safety, a dependable support mechanism that helps individuals to overcome fears and uncertainties.

There is a call and desire for changing the workplace and for creating 'trusting organisations'. There is a growing body of literature that refers to trust as an important factor in healthy organisations. The word trust is often used and can be found on various check-lists; however, it is difficult to find meaningful definitions. Taylor's research<sup>8</sup> for example shows that the word 'trust' is used with a variety of

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<sup>3</sup> Peters, T. (1989) *Thriving on Chaos* London Macmillan

<sup>4</sup> Handy, C. (1996), *Beyond Certainty: The changing world of organisations*. Boston, Harvard Business school Press. And also Handy, C. (1998), *The Hungry Spirit: beyond capitalism: a quest for spirit in the modern world*. Broadway, New York.

<sup>5</sup> Cloke, K. and Goldsmith, J. (2002), *The End of Management*. San Francisco, Jossey-Bass

<sup>6</sup> Senge, Peter (1993), *Making Better Organisations*, *Business Ethics*, March-April, pp17-20. and also Weick, K. E. (1996). *Sensemaking in organizations*. Newbury Park, CA: Sage.

<sup>7</sup> Csikszentmihalyi, M. (2003) *Good Business, Leadership, Flow and the Making of Meaning*, Hodder and Stoughton p.3.

<sup>8</sup> Taylor, R. (1989) *The Role of Trust in Labour-Management Relations*, *Organisations Development Journal*, Summer, pp.24-33

meanings, yet the conceptual papers do not seem to be able to explain the elements and the true essence of trust, nor do they offer any examples as to how to move towards developing this idea of trust at a practical level.

In this paper trust is defined as action<sup>9</sup>. The authors argue that trusting relationships are fundamental to a meaningful, balanced human life. Trusting is a process and it changes through the life experiences of the individual. Trusting as a process takes an internal view of trust. This paradigm has been with us since Plato and Aristotle who argued that ethical behaviour and virtue are the foundations of democratic society. Rather than looking at the external world for trust, a process is suggested that starts internally with the intent of the individual. Trust is a result of the intent shown in other people's action and behaviour.<sup>10</sup>

By taking a broader, more global approach to life long learning and education enable us individually and collectively to make more responsible choices and shift of focus towards shared responsibility, mutual benefits and sustainable growth. The growing demand for this shift of focus provides a real challenge and creates competitive tension for business and management educators who are expected to equip first time and returning students for coping with the dilemmas and paradoxes of the workplace.

Management education in its current form provides plenty of opportunities for the acquisition of tangible knowledge. There is no shortage of support for those who buy into the ideology that promotes financial and material success as a measurement of human worth and value. However, management education in general falls seriously short of providing opportunities for soul searching and finding purpose in life. It falls short of providing an environment for exploring the broader context of human life where one could test the emerging thoughts on ethical issues, paradoxes and dilemmas of every day life. Character formation, the development of virtues seems to fall outside the remit of management education<sup>11</sup>. It can be argued of course that character is formed in the family and throughout primary and secondary education and by the time one enters tertiary education profession specific technical knowledge is all that is needed.

The authors have had many opportunities to observe struggling students with excellent grades who were lost in the moral dilemmas of organisational and social life. These students were searching for an inner compass, a fundamental set of principles that they never had an opportunity to explore let alone articulate.

Various authors have called for a fundamental review of management education<sup>12</sup>. Some have argued that our traditional educational approaches are deeply rooted in a mechanistic view of management evoking the illusion of control and predictability<sup>13</sup>, whereas daily experience in the workplace shows that events are

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<sup>9</sup> Illes, K ( forthcoming in 2007) *Trust*, Philosophy of Management, formerly Reason in Practice see also Illes, K and Krishna, R. (2007) *Factors of Trusting in International Business*, British Academy of Management Conference, International Business Track, Warwick

<sup>10</sup> Illes, K. and Platts, J. (2006) *Building Trust through Business Education*, 13<sup>th</sup> EDiNEB International Conference, Leading Innovation in Global Education and Training, Track 2: Achieving Excellence in Global Business Education

<sup>11</sup> Wall, S., Platts, J. and Illes, K. (2007) *Choices and Responsibilities, A Human Centric Approach to University-Industry Knowledge Transfer* British Academy of Management Conference, Warwick 2007

<sup>12</sup> For example: Mintzberg, H.1994. *The Rise and Fall of Strategic Management*. Harvard Business Review. Jan/Feb. 1996; Senge, P.M.1990 *The Fifth Discipline*. Random House Business Books; Hock, D. (1999), *Birth of the Chaordic Age*. San Francisco, Berrett-Koehler.

<sup>13</sup> Berends, P. & Glunk. U. 2006. *Personal Mastery in Management Education*

*The case of a personal development trajectory in graduate education*. Paper presented at the 13<sup>th</sup> EDiNEB Conference, June 2006 Lisbon, Portugal

not necessarily predictable or controllable. Even the deployment of increasingly sophisticated information and decision support systems cannot take away the need for human judgment in a social context.

Some management educators have therefore started to engage in a more serious debate as to how to prepare individuals and organisations to make sound human judgments as regards decision making. Most of the textbooks treat the subject of management and management development in a highly detached way, focusing on a variety of sophisticated, often quantitative techniques to yield 'optimum' solutions and often prescriptive training programmes to further the attainment of technical competencies by position holders. This suggests that the manager as a person is not of primary importance to managerial effectiveness. Practice, however, suggests the opposite. Success in managerial or leadership roles depends to a great extent on the level of maturity, growth, self-awareness and personal mastery<sup>14</sup> (Covey, 1992, Platts, 2003) of the individual. Business Schools, arguably, still need to come to terms with these facts, and redesign the curriculum in ways which provide opportunities for self-discovery, personal development, reflection, questioning, individual growth and projects which would allow the individual to look beyond herself.

### **Kopatsy's Model of Intellectual Capital**

In the knowledge economy creativity, problem solving, the ability to transfer knowledge, trust in success and openness to new ideas are considered to be the key competitive advantages.<sup>15</sup> Most of these are social competencies because they can only be developed through human interaction. In the 21<sup>st</sup> century it is particularly important for a leader to collaborate and motivate others for collaboration. When team members work together there is a synergy, a special energy flow. This energy has two sources: it either comes from the interaction of the members or from the intellectual capital of the individuals.<sup>16</sup> The level and size of the synergy among team members is determined by the level of trust or distrust between the team members. The quality of the individual's synergy is determined by the individual's intellectual capital. In this paper the authors follow Kopatsy's model of Intellectual Capital and discuss primarily the moral capital component of the model.

Sandor Kopatsy<sup>17</sup> is a Hungarian economist with international reputation. He has published several books and hundreds of journal articles on many aspects of economics including issues in agriculture, monetary policy, taxation, the role of SMEs, education and health care in the economy. He has also written about the relationship of economic prosperity and social well being in society. In his conference paper <sup>18</sup> *A szellemi vagyón mindennél fontosabb* (The intellectual Capital is the most Important) he argues that 'Intellectual Capital' cannot be treated and measured in the same way as tangible properties.

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<sup>14</sup>Covey, S. R. 1992. *The Seven Habits of Highly Effective People*. London: Simon&Schuster and also Platts, J. 2003. *Meaningful Manufacturing*. York, England : William Sessions Limited

<sup>15</sup> P. F. Drucker: Önmagunk menedzselése. HARVARD BUSINESS manager 2/2000. p. 7.

<sup>16</sup> Laáb, Á. (2007) *Ga(rá)zdálkozás a szellemi vagyonnal* (Managing or Ravaging the Intellectual Capital), TIPOTEX-BME, Budapest

<sup>17</sup> Many of his articles are available on [www.kopatsy.hu](http://www.kopatsy.hu)

<sup>18</sup> Kopátsy, S. (1999) *A szellemi vagyón mindennél fontosabb*, A kecskeméti Alföldi Konferencián született gondolatok, 20th August 1999

In Kopatsy's view social development, particularly the growth of Western societies over the past 500 years is the result of the harmony between society's needs and its Intellectual Capital. Although no one denies that the Intellectual Capital is an important factor of political and economical life society treats intellectual wealth as any other resource. However by their nature the four components of Intellectual Capital: knowledge, morality, talent and effort are not resources in a traditional sense. They cannot be purchased or acquired by someone else. It can only be employed or rented and used effectively when there is a common interest for the owner of the Intellectual Capital and the individual or organisation that employ it.

### **Intellectual Capital = Knowledge X Morality X Talent X Effort**

Kopatsy claims that each of these components is equally important and when all four are present with a positive sign they can magnify and multiply each other. If any of these components is missing the total intellectual capital will be zero. He claims that only the multiplication and not the sum of the components will show us the size of the Intellectual Capital. In accordance with the law of multiplication when one factor is zero the product will also be zero. In our case it means that when there is zero knowledge, zero talent or zero effort the Intellectual Capital is also zero. But it is also zero when there is zero moral intent.

Kopatsy explains the four components in the following way:

- a. *Knowledge* is only valuable for society when it appears with right morality. With wrong morality knowledge causes only harm to society. When there is no talent knowledge on its own is meaningless. Without effort one cannot achieve a lot even though there is knowledge, right morality and talent. So knowledge in itself is not a value. It is made valuable by the other three components of the equation.
- b. *Morality (Moral intent)*. Morality is considered to be valuable for society only when it comes with knowledge, talent and effort. Wrong intent causes damage to society. The higher the talent, the knowledge and the effort the bigger the damage when it is combined with bad moral intent.
- c. *Talent* is only valuable when the owner of the talent is able to guide it by knowledge and combines it with good moral intent and effort. A society loses most when its talents are not developed properly and are not equipped with right morality and effort.
- d. *Effort* has become the main virtue in modern society. Effort also includes ambition, initiative and enterprise. In modern societies the majority of the lower strata consist of people who lack effort. It is easy to accept that without effort for example it is not possible for the talent to show outstanding results.

It is even more important to point out that three of the four factors can only be positive as their starting point is zero. On the other hand morality can be negative as well as positive. Consequently Intellectual Capital can only be positive and add value to society when it is accompanied by good moral intent. On the other hand the more educated the more talented and more diligent the individual but has bad moral intent, the bigger the damage to society.

### **The Impact of Positive or Negative Morality on Intellectual Capital**

Morality is the idea that some forms of behaviours are right, proper, and acceptable and that other forms of behaviours are bad or wrong, either in your own opinion or in the opinion of society.<sup>19</sup>

An ethic of a particular kind is an idea or moral belief that influences the behaviour, attitudes, and philosophy of life in a group of people.<sup>20</sup> The word ethic comes from the Greek 'ethos'. The verb 'etheo' means first of all to filter through, to examine something. The Greeks believed that one's destiny and journey in life can be discovered from human nature. The second meaning of the verb is to stretch toward something, to strive for something. The Greeks believed that humans were naturally moving towards the manifestation of the 'divine sketch' that the 'Gods dreamt of them' and willingly or unwillingly they had to fulfil. In this respect one behaves with morality when he gradually fulfils the 'divine dream' that was personally meant for him. Repeated activities lead to reasonably stable behaviours. This is why in certain Greek dictionaries 'ethos' means habit, manner, etiquette and so on. These meanings approach ethics through external characteristics. Although this is one sided it can be argued that the external signals the internal qualities.

Turay <sup>21</sup> suggests that the first meaning of 'ethos' that refers to the divine sketch and its human manifestation covers more fully the meaning of morality.

Spinoza also follows this definition and argues that morality is the most important manifestation of human nature. He believes that some manifestations are in line while others are opposite to human nature. Spinoza gives joy a supreme place in his anthropological-ethical system. "*Joy he says is man's passage from a lesser to a greater perfection. Sorrow is man's passage from a greater to a less perfection.*"<sup>22</sup> In order not to decay, we must strive to approach the 'model of human nature', that is we must be optimally free, rational, active. We must become what we can be. This is to be understood as the good that is potentially inherent in our nature. Spinoza understands 'good' as "*everything which we are certain of a means by which we may approach nearer and nearer to the model of human nature we have set before us*"; he understands 'evil' as "*on the contrary ... everything which we are certain hinders us from reaching that model. Joy is good, sorrow, sadness, gloom is bad. Joy is virtue; sadness is sin. Joy, then is what we experience in the process of growing nearer to the goal of becoming ourself*".<sup>23</sup>

The Hungarian poet Sándor Weöres explains perhaps even more clearly what it means to fulfil one's human nature and morality: "*Virtue is all that is equal to the eternal measure and lifts you towards completeness; sin is all that opposes the eternal measure and distances you from completeness. One who has reached completeness becomes one with the eternal measure and has no virtue or sin any more. He becomes similar to the fire. The light is not the virtue of the fire but it is its nature. Similarly one who has achieved completeness has the eternal measure not as a virtue but as part of his nature. In completeness there is no good and bad, no merit and mistake, no reward and punishment*".<sup>24</sup>

In this respect one can argue that the reluctance to do good is immoral and has a negative sign. Intellectual capital can only be positive that is, value to society when it is accompanied by a moral disposition and a tendency to do good. Reluctance to do good is immoral because the individual is tempted to use his

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<sup>19</sup> Collins Cobuild (2004) *English Language Dictionary*, HarperCollins Publishers p.937

<sup>20</sup> *ibid* p.480

<sup>21</sup> Turay Alfréd: Az ember és az erkölcs [www.theol.u-szeged.hu/konyvtar/etika/alap.htm](http://www.theol.u-szeged.hu/konyvtar/etika/alap.htm) - 1k

<sup>22</sup> Quoted in Fromm, E. (1997) *To Have or To Be?* Continuum p.97

<sup>23</sup> *ibid* 97

<sup>24</sup> Weöres Sándor: A teljesség felé: Az erkölcs III. 28. oldal

talent, effort and knowledge to harm, damage or destroy himself or the people and nature around him. Someone with a bad morality is particularly dangerous to society when he is talented, knowledgeable and puts effort into his negative behaviour.

## **The Influence of Trust and Distrust on Moral Capital**

When two or more people have a common goal and use their knowledge, talent and efforts to achieve that goal they are capable of 'moving mountains'.

How is it possible that in a group one person feels unbearably uncomfortable and in the meantime another person is able to build trusting relationships and work with others in harmony experiencing personal growth in the process?

How is it possible that someone feels totally paralyzed in one group and unable to perform well even at a basic level and the same person in a different group is enthusiastic, tireless, interested and contributes to the team achievement way beyond his individual capabilities?

The answer to these questions is in the magic energy flow or synergy that is present between members of the team. It would be a mistake to assume that synergy is always positive, although it is usually used in a positive context.

The outcome of teamwork can be positive, zero or negative depending on the contribution of the individuals and the overall level of performance in the team.

It is easy to observe situations when individuals, families, work communities or companies enter into the 'who conquers who' game and spend their energies on rivalry and opposing emotions. In this process the opposing energies extinguish each other and the outcome is often zero or a Pyrrhic victory<sup>25</sup>, that is not in proportion with the losses of the two sides.

In a bad workteam the synergy is negative. The reason for it could be the task itself or the method of work or that the members of the group are not capable of collaboration.

The development of synergy or the lack of synergy depends on the level of trust among the members<sup>26</sup>. Creating a trusting team is one of the biggest challenges. Drucker argues that trusting someone does not necessarily mean that you like that person.<sup>27</sup> He suggests that trusting means mutual understanding. Huxham and Vangen<sup>28</sup> on the other hand believe that the foundation of trust is mutual in-depth knowing. In their view this is the reason why it is particularly challenging for people to work together when they did not know each other before the beginning of a project. It takes time for a team to develop. The process can be nurtured but cannot be rushed.

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<sup>25</sup> Pyrrhos was the king of Macedonia who conquered the Romans in 279 B.C. After the battle of Ausculum he made the following statement: "One more victory like this and I shall have no more soldiers." (This is the origin of the expression 'Pyrrhic victory').

<sup>26</sup> Laab, A. „Mennyit érsz csapatjátékosként a cégednek és önmagadnak?" (What is your value as a teamplayer to the company and to yourself?) [www.laabagnes.hu](http://www.laabagnes.hu)

<sup>27</sup> Drucker PF, (2006) 'What executives should remember', Harvard Business Review, February 2006, pp.144-153

<sup>28</sup> Huxham, C. and Vangen, S. (1996) *Working together: Key themes in the management of relationship between public and non-profit organisations*, in International Journal of Public Sector Management Vol 9 No 7



Tom Marshall <sup>29</sup> notes that trust is very fragile and once it is damaged or lost it is very difficult and time consuming to restore. When we trust someone we voluntarily make ourselves vulnerable. It means that trust cannot be demanded it can only be given.

There is no universally accepted definition for trust. It fascinates us, yet it is a complex phenomenon with many intangible qualities that we can observe but cannot necessarily define or categorise. Trust means unlimited liability relationships. Power based relationships, on the other hand, signal limited liabilities. As a key component of successful and lasting relationships it arises in a variety of contexts – in a wide range of disciplines including psychology, sociology, organisational behaviour and culture studies, just to name a few. Trust is often defined by its absence.

It is a standard part of organisational checklists and labelled as a ‘must have’, ‘should have’ or ‘important to have’. Research articles tend to look at the external facets and characteristics of trust.<sup>30</sup>

The authors suggest a more inward looking and more active definition to trust. Rather than looking at the external world of trust, we suggest a process that starts internally with the intent of the individual. We suggest that trust is a result of experience of other people’s active demonstration of good will.. Trusting is a process rather than something you ‘have’. So we are emphasising trust as a verb rather than as a noun.

The ability to trust is the first and most basic stage of personal development, which is well documented and researched in child psychology.<sup>31</sup> We first experience and learn to love and have confidence in other people’s intent. Through these experiences we start developing trust and distrust during the early years of childhood. This development is a direct outcome of parental inputs. These experiences then go on to shape the future stages of our personal development. Our early experience of goodwill is an experience that we use as an internal reference point when we trust or distrust others. Goodwill is practical rather than theoretical and it is rooted in intent. For example: my intent is to serve, to create, to give. I sustain this as my practice in life; I radiate goodwill. And such practice results in trust.

In other words, trust is a response. Once present, it is a lubricator but it is not itself a cause. When we look at trusting as a process, we start to think about our own intent. At this level, trusting becomes a practical and personal issue for the individual. Putting it very simply, if there is no trust around me I can always ask myself two questions: How have I contributed to the lack of trust? What can I do to change my relationships into trusting ones? This approach creates a proactive and responsible attitude to our environment, and also places some of the responsibility for a trusting atmosphere on individuals, rather than on ‘the organisation’ in the abstract.

This concept moves away from the various sociological frameworks of trust such as Parsons’ model of trust as social integration; cooperation as claimed by

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<sup>29</sup> Marshall, T. (2004) *Trust, Sovereign World*

<sup>30</sup> for a more comprehensive overview see: Illes, K (2007 forthcoming) *Trust, Philosophy of Management*

<sup>31</sup> Erikson, E. H. (1963) *Childhood and Society* and also Erickson, E.H (1968). *Identity, Youth and Crisis*, W.W. Norton and Company Ltd.

various rational choice theorists; and complexity reduction, as claimed by Luhman<sup>32</sup>.

Although Barbara Misztal<sup>33</sup> has integrated the various functions of trust identified by previous researchers and came up with the following systematic model her model is still a static list that might help identifying or desecting trust as an abstract concept but will not necessarily help inhancing the level of trusting in a practical sense.

Trust	What does it do?	How does it do it?
		Habit/ routine
Trust	Makes things predictable	Living up to a reputation
		Remebering
		Family
Trust	Brings us together	Friends
		Society
		Solidarity
Trust	Helps us work together	Toleration
		Legitimacy

Adopted from Misztal, B. Trust in Modern Societies, p. 101

The cost of trusting is vulnerability as we voluntarily choose to give up our control and depend on someone else's judgement in a situation. Trusting or being trusted have also got an element of responsibility. We can only depend on someone's trustworthiness in a given situation if we know, accept and act according to the rules of trusting. Conscious and thoughtful trusting has to be met by conscious and thoughtful trustworthiness. If we want to trust we need to be trustworthy. If we want to trust someone that person has to take seriously the responsibility of trustworthiness. However, it is unlikely that someone will take on such a commitment when he sees that we personally do not take our commitments seriously. If we do not take seriously the question of trustworthiness then we shall find it difficult to believe that others do, so we shall be reluctant to trust.

Accepting someone's trust is a responsibility. If we accept someone's trust then we are responsible for the outcome even when it is not a positive one. Leadership for example is a trust based position. When a leader accepts the trust of others he becomes accountable to those who gave him their trust.<sup>34</sup>

Whether the capacity to trust is there in someone depends both on the individual's aptitude and character. The aptitude depends on the presence or lack of the other three components of the intellectual capital ( knowledge, talent and effort). The deficiencies of aptitude can be improved. For example the mistrust that is caused by lack of knowledge can be overcome by the acquisition of the right amount of knowledge. Most of the mistakes that are caused by the shortcomings of our skills or aptitude can be corrected. However if we are unable to learn from our mistakes then the problem is more in our character than in our aptitude or skills. The strenghts of character and the character defects are part of one's moral capital. It is a known fact that someone's character does not change easily or quickly.

<sup>32</sup> Luhman, N (1968) *Vertrauen*, Lucius & Lucius, Stuttgart

<sup>33</sup> Misztal, B. A. (1996) *Trust in Modern Societies*, Polity Press, Cambridge

<sup>34</sup> Marshall, T. (2004) *Trust, Sovereign World*

Situations of change and crisis do not improve one's character, they only highlight the existing elements of it.<sup>35</sup>

The level of trust or distrust within someone's character depends on our early childhood experience of the world. We have already referred to the work of the psychologist Erik Erickson in this context. Let us now reinforce the same line of argument with the help of the Hungarian writer, Sandor Marai<sup>36</sup>. Marai in his novel, *Embers* argues that people who have been surrounded by love and trust from an early age relate to life as if the gods have put a magic ring on their fingers. This is the utmost gift that one can get in life that manifests itself in a deep inner feeling of being safe and secure in the world. This gift is the foundation of a trusting character and someone with trusting experiences in his life is more prepared to radiate trust to others. On the other hand those who had primarily negative and bitter experiences are more inclined to be distrusting towards others. They are often envious and jealous of those who are positive, joyful and successful around them.

It is very difficult, often impossible to build trust with someone who is distrusting towards everyone and everything including himself or herself. As one's balance of trusting and distrusting is primarily not a conscious decision trying to persuade someone to trust contrary to his conviction is a rather hopeless activity. For a distrusting character it is a norm that people are untrustworthy and the world is a dangerous place. Sometimes it is easier to let go of a group member with a permanently negative, distrusting outlook on life, than trying to change his character. To use a business example here Jim Collins<sup>37</sup> argues that outstanding leaders start their work not with strategies but with people. They get the right people on the bus, move the wrong people off, usher the right people to the right seats - and then they decide where to drive it.

Both of the authors have been working in education for a long time and they both believe that even though sometimes we are hurt, sometimes we are taken advantage of it is still a better investment to have a trusting outlook on life. If we take a group of 40 university students in a class and give them our trust and support believing in their honesty then at the time of assessments there will be one or two students who will be untrustworthy. However, if we assume that students take every opportunity to cheat then half of the group will indeed cheat and try to live up to our expectations. This phenomenon is known in psychology as the Pygmalion effect.<sup>38</sup> The moral of this example is that although sometimes trust is betrayed and one can get hurt it would be a shame to magnify these experience and act suspiciously and distrustingly in the future. It is a much better strategy to be grateful for our positive outlook on life and feel pity and compassion towards those who seem to be unable to get out of their distrusting, suspicious, negative mindset.

## Conclusion

In this paper we discussed Kopatsy's model of intellectual capital and focused on the moral component of his equation.

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<sup>35</sup> Laáb, Á. (2007) *Ga(rá)zdálkozás a szellemi vagyonnal* (Managing or Ravaging the Intellectual Capital), TIPOTEX-BME, Budapest

<sup>36</sup> Márai Sándor: *A gyertyák csonkig égnek* (*Embers*) Helikon Kiadó Budapest, p.112.

<sup>37</sup> Collins, J. (2001) *Level 5 Leadership*, Harvard Business Review January, 2001 pp68-76

<sup>38</sup> In Greek mythology Pygmalion was the king of Kypros who carved a beautiful girl out of ivory. The statue was so beautiful that he fell in love with it and prayed to Aphrodite, the goddess of love to make the statue alive. Aphrodite turned the statue into a human girl fulfilling Pygmalion's desire.

We believe that although all components are equally important we need to pay particular attention to morality. Knowledge, talent and effort are attributes that are either present or not, their starting point is zero and they can be developed.

We paid particular attention to trust as a key contributor to one's moral capital. Someone's trust capital will influence his or her moral capital. It was suggested that a trusting attitude can make a positive contribution to someone's character and morality. On the other hand a negative, mistrusting outlook on life can negatively influence someone's moral capital.

Some aspects of mistrusting can be cured with the help of further knowledge and extra effort however when mistrusting stems from someone's character the challenge is much bigger and the outcome is not necessarily positive.

Negative trust capital is rooted in someone's character defects. These defects feed the individual's tendency to pessimism, envy and jealousy. This kind of mistrust is very difficult or impossible to cure and turn it into trusting.

Morality on the other hand can be both positive or negative. It was argued in the paper that the higher the knowledge, talent and effort but combined with negative morality, the more damage the individual will cause to himself or to society.

It is the task of educators to highlight the importance of personal development and self-discovery. Societies will have considerably higher Intellectual Capital when they create a culture where the conditions for fulfilling individual potentials are present. Csikszentmihalyi<sup>39</sup> suggests that the fulfilment of one's potentials depends on two simultaneously present processes. The first is the process of differentiation, which involves realizing that we are unique individuals responsible for our own survival and well-being, who are willing to develop this uniqueness wherever it leads, while enjoying the expression of our being in action. The second process involves integration, or the realisation that however unique we are, we are also completely enmeshed in networks of relationships with other human beings, with cultural symbols and artefacts, and with the surrounding natural environment. *"A person who is fully differentiated and integrated becomes a complex individual - one who has the best chance at leading a happy, vital and meaningful life."*<sup>40</sup>

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<sup>39</sup> Csikszentmihalyi, M. (2003) *Good Business, Leadership, Flow and the Making of Meaning*, Hodder and Stoughton

<sup>40</sup> *ibid* p.29.