

References

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PII: S0969-5931(97)00054-1

Trust: The Social Virtues and the Creation of Prosperity

Francis Fukuyama

New York: ~~Free Press~~, 1994, US\$15.00. ISBN 0-684-82525-2

Fukuyama's book is not only a best-seller; it is also a contribution to comparative management. The cultural perspective constantly inspires the author who wants obviously to make a landmark contribution by highlighting the social values that facilitate economic prosperity, namely reciprocal trust between economic players. Although Fukuyama decides not to distinguish between social and cultural values, his work has clearly a comparative perspective since he chooses to compare countries/societies while avoiding to fall in the trap of the stereotypical opposition between the East and the West. Fukuyama's book appears from the very start as well documented. It is a large-size scholarly enterprise supported by a team of research assistants. The notes, from page 363 to page 420, explain both sources and interpretation of data for the 31 chapters.

The first part of the book, entitled 'The Idea of Trust', posits the role of trust in economic life. Fukuyama defines trust as 'the expectation that arises within a community of regular, honest, and cooperative behaviour, based on commonly shared norms, on the part of other members of that community' (p. 26). In this respect, a basic problem for economic activities is that the best partners are not necessarily kin-related ones, and therefore a major issue is to develop trust between business partners who are not related to one another, especially by family or ethnic links. Chapter 2 offers an intelligent criticism of neo-classical economics, whose model of rational, self-interested human behaviour is, according to Fukuyama, only 80% correct. Fukuyama returns to Adam Smith who, he argues, well understood that economic life is deeply embedded in social life and cannot be understood apart from the customs, morals, and habits of the society in which it occurs. In short economic life cannot be divorced from culture, and that is why this book is a significant contribution regarding culture and international business.

Fukuyama explains the role of trust in the building of large organizations which have the scale to achieve cost competitiveness and develop managerial competencies that allow them to compete successfully on the global market. In low-trust societies (archetypes for the West: France and Italy; and for the East: China and Korea) the state must intervene to create large organizations that private economic actors are reluctant to build. But the resource allocation process is less efficient when it is managed by the state than by private organizations. In the two last chapters of this part, Fukuyama develops a sort of post-Weberian perspective, commenting on the influence of religion on the capacity to generate reciprocal trust, and showing that the art of association is strong both in Japan and the

United States (prototypes of high-trust societies, along with Germany). This anti-stereotypic view holds that the United States are not really an individualistic country while Japan would neither be typically collectivist. This new, and unusual grouping of nations is not always fully convincing.

Part two examines the case of low trust societies, arguing basically that strong family values may be a deterrent for the development of trusting business relationships with outsiders. Successive chapters portray each one of the prototypic low-trust societies: China, France, Italy and South Korea. The chapter dedicated to France depicts the harsh conflicts between opposite economic groups, especially labour and management; its in-depth analysis is really sound and well informed. I am not an insider of the Korean context, but the chapter dedicated to South Korea offers also interesting insights. It portrays Korea as influenced by its two large neighbours, China and Japan, and shows that, although Korean *Chaebols* follow the Japanese *Zaibatsu* model, the low-trust orientation remains prevalent in Korea because the familistic orientation of the South Korean society follows the Chinese model.

Part three comes in stark contrast to the previous one because it describes high-trust societies: chapter 13 sets the tone by speaking of 'friction free economies'. Fukuyama argues that although the three prototypical societies, the United States, Japan, and Germany share high-trust economic contexts, the sources of this 'social capital', built on the capacity to trust others beyond kin, are different for each country. For instance, in contrast to France and Britain where many of the milestones of the industrial revolution were marked by the destruction of the guilds, Germany has been able to protect them as well as many forms of industrial and professional associations that appear as strong bases for the development of non-kinship based trust. Among the ten chapters in this part, four are dedicated to Japan and five to Germany.

The United States, although traditionally a high-trust country, is also, according to Fukuyama, facing a crisis of trust. For a non-US reader it is clearly the least interesting part in the book. Fukuyama undertakes a thorough analysis of the influence of the multicultural nature of the American society on the development of trust both within and across ethnic groups. This part, as the whole book, is well documented. He explains, for instance, the black community's poor economic performance by its low capacity to create communal links. Although courageous, his analysis is, in my view, curtailed by the harsh necessities of political correctness which impose some limits on the freedom of speech of American intellectuals.

The last part is a short conclusive one (pp. 325–262) which assembles, and in fact partly repeats what has been presented previously. Fukuyama has a real sense of the formula: the title of his last chapter, 'the spiritualization of economic life' gives a good summary account of his global argument: 'spontaneous sociability' has consequences that are not easy to capture in aggregate income statistics. Human beings are 'at the same time narrowly selfish individuals and creatures with a social side who shun isolation and enjoy the support and recognition of other human beings' (p. 355). The best in this book is precisely its capacity to draw the attention to the importance of creating social capital as a key input for economic prosperity. It may be an important message for comparative management especially in terms of theory building. Trust is a key construct in business interactions and Fukuyama's book has the immense merit of drawing our attention to different levels of trust and bases for trust across societies. His broad view of the reasons for economic performance at society level is based on soft facts, sometimes at the expense of hard facts. Some tables, such as that on page 163, presenting aggregate industrial concentration in major economies as a share of the 10 or 20 leading firm employment in total employment, are obviously false. The book is a little bit weak on supporting data; sources are not always properly checked, and generally facts are used when they are supportive of the thesis, and forgotten if they do not support it. Because it is written for a large audience, Fukuyama has been somewhat obliged to simplify his approach, contrasting sharply low and high trust societies. For the purpose of clarity, he has been probably obliged to avoid mentioning data or facts that may falsify his thesis. Fukuyama's book conveys a message for individuals, for organizations, as well as for nations, especially for the United States. However, how the level of trust can be increased in a society where it impedes the development of business is not really answered by Fukuyama.

J-C Usunier
Université Louis-Pasteur
Strasbourg, France