Viewing Organizational Trust and Internal Auditing

The Institute of Internal Auditors Dallas Chapter
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Trust is an essential component for business to be conducted. Trust, although intangible, is related to understanding interpersonal and group behavior, managerial effectiveness, economic exchange and social and political stability. Max Weber (1930) in discussing capitalism claimed that the exchange of goods and services "is possible only on the basis of personal far-reaching confidence and trust." Trust can also be considered a "public good," necessary for the success of economic transactions and Adam Smith's "invisible hand" may best characterize trust.

In light of the recent corporate financial scandals of Enron, WorldCom,….and its most infamous outcome: Sarbanes-Oxley, organizational trust has become more important than ever. While the passage of SOX does focus some attention on the trust issue, it seems short-sighted to view trust as a byproduct or reaction of SOX, when the implications of trust go far beyond that. While most publicly traded companies and their internal auditing functions have been focusing on compliance with Sarbanes Oxley for the past year or so, there are larger trust issues that should be considered.

Additionally, the corporate scandals and the related passage of Sarbanes-Oxley have increased public focus on the internal auditing profession. Internal auditing presents an excellent context in which to consider trust issues. Internal auditors are internal members of the organization and, are also members of the larger accounting profession. Auditing is an integral part of the accounting function, and the word audit is highly correlated to the attest function. Reliability, correctness, and completeness are all adjectives associated with the word audit. The word audit is the foundation of the accounting profession, and significantly included in the title "Internal Auditor."

At the core of any profession are the individuals who belong to that profession, and professions exist to promote their integrity and trustworthiness. Internal Auditing, along with most professions, has a code of ethics and a set of standards of practice as components of their professional integrity. Professional standards and codes of conduct are intended to reinforce the integrity (trust) of their members and to provide guidance for those members. But professions and organizations are made of up individuals, and adequate consideration of the individual is largely missing in discussions about trust, ethics and SOX, which are largely questions of policy. Yet it is individuals that will make or break the success of most ventures, including SOX. A prime example of this is Sharon Watkins of Enron and her letter to Kenneth Lay regarding their accounting practices.

This paper explores the issue of organizational trust for Internal Auditing against the backdrop of corporate compliance with SOX. The focus is on upper management since their position has the widest influence on the greatest number of stakeholders. Management heavily influences operations, as well as the board of directors, and even the internal audit function. The markets, of which SOX is a part of, have indicated they want a higher degree of assurance and accountability from top management. The "invisible hand" of the markets has facilitated and fostered adaptation and change via SOX and related actions, while simultaneously reassessing (upward) the value of the internal auditing function and its contribution.

According to the Institute of Internal Auditors (www.iia.org, 2002), internal auditors are "business generalists," working in partnership with management, who specialize in efficiency and effectiveness for the good of the organization and its shareholders. Trust is a necessary component to the success of any relationship, including the ultimate success of compliance with SOX. The SOX window of opportunity offers some unique considerations for internal audit introspection regarding organizational trust-as employees and professionals.

Defining Trust

Trust is a complex concept. It is multi-dimensional, multi-layered, and exists in almost every economic event. Even in the simplest of relationships, the dynamics of trust can be complex. The current business environment is heavily influenced by globalization, the Internet and information technology. The Information Age has increased asymmetry of organizations and actors correspondingly with political, social and business volatility. There is not much time for the natural development of trust based on incremental investments and social or character similarity.

However, trust is a necessary antecedent for cooperation and leads to constructive behavior vital for relationships (Barney, 1981). Trust is vital for innovative work within the organization (project teams), between organizations (strategic alliances, R & D partnerships), and even between the auditor and the audited. The audit relationship provides a good overview of trust and its workings, although often disguised as compliance. The evolution of accounting and auditing (both internal and external) has included various forms of "trust" along with increased governmental/market attempts to curb opportunism in commerce. Some examples include: creation of Securities and Exchange Commission, The Federal Deposit Insurance Corporation, Foreign Corrupt Practices Act, and Sarbanes Oxley. The accounting profession has produced various professional standards of compliance, such as Statements on Auditing Standards, Statements for Professional Practice of Internal Auditing, and so on. Various linguistic bites have become part of the structure of the profession: "integrity of management," "system of internal control," "material misstatement," "control objectives," "tone at the top" and so on.

Yet, trust is a word seldom used by accountants and auditors. Check the index of any accounting textbook and you will not find the word "trust;" however, you will find the following words (and more): analysis, assurance, attestation, compliance, test and so forth. Ergo, an argument could be made that auditors do not trust, they test evidential matter and rely on their findings to guide them. Nevertheless, trust is implicit in each and every aspect of the auditor's life, and perhaps trust is short-changed because compliance is considered the "gold standard."

The trust relations involving an internal auditor are legion. As stated previously, trust is a dynamic and complex construct, and is heavily dependent on the contextual situational factors. Any internal auditor, at any point in time, has multiple forces (of which the auditor may be largely unaware of) influencing their actions: external and internal forces, rational/emotional forces, personal/professional forces, employer/employee forces, implicit/explicit, economic/political forces, … and so forth. Education, experience and professional standards assist the internal auditor in coping with these forces and facilitate the upholding of "legitimate" audit objectives. Nevertheless, testing and standards are risk-reducing mechanisms, and thereby related to trust, but in and of themselves, are not trust builders.

Frequently participants in business relationships have different skills, resources and knowledge. Internal auditors and their co-workers will have perceived or believed dissimilarities in values, goals, time-horizon, decision-making processes, culture and strategy which imply barriers for trust and cooperation to evolve. These barriers are risks complicating and increase the normal financial/market risks associated with business decisions. Natural trust creation is constrained as personal and process sources of trust are limited due to participants different cultures and process sources of trust (Zucker, 1986). In organizational relationships the basis of trust must be extended beyond personal and individual relationships. Considerable rewards may be gained, but the players face considerable risks. In today's world, business relations may have to be decided almost "overnight" and many are of a temporary nature. Previous research on trust shows that trust develops gradually and a common future is a strong motivator for a trusting relationship (Axelrod, 1984).

Moreover, to study organizational trust there must be a synthesis of what is known of the creation and experience of trust. Trust, as a cognitive structure, is largely linked to the individual. It is important to distinguish the different levels of trust relationships that exist. The possibilities include: individual-individual, individual-group, individual-organization, individual-society, group-organization, group-society, and organization-society simultaneously within any business environment. The passage of SOX and other authoritative rules have increased the complexity of the relationships. The mix contains all the prior requirements, including, but not limited to: Generally Accepted Accounting Principles, Generally Accepted Auditing Standards, Securities and Exchange Commission regulations, …, plus Sarbanes Oxley, new NYSE rules, NASDAQ rules, Public Accounting Oversight Board and so forth and so on. Trust also permeates other conceptual areas such as corporate governance, leadership and followership, organizational culture, motivation and work, work and job design, power and influence, ethics and responsibility.

Prior research (Zaheer et al, 1998) indicates that interpersonal and inter-organizational trusts are strongly related, they are different constructs, and the link between personal and organizational trust has not been clear. This lack of clarity does illustrate that trust is between people and not organizations, and exchanges between firms are exchangers between individuals or small groups of individuals (Barney and Hansen, 1994). Yet, organizations have reputations and images, and they develop routines, processes, and culture which unify the behavior of their employees and the responses to external contacts.

Furthermore, organizations strive for legitimacy in the marketplace, and legitimacy is supplied, in part, by systems of internal controls, internal auditors, and audit compliance and testing procedures. Legitimacy is also linked to trust, and is a competitive tool as well as a means of risk reduction. An organization's reputation is a vital component of their "trustworthiness." According to Creed and Miles (1996), organizational trust is a function of managerial philosophy and manifestations, organizational actions and structure, and experiences of reciprocity, all of which help set the stage for the trust, but are not mutually inclusive.

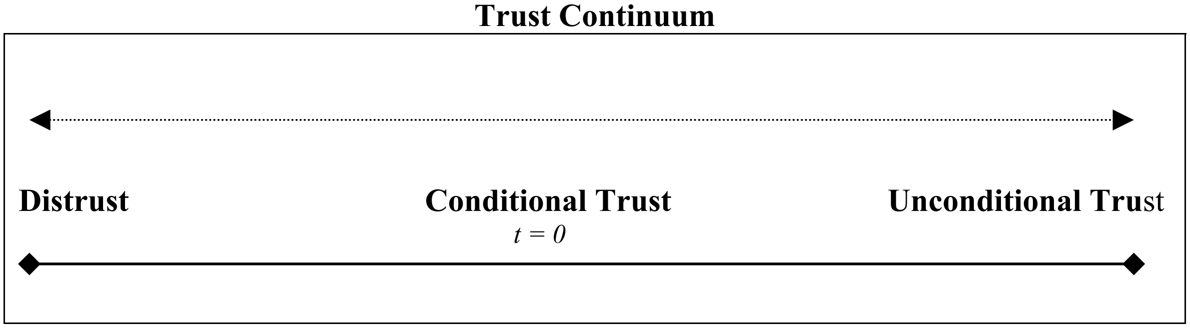
Furthermore, prior research diverges on whether trust can be intentionally created. According to Sydow (1998) trust is very difficult to develop and sustain. However, it may be that the ***conditions*** **(**processes, routines and settings) affecting the evolution of trust may be managed. However, even if trust cannot be managed, the agents “should certainly act in a trust-sensitive way when building and sustaining relations or networks.” This implies that organizations and the internal auditors have influence over many contextual factors leading to legitimacy and can therefore influence trust, at least indirectly.

Additionally, prior research in sociology and economics has produced some additional insights into trust production. Zucker (1986) identified the central modes of trust production as: **institutional-based**, **characteristic-based** and **process-based**. Institutional-based trust is tied to formal societal structures depending on firm-specific or individual and intermediary attributes. Characteristic-based trust is tied to a person and based on ethnicity, culture and background. Process-based trust is tied to expected or past exchanges, e.g. reputation. For example, SOX is institutionally based, and audit in accordance with GAAS is process based, but the line may blur somewhat when a Big Four accounting firm performs the audit. In other words, an audit opinion issued by an international audit firm such as Deloitte Touche or Ernst and Young could blur the distinction between process based trust and institutional based trust. Process-based trust seems strongly related to legitimacy via compliance with standards, regulations, and procedures. Characteristic-based trust is can be illustrated by a charismatic leaders such as Ross Perot or Billy Graham. Their personal reputations seem to serve as significant trust enhancers. Process-based trust can also be illustrated by brand loyalty, such as consistently buying one make of car, such as Toyota or Ford. All of these trust production modes heavily influence trust in the eyes of the public and support that conformance enhances legitimacy and trust.

Moreover, individuals are believed to maintain mental accounts regarding the perceived history of trust-related behaviors involving self and others (Douglas and Creed, 1996). It is proposed that the parties in a relationship constantly, consciously or unconsciously evaluate trustworthiness, and that meanings are created in an evolutionary and iterative process in human interaction. Cognitively, individuals may unconsciously be sorting along dimensions similar to Zucker's three modes of trust production, and sorting them into internal scripts. Individual differences make precise categories difficult. Trust and mutual interdependence are the indispensable grounds for productive interaction. One possible example could be the degree of trust former Enron employees will place in their future employers, and their faith that SOC will "make a difference." They are most likely to be skeptical about trusting.

Overall, the intensity of the trust/distrust can be viewed as a dynamic continuum between distrust and unconditional trust.

Trust Continuum



Based on Jones & George (1998)

For this purpose trust is defined as "an actor's expectation of the other party's competence, goodwill, and behavior." It is believed that in the business context both ***competence*** and ***goodwill*** are needed for trust to develop (Barnes, 1981). The relevant ***competence*** (technical capabilities, skills and know-how) is a necessary antecedent and base for trust in professional relationships of the business context. Signs of ***goodwill*** (moral responsibility and positive intentions toward the other) are also necessary for the trusting party to be able to accept a potentially vulnerable position (risk inherent). There is also a third dimension of trust: the actual ***behavior*** of the parties (Bidault and Jarillo, 1997). Goodwill-dimension of trust includes positive intentions toward the other, and positive intentions appear as signs of cooperation and proactive behavior. The important point is that over time, it is the actual behavior of the parties that determines trust.

Trust Determinants

Consequently, most relationships (professional or otherwise) start at the low conditional trust level and based on signals, signs and experience are monitored and trust is increased and decreased accordingly, via a personal cognitive process. At some point, extensive trusting personal networks form within and between companies and lead to trust at the organizational level and it becomes difficult to attribute trust to any person or persons in particular, but the individual, organizational, and inter-organizational trustworthiness are interrelated. Personal trust is still the basic tool for promoting organizational trust and enhancing performance.

The effectiveness of the internal audit function can be viewed by these trust determinants. The perceptions held regarding an auditor's competence and goodwill, manifested in their behavior will impact the nature and productivity of each and every assignment they undertake within the organizational setting. Objective evidential matter regarding the external organizational world is gathered and examined via the internal auditor's internal mental processes. The perceptions held by all parties do permeate these actions and influences the ultimate outcome. Most internal auditors will regard trust skeptically in an audit situation. Trust would be considered non-objective and out-of-place.

Moreover, personal and organizational trust interact as employees and managers learn what kind of behavior is rewarded (punished) in their organizations. Both observe, and learn from their peers and each other through discussion and stories. Organizational culture (coordination, communication and decision-making) encourages or discourages employee (and internal auditor) along with managerial trustworthy behavior. This is a dynamic relationship, if either one deteriorates, it will negatively impact the other.

However, trustworthiness is a ***perceptual*** process and is based on a person's disposition, experience and values. Different people emphasize and evaluate trustworthiness differently. Although trust at the individual, organizational, and inter-organizational level is interrelated, the organization is usually at greater risk for potential losses than the individual. Organizational relationships are enigmatic in that they are perceived as requiring less intensity and personal commitment than personal relationships, but actually consume more resources at the individual level.

Therefore, this paper considers that testing and compliance serve as proxies for some dimensions of trust (risk-reducing) but do not enhance the trustworthiness of organizations or individuals, in and of themselves. In effect, compliance alone is not adequate for trust. The role of trust has been extensively studied in various contexts, with differing facets. Some areas of trust research include: marketing theory, organizational theory, social exchange theory, psychology, transaction cost theory, resource dependence, relational contracting, economic theories, agency theory, and interorganizational theory. Typically different theoretical

Internal Auditing

The IIA's Standards for the Professional Practice of Internal Auditing states: *Internal auditing is an independent appraisal function established within an organization to examine and evaluate its activities as a service to the organization.* The internal auditing profession arose out of the increasing size, scope and complexity of business activities. In 1978 the IIA formally approved the Standards for the Professional Practice of Internal Auditing, which had the following purposes:

1. Assist in communicating to other the role, scope, performance, and objectives of internal auditing.
2. Unify internal auditing throughout the world.
3. Encourage improved internal auditing.
4. Establish basis for consistent measurement of internal auditing operations.
5. Provide a vehicle by which internal auditing can be fully recognized as a profession.

Increasing demands also led to the Foreign Corrupt Practices Act (1977), Treadway Commission Report on Fraudulent Financial Reporting (1987), Committee of Sponsoring Organizations (1992), and Sarbanes Oxley Act of 2002. The new world order created by the corporate financial scandals has again increased the responsibility and the limelight on internal auditing. Meeting the requirements of SOX will help increase legitimacy and provide a measure for societal/institutional decision-making, but does not, in and of itself, increase trust. Compliance is intended to be risk reducing in nature, which impacts decision-making, but does not directly impact the trust level of relationships.

The real issue is the assumptions made by internal auditors, external auditors, management, boards of directors, creditors, shareholders and the public at large. All behave according to their assumptions of how the world works, and develop patterns that may fail to go beyond the issues of compliance. While testing is the backbone of auditing, trust is still essential for an audit function. While SOX compliance will assist in risk reduction, alone it does not increase trust. Auditing and compliance do seem to create a "faux-trust" reaction, but the key issue is whether stakeholders can rely on the integrity of the auditors and management. Integrity is widely seen as a proxy for trust and integrity is essential for internal auditing. The stakeholders, both internal and external, must place trust in the internal audit function. Moreover, the internal auditors must also have faith in the trustworthiness of their methods, their roles, their results, their management, their organization, their profession, the board of directors and in society in general. At multiple points and times, individuals can fail in their trustworthiness and the whole process will break down. Also, while internal audit recognizes the SOX inspired changes, their position has changed. SOX has caused stakeholder perceptions to change, and the whistleblower provisions alone place increased responsibility on the internal audit shoulders. If auditors fail to realize that SOX signals a major shift in their lives, they will not properly prepare themselves and everyone will ultimately suffer.

This paper looks at the attitudes and feelings of top management, against the backdrop of a major societal event, namely Sarbanes Oxley. Top management is a primary concern of SOX. A questionnaire was developed for upper management dealing with the issues of trust, organizational trust, definitions of trust, and the impact of Sarbanes-Oxley in the organizational environment.

The Study

This study was developed as a series of open-ended questions, conducted by personal interview, and targeted specifically at the upper management level of publicly traded companies. Upper management was targeted as the significant and pivotal level for all stakeholders and relationships at the organizational level. Management has the greatest interaction with the greatest number and variety of stakeholders, both internally and externally. They are also the group with the greatest power and influence in the organizational setting (the tone at the top). If they fail to adequately consider issues of trust, they may very will face consequences they never dreamed of. They are, logically, able to have the greatest impact on organizational trust.

The six participants included: one Controller, two Chief Financial Officers, one Internal Auditing VP, one Chief Executive Officer, and one Vice-President-Finance. The industries included: Transportation, Information Technology, Financial Services, Manufacturing and one Health Care. The purpose in using open-ended questions and discussion was to elicit a richer and deeper consideration of organizational trust.

The primary issues explored in the study were:

1. The executive's definition of trust, in their own words.
2. Their evaluation of their firm's organizational trust.
3. The importance of trust at the various levels: individual-individual, individual-firm, and so on.
4. Their self evaluation on various trust characteristics.
5. Their evaluation of how their employees would rate them on the trust continuum and how the board of directors would rate them.
6. How would they rate the board, subordinates and others on the trust continuum.
7. Their consideration of their trust worldview: have they defined trust, for themselves, for their organization, personal versus business.
8. Their perception of control over present and future action.
9. Their perception of SOX and the related compliance issues.
10. Their perception of the internal audit function.
11. Various theoretical definitions of trust were evaluated.
12. Did this discussion reveal any insights or issues for them, as management on the trust issue.

Trust Definitions Considered

Definition Given	Author/Context	Components/Results (Executive Self-Perception)
•Trust is the willingness to rely on an exchange partner in whom one has confidence	Ganesan (1994) • Buyer/Seller Relationships •Long-Term Trust	•Credibility -6 •Benevolence
•Degree of confidence the individual partners have on the reliability and integrity of each other	Auklak, Kotable, & Sahy (1996) •interorganizational relations •trust and performance	•Reliability-6 •Integrity-6
•The level of expectation or degree of certainty in the reliability of a person or thing.	Chow & Holden (1997) •buyer/seller relationships •loyalty and trust	•Salesperson/Superior trust 3 •Company trust 3
•Perceived credibility and benevolence of a target of trust.	Doney & Cannon (1997) •buyer/seller trustbuilding	•Credibility -3 •Benevolence
•Trust as a significant source of cooperation, along with coercion and self-interest	Nooteboom, Reger & Noorderhaven (1997) •trust and governance •perceived risk	•Institutionalization - 4 •Habitualization - 0
•Trust as the critical factor differentiating effective from ineffective selling partner relationships	Smith & Barlcay (1997) •Trust in partnerships	•Honesty/integrity - 6 •Reliability/dependability - 6 •Responsibility - 6 •Likeability - 5 •Judgment - 6
•An expectation held by an agent that its trading partner will behave in a mutually acceptable manner	Sako & Helper (1998) •supplier/buyer relations	•Goodwill trust -2 •Contract trust -5 •Competence trust – 4
•Expectation that an actor can be relied on to fulfill obligations, will behave in a predictable manner, and will act fairly when the possibility for opportunism is present	Zaheer, McEvily & Perrone (1998) •interpersonal v interoganizational trust	•Reliability -5 •Predictability - 4 •Fairness – 6
•Trust is a global belief on the part of the buyer that the salesperson, product, and company will fulfill their obligations as understood by the buyer	Plan, Reid, & Bolimarnof (1999) •business-to-business sales	•Salesperson trust - 3 •Product trust - 3 •Company trust - 3
•Trust is based on three components: expectation that the partner will act in the alliance's best interests, consistency of actions and partner will not act opportunistically.	Young-Ybarra & Wiersema (1999) •organizational and strategic alliances	•Dependability •Predictability •Faith

Results

There were several results that were similar for each participant.

1. Each and every one had trouble articulating a definition of trust. At the organizational level, no real clarity on organizational trust emerged until the last question. All resorted to a personal or individual-individual level to define trust.
2. All agreed that trust was highly beneficial for effective functioning, but were unclear about how trust impacted them personally in their executive role and how trust impacted their organization.
3. None had considered SOX in light of trust, but rather as "something they had to do." A necessary evil and an exercise in legitimating themselves.
4. Every executive rated themselves as higher on the trust continuum than they rated others, but lacked specificity on why they were more trustworthy.
5. They were surprised that they had not considered the obvious; that everyone perceives themselves as trustworthy, but others as less trustworthy.
6. Most significant, all the executives felt, that if challenged on trustworthiness or ethics by an employee (internal auditor or not), they would be very displeased with that individual.

The remaining results were not universal, but several issues emerged as dominant.

7. Important issues seem to be either/or. SOX was cited as either do it, or go private.
8. Hard data and facts are better than what appear to be soft ideas and speculation. SOX is hard, trust is soft.
9. Compliance is good, and most never seriously considered the deeper implications of SOX and its changes.
10. There was a disconnect, or incongruence between their personal perception of trust and their perception of organizational trust.
11. There was a strong tendency to believe their organization was trustworthy, without any hard data or facts to back it up. In fact, they viewed the organization as an extension of themselves in trust. They believed they were trustworthy, ergo their organization was trustworthy.
12. Several conceded the possibility that they might be emotionally attached to a symbol or a choice and see it as either good or bad. The symbol of a clean audit opinion, the symbol of compliance with SOX. There was also some consideration about seeing alternatives as adversaries. Unions versus management, government versus business, theory versus practice, or *us* versus *them.* In other words, their choices were good and their opponents' choices were bad.
13. This also produced a "had to" attitude that needed "hard facts" to back it up.
14. It was also discussed that trust and mistrust are highly situational specific, and the both sides were constantly confronting them.

15. The implications that internal auditing may be working for another agenda than top management's had not seriously been considered.
16. Trust may have potential for organizational improvement, and lack thereof may increase risk and potential loss.
17. More information about trust is needed.
18. The concept of value and virtue alignment provoked some intense discussion. Profit was the standard the used.
19. The results of the table above were quite fruitful for the executives. Basically, they were given the theory-based definition of trust in the left column and they came up with their self-assessed response. They assessed themselves on the one word traits they believed they possessed, and showed less consensus about the traits of others.
20. Ultimately, agreement about compliance v. trust and values. Values were considered as emotional expressions-what is desired and what is important. Virtues are character traits and reveal tendencies to behave in certain ways in order to acquire and keep things that are valuable.

Conclusions

Overall, executives seem to see themselves as highly trustworthy while viewing others as less than totally trustworthy. This is a significant result. The individuals who hold the greatest amount of power in modern commerce consider themselves trustworthy, and by extension, their organizations are trustworthy, but others (including board members and employees) are viewed as less trustworthy. Significantly, these executives place heavy emphasis on "hard data" for decision-making, but had to call upon "soft data" to define and evaluate trust. Largely, control was their focal point. Top executives have a lot of power and control, over all stakeholders, and largely view their position as "right."

The importance of this cannot be overemphasized. These views are primarily egocentric in nature, not rational. None of these respondents are bad executives or bad citizens, or have any known blemishes on their reputations as executives. However, their responses may offer clues into how corporate malfeasance starts and grows. It underscores the possibility that under certain conditions, these executives might make less desirable choices. It also supports accounting phrases such as "integrity of management" and "the tone at the top." Trustworthy behavior is a product of the mind, and this glimpse into a small group of top management illustrates a certain favoring of compliance over trust, along with simplistic assumptions about broader implications. Thoughts, feelings, and desires continually interact, and produce behavior. These thoughts, feelings, and desires are organized by either rational capacities or egocentric tendencies. Power used irrationally is typically justified egocentrically, and if trust is largely viewed as a singular quality than self-seeking opportunism has some fertile ground in which to rest. The executive responses about trust are based on subjective preference and are trust divergent. Their responses could also be categorized as the following unspoken, but deeply felt, maxims

- These are the facts because **I** believe them to be so.
- These are the facts because **we** believe them to be so.
- These are the facts because we **want** to believe them to be so.
- These are the facts because it **serves out vested interest** to believe them.

Ideally, the concept of trust should be convergent and it seems to be largely based on competence, goodwill and behavior. In order to build trust, organizations must look at different types of information that affect trust. Internal auditing is posed in a unique position to facilitate such information. Compliance with SOX has opened a window of opportunity for the internal auditing profession to increase the convergence of trust relating to corporate governance and corporate accounting. Trust seems important for both effective performance and high satisfaction. Feelings may be more important than evidence in building trust. Also, managers are largely unaware and/or gloss over the role of trust.

Personal and organizational trust are intertwined and it is only persons who may build trust and evaluate trustworthiness. However, both may be the objects of trust, and the three dimensions of trust (competence, goodwill and behavior) interact, are realized in organizational actions, as performed by individuals. These signals and signs are cognitive indicators of the validity of trust.

Some potential organizational bases for trust include: organizational character, organizational structure, organizational goals and vision, managerial philosophy, organizational culture, organizational values, and competence. Internal auditors, while relying on testing and gathering evidence for control system purposes, are also in a unique position to examine and even enhance the conditions that lead to trust. If the individuals making up the organization are not trustworthy and trusting, this is a danger signal and needs further consideration.

Sarbanes Oxley has already taken its place in accounting history. The evidence suggests that the attest function (an audit in conformance with Generally Accepted Auditing Standards) collapsed under the weight of other sources of fee income from the client. There was a high emphasis on form over substance, and self-seeking opportunism gone amuck. Nevertheless, Smith's "invisible hand" as portrayed by SOX offers society a new (and hopefully better) method to implement change and allocate resources and assist in the restoration of trust. Ideally, SOX supplies motivation to do the right thing for the right reasons and with more consistency, if only to avoid punishment. That is not an optimal strategy. Optimizing calls for developing the reasons to do the right thing, without fear or punishment and that requires both time and effort.

For the internal auditing profession, multi-directional organizational trust is critical. The internal auditing legacy-at the individual, organizational, and professional levels –will be a product of what is left after the internal auditors are gone. The incidents that occurred, how the internal auditors acted during them, and how they reacted afterwards. All members of the profession are faced with different duties and opposing desires and all face the constant conflict between conscience and competition. Aristotle argued that the right actions are those done by the right people in the right way at the right time for the right reasons. That definition seems worthy for the internal auditing as a professional definition of trust. It is also important for internal auditing to internalize and institutionalize their new potential in serving all stakeholders. In the final analysis, trust seems to be manifested at the individual level and is best expressed by feelings. What's right is what feels right. What's right is what maximizes quality and profit without compromising the goal of professional responsibility and responsible corporate citizenship. Trustworthiness is not necessarily about what is right or wrong but about what **makes something right or wrong**. Trust is the result of a mature relation between the physical external world and individual internal mental processes. Trustworthiness is achieved when values (what is deemed important) and virtues (how those values are to be realized) are aligned.

Future Research

This paper is merely an exploratory overview of trust and attempts to examine top management's consideration of trust. Future research planned will examine trust from the perspective of other groups-internal auditors, other employees, external auditors, vendors, shareholders and board members. This paper merely serves as beginning point.

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