
Distributed Work over the Centuries: Trust and Control in the Hudson's Bay Company, 1670–1826

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Trust and control have typically been viewed as opposites or substitutes, and this is especially true in publications regarding distributed work. According to the conventional wisdom, trust is critical in such work because it is impossible to monitor and control geographically distributed employees directly. In this chapter, we use a 150-year-long case study of the Hudson's Bay Company (HBC) to argue that trust and control are closely intertwined and often mutually reinforcing—rather than alternative—approaches to managing distributed work. We make this argument by examining the repertoire of socialization, communication, and participation practices engaged in by the HBC's leaders in London to establish, maintain, and adapt trust in and control over the widely distributed HBC organization. Building on the HBC story, we also present implications for modern distributed organizations and the broad array of potentially trust- and control-enhancing practices in distributed work.

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Distributed work and virtual organizations are currently the object of considerable attention from the academic and popular presses (e.g., DeSanctis and Monge 1999, Maznevski and Chudoba 2000, Haywood 2000), but such organizations are far from modern. In fact, with *virtual* defined in terms of geographic dispersion, virtual organizations are quite ancient, as Frost and King noted in chapter 1. Two millennia ago, the Roman Empire spanned a considerable part of the globe, and distributed work was one of its major challenges (Brytting 1996). Several centuries later, the Catholic Church emerged as another major virtual organization (Harris 1996). Today's distributed work occurs at a considerably faster pace than it did during the days of the Roman Empire and early Catholic Church, but the basic challenges

remain quite similar. As exemplified by the special issues of the *Academy of Management Review* (July 1998) and *Administrative Science Quarterly* (June 1998), building trust and maintaining organizational control are two of those challenges. However, the scholarly literature has not considered the role that both trust and control play in distributed work (for an important exception, see Crisp and Jarvenpaa 2000).

Trust and control have typically been viewed as opposites or substitutes (Rousseau et al. 1998, Mishra and Spreitzer 1999), and this is especially true in publications regarding distributed work (e.g., Handy 1995). Trust is described as critical in such work because it is impossible to monitor and control geographically distributed employees (Wiesenfeld et al. 1999). In order to explore this conventional wisdom and modern distributed work more generally, we believe it is necessary to have a better understanding of its historical forms. To develop this understanding, we follow previous work on the historical antecedents of modern management (e.g., Barley and Kunda 1992, Guillén 1994, Yates 1989) and explore the interplay between trust and control in action at the Hudson's Bay Company (HBC or the Company, as it was often called by its employees) between 1670 and 1826.

The HBC was established in 1670 as a highly dispersed organization with headquarters in London and operations thousands of miles away in modern Canada (see figure 2.1). Drawing on the Company's original records from 1670 to 1826, we examine its internal operations and the repertoire of socialization, communication, and participation practices that were especially important bases for trust and control.² Based on this examination, we argue that trust and control are closely intertwined and often mutually reinforcing approaches to managing distributed work. We also present implications for modern distributed work and encourage researchers and practitioners to move beyond simple quick-fix remedies (e.g., the commonly prescribed initial face-to-face meetings) to consider the broad array of potentially trust- and control-enhancing practices in distributed work.

The HBC was chartered by a "Company of Adventurers" to trade furs along the shores of Hudson Bay and its large offshoot, James Bay. This group of London-based merchants financed and coordinated the establishment of posts in present-day Canada from which their employees traded guns, knives, blankets, and other European goods for beaver, marten, fox, and other furs trapped by Native Americans. These furs were then shipped back to England each year to be sold at auction and made into hats and dress goods. The HBC survives today as the longest continually operating company in North America. It is also among the few companies in the world that have been in continuous operation for more than three centuries. Today,

it is Canada's largest retailer, accounting for approximately 39 percent of Canadian department store sales (Hudson's Bay Company 2000). The Company and its famous point blankets have become widely recognized symbols of the Canadian North (Kyle 2000).

While this size, tremendous staying power, and notoriety are interesting in their own right, it is the Company's considerable geographic dispersion that makes it the focus of this chapter. From its founding until its three hundredth anniversary in 1970, the Company's headquarters were in London, while its fur trading posts and 99 percent of its employees were thousands of miles (and a long sea voyage) away in a territory then called Rupert's Land. This territory was larger than the Roman Empire at its peak and made the HBC the *de facto* civil and commercial ruler of an area equal to approximately one-twelfth of the earth's land mass.³

For the first 104 years, the Company's posts (also known as factories, forts, and houses) numbered seven or fewer and were all concentrated along the shores of Hudson and James Bays. Complements of three to one hundred Company "officers" (including post managers—called "chief factors,"—apprentice managers, post doctors, and others) and "servants" (including laborers, tradesmen, seamen, and other staff) maintained each post throughout the year and conducted the trade. Most of the posts were at least ten days' travel apart by canoe, dog sled, or snowshoe (depending on the season and terrain).

While the organization and number of posts and employees changed from year to year, the annual cycle in London and on the Bay continued essentially unchanged for two centuries. It was dominated by the weather, hunting and trapping seasons, and the annual passage of the Company's ships, whose access was limited to a brief window in late August when the narrow opening to the Bay was not frozen closed.

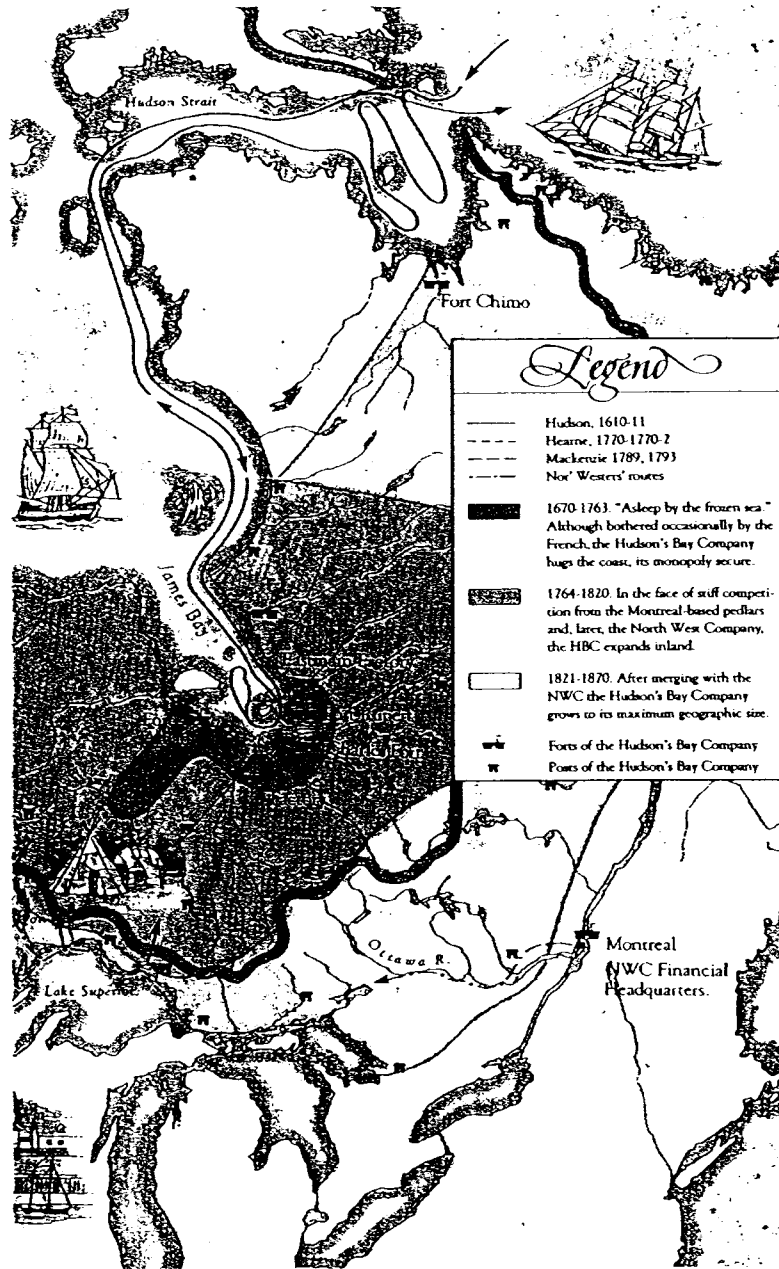
Given the considerable distance between London and the Bay, and among the Company's North American posts, the HBC operation is a quintessential example of distributed work. It allows us to examine trust and control in an organization that predates today's virtual organizations by three centuries.

Company History

Understanding the context of trust and control in the HBC requires some familiarity with the Company's major players and the broad outlines of its historical evolution. Each of the Company's posts included a contingent of salaried staff and managers (or "servants" and "officers," respectively). Posts ranged in size from



Figure 2.1
Location of key HBC posts.
Modified by Michelle Fiorenza from the original illustration by Jack McMaster © 1989, The Madison Press Limited from *Empire of the Bay* (pp. 18–19). A Viking Studio/Madison Press book.



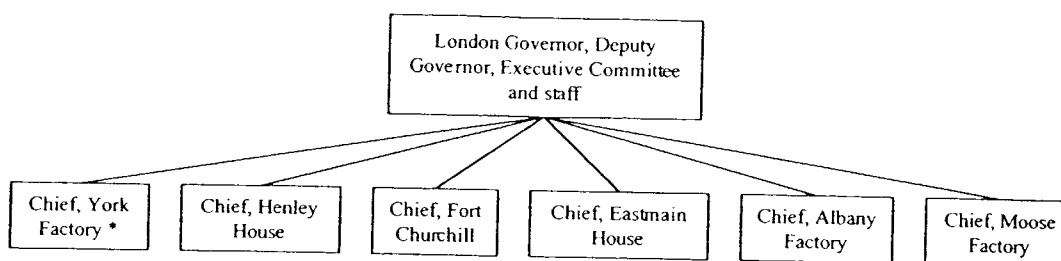


Figure 2.2

High-level HBC organization, prior to the 1810 reorganization.

* Prior to the reorganization in 1810, the chief factors reported directly to the Governor and Committee in London. In addition, one of the chief factors (typically from York Factory) also held the title of “Bayside Governor,” which included nominal oversight of his fellow chief factors.

small, temporary, tentlike ones operated by only a few employees to large, permanent ones with upwards of a hundred employees. The larger posts generally had several officers, including the “chief factor,” a second in command, clerk (or clerks), surgeon, and sloopmaster. The chief factors were primarily responsible for their posts’ trade each year and for managing the men who maintained the posts.⁴

Factors and other officers worked on three- to five-year contracts and were accountable to the Company’s Executive Committee in London (see figure 2.2). During the Company’s early years, the most senior chief factor also served as “bayside governor,” but his power and authority were nominal until after an 1810 reorganization (see figure 2.3).

Most factors and other officers made the Company their career, serving in various capacities for several decades (Brown 1980, Williams 1983, Goldring 1985). Some began their service as officers, and others worked their way up from apprentice clerks. Few had any face-to-face contact with the Committee in London, and virtually no Committeemen visited the Bay. This exacerbated the problem of distance and forced the Committee to fill the information vacuum with extensive record keeping and correspondence between London and the Bay (Brown 1980).

Making up the Company’s lower ranks, the “servants” at each post included a wide range of skilled tradesmen, general laborers, and seamen. They typically had no formal education, came to the Bay on Company ships, and served out contracts obligating them for three to five years. In addition to its officers and servants, the Company relied heavily on Indians to supply furs and act as its guides, canoeists, couriers, and messengers.

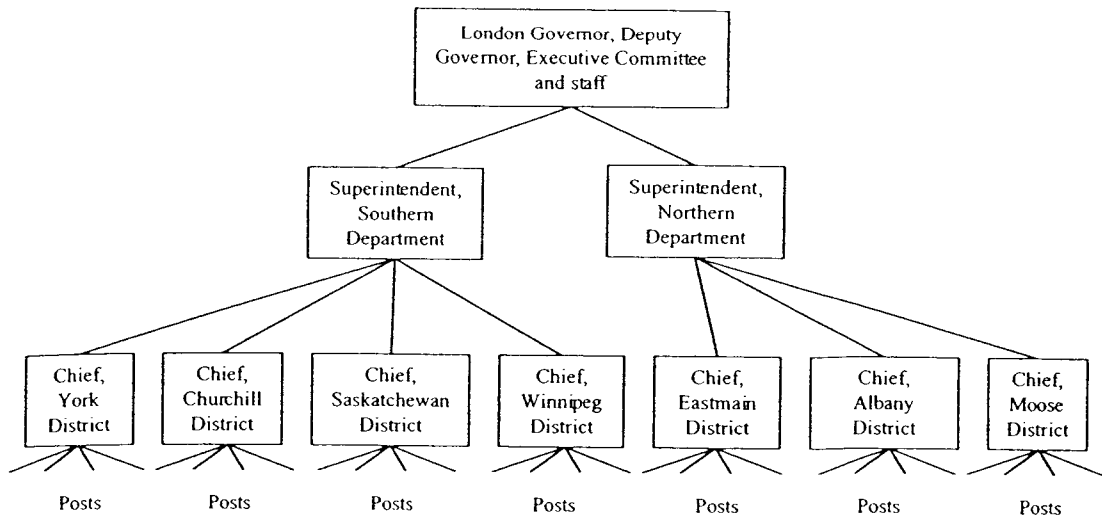


Figure 2.3

High-level HBC organization, following the 1810 reorganization.

The 1810 reorganization added departments and districts to the Company's organizational structure. Each district included one main post (or depot) and several smaller satellite posts. Typically, the factor in charge of the district was also the factor in charge of the district's main post. The shortest lines above symbolize the existence of posts in each district, not the actual number of posts.

In London, the Company was led by a governor, deputy governor, and the seven-member Executive Committee. In some respects, the Committee resembled modern corporate boards, but it met more frequently (at least weekly) and played a more hands-on role in Company operations. In addition to the weekly work of the whole Committee, individual Committee members and subcommittees worked between general meetings on specific issues such as recruitment and auctions. The governor and Committee also contracted with various people outside the Company and depended heavily on a small, dedicated staff in its London office, including a secretary, an accountant, a warehousekeeper, and up to three clerks.

The Company's early years were a "precarious infancy," characterized by heavy competition and military conflict with the French (Davies 1965, p. ix). Consequently, the Committee's attention was focused on establishing regular trading relations with the Indians and defending its operations against French attacks. By 1697, the French had reduced the Company to a single post at Albany (see figure 2.1; *ibid.*). Its stake in North America remained small and tenuous from then until 1713, when Great Britain and France signed the Treaty of Utrecht.

From 1713 until 1774, the Company reestablished control over the posts it had lost to the French and established several new ones. However, it had no more than seven posts during this period and limited them to the shores of the Bay. For adhering to this strategy of hugging the Bay and not exploring inland, critics in London derided the HBC as having “for eighty years slept at the edge of a frozen sea” (Robson 1752, quoted in Williams 1983).

After the 1713 treaty, the Company’s competition shifted from the French to independent traders based in Montreal. By 1774, this competition had become so serious that the Company abandoned its century-old strategy of waiting for Indians to come to its seven bayside posts and began a massive inland expansion. In 1784, the independent traders responded by organizing themselves as the North West Company (NWC). By 1795, the NWC dominated the North American fur trade, with an 80 percent market share (Rich 1961). Nonetheless, the HBC’s route through the Bay was considerably faster and more cost-effective than the NWC’s overland routes to Montreal. The HBC leveraged this advantage and continued to expand inland, using both temporary and permanent posts. Like modern McDonalds and Burger Kings, the HBC and NWC established dozens of posts within yards of each other.

With the costs of these posts weighing heavily on the Company, the London Committee instituted a series of “radical” organizational changes in 1810 (HBCA, PP 1810–1811, May, 31 1810).⁵ This retrenching was intended to rein in costs and energize the HBC men with a new compensation scheme. However, cutting costs and continuing to compete head on with the NWC proved difficult, and tensions between the companies only grew.

Ultimately unable to surmount (or buy rights to) the HBC’s route through the Bay, the NWC initiated merger talks in 1819. By 1821, the companies agreed on terms and approved an “amalgamation.” The new, merged Company retained the HBC name and governing board in London, but adopted the NWC’s partnership model, giving the fifty-three commissioned officers in North America a formal stake in the Company. It also gave them a larger decision-making and coordinating role with the creation of annual, face-to-face councils of chief factors and traders.

After the merger, bayside governors William Williams and George Simpson quickly consolidated the two companies’ operations and eliminated its redundant posts. During this process, Simpson demonstrated his considerable (and somewhat imperial) management skills and was given charge of the Company’s two main departments in 1826. These departments were geographically based administrative entities which encompassed dozens of posts (see figure 2.3).

Trust and Control in the HBC

In discussions of virtual organizations, trust and control are often presented as opposites or substitutes (e.g., Handy 1995, Lipnack and Stamps 1997). In contrast, our study suggests that trust and control are closely intertwined and interdependent. Specifically, we found that the HBC developed and relied on a repertoire of organizing practices to support both trust and control.

As a working definition, we consider *trust* the confidence in and willingness to rely on another party (where a *party* can be an individual, group, organization, institution, or system) under conditions of risk or vulnerability.⁶ While some have studied people's general predispositions to trust, we focus on trust situated within a specific organizational context as it is manifested in the relationship between two parties. In this case, we deal primarily with trust between the HBC Committee in London and its employees on the Bay, and secondarily with trust among managers on the Bay. In so doing, we are treating the employees in Rupert's Land as fairly bounded, uniform groups (despite inevitable diversity among them) and are also leaving treatment of other important trust relationships for later work.

We see control as "the capability that some actors, groups, or types of actors have of influencing the circumstances of action of others" (Giddens 1984, 283). Thus, we define *organizational controls* as the means through which organizational members are influenced to align their actions with organizational goals.⁷ In this case, we deal primarily with the HBC's executives' control over their North American employees, and vice versa.

Despite the Company's royal charter, its monopoly was frequently challenged by French and independent traders. This, in combination with the very real potential for HBC employees to switch sides and work for the NWC, other smaller rivals, or themselves, created a centrifugal force that made trust and control important elements in the HBC's continued success. Carlos and colleagues (Carlos and Nicholas 1990, Carlos 1992, 1994, Carlos and Kruse 1996) have written about this force extensively (in principal-agent terms) and have shown how other companies (e.g., the Royal Africa) collapsed as a result of control failures. Our examination of the HBC records suggests that the Company's repertoire of socialization, communication, and participation practices helped it succeed where other companies failed.

Socialization: Creating and Maintaining Culture

The socialization practices of the HBC fostered a very common and consistent cultural perspective (Van Maanen and Schein 1979). This so-called strong culture,

which promoted intense devotion to its business, served as the basis for both trust and control. Employees first encountered this when they were recruited to work for the Company.

Recruiting for the Bay Initially, the Company staffed its lower ranks with young men from the London suburbs, but it soon experienced disciplinary problems with and high levels of dissatisfaction among these “servants.” Subsequently, the Committee began seeking employees who would be more obedient and accepting of the isolated life on the Bay. Believing that the young London men would never acclimate to life on Hudson Bay, they began recruiting almost all servants from the similarly isolated and climatically harsh Orkney Islands, north of the Scottish mainland (Rich 1945). During the eighteenth century, the Orkneys supplied 75 percent of the Company’s servants on the Bay (Burley 1997). Figuratively, these Scots became the “clan” in the Company’s cultural approach to trust and control (Ouchi 1980, O’Reilly and Chatman 1996).

Initial selection of servants was handled largely by independent recruiting agents in the Orkneys, Hebrides, Glasgow, and elsewhere. The agents acted in response to the Committee’s requests for a certain number of men in each of the various categories (e.g., craftsman, laborer, mariner). Once the agents had selected new recruits, the Committee sent out contracts assigning each new employee to a post.

Once the Company started expanding inland in 1774, it began to need men with greater expertise in Indian ways and inland travel. The people who had this expertise were the independent (and, later, NWC) traders or trappers working out of Montreal, but the Company was extremely hesitant to hire them. In general, neither the Committeemen in London nor the Company men on the Bay trusted the “Canadian” men affiliated with the NWC, and they feared loss of control over them. They were regarded as “bellicose risk takers unhampered by the discipline of a strict corporate structure” (Newman 1985, 84). Furthermore, the Canadians’ perceived focus on short-term gains over long-term trading relationships “precluded them from establishing stable business patterns” (*ibid.*, Greif 1989).

While the majority of servants came from the Orkneys, officers and apprentices were drawn from a broader pool, including London and its charity schools. Their selection was guided more closely by the Committee itself, with little assistance from agents. Frequently, officers were chosen based on connections with individual Committee members, such as familial and professional ties. Apprentices were chosen based on Committee members’ connections to the headmasters of several charity schools. Initially, these schools provided young men with some education but

uncertain futures and much to gain from a strong commitment to the Company. In the 1770s, the schools also provided boys who had specific technical training in the mathematics and basic surveying required to map the Company's rapidly expanding operations (Brown 1980, Goldring 1985, Cowie 1993, Burley 1997).

By narrowing the field of candidates in this way, it was also selecting men whom it viewed as especially adaptable, hard working, reliable, competent (or at least trainable), and honest. The last three of these characteristics are among the half-dozen most commonly described bases of interpersonal trust (Kramer 1999). Through its active involvement early in the recruiting process and its use of third-party evaluators, such as potential apprentices' headmasters, the Committee began to exert control and establish trust before its men had even signed their contracts.

Getting to the Bay Building on the perceived qualities of the Orcadians, the inexperience of its young apprentices, and the personal ties with its officers, the Company used a variety of socialization techniques to enhance its control over life on the Bay. Socialization in the HBC differed depending on the level and time at which one entered the firm, but for most, it began with the long voyage across the Atlantic to Hudson Bay. The departure began with an elaborate send-off ritual full of pomp, tears, and Company symbolism, including a farewell breakfast, cannon salute, singing, and hoisting of the "Company's arms" or "house flag" (Cowie 1993).

During the course of this voyage, the new recruits, whether officers, apprentices, or servants, got an intense, face-to-face introduction to some of their future colleagues. For example, a young man who left Stromness as an apprentice clerk described the captain as a "fatherly" man who gave him "good advice . . . for my welfare" (*ibid.*, 80, 85). In addition, the voyage provided direct access to the tales of seamen and captains who traveled back and forth annually and spent at least several weeks on the Bay every year.

In some cases, the ships also included officers and servants returning to the Bay after furloughs in London or other breaks in their service. Such contact provided the greatest opportunity for new recruits to learn what to expect of life working for the Honourable Company. In addition to these experiences, the basic organization of lodging and dining aboard the ship paralleled the distinction between the officer and servant ranks on the Bay (*ibid.*, 75, 79).

Working on the Bay After the long ocean journey, the next step in the Company's socialization was the carefully crafted ceremony held on the ships' arrival at the Bay. During this ceremony, the Company hoped that a "formal reading of orders,

followed by stirring words, would make the men mindful of the ‘Duties they owed to the Committee whose servants they are, whose bread they eat and whose wages they take’” (Burley 1997, 25, citing 1688 orders from the Committee). This was followed by the new recruits’ introduction and presentation of their papers to the factor in charge of the bayside post.

Once the men had been presented to their new bosses, they were shown to their quarters and given their initial assignments. In all cases, these men’s status in the organization became clear by their first meal and day on the Bay, in which officers and servants had different tables, food, drink, lodgings, and furnishings (Rich 1948). The distinction between officers and servants at meals held particular symbolic value for apprentices. In fact, being “in the Mess” was a widely used phrase to describe officers’ status. The Committee urged its officers to “observe as a general rule” that apprentices “take meals at the chief’s table as it will serve as an excitement to their assiduity and attention and maintain a proper distinction between them and the common men” (HBCA B.135/c/1, May 31, 1797). More generally, the young apprentice officers were set apart from the other employees, given special privileges, and raised as part of the “Company family.”

For both servants and officers, the Committee encouraged close identification with the Company by hiring mostly bachelors who had limited family ties in Great Britain, socializing them carefully, and promoting from within. With a staff of relatively unattached bachelors, the Company’s “people strategies” created an increasingly familial household environment. After 1713, when armed conflict abated and the men’s focus shifted from defense to trade and long-term maintenance of their posts, the emphasis on a more family-oriented model became especially clear. At the same time, men’s tenure on the Bay began to increase, with many making the Company their career for life (Brown 1980). These staffing practices furthered the family orientation and combined to enhance the Committee’s trust in and control over its distant staff.

The family orientation, the sense of commitment to the Company, and the importance of developing and maintaining reputations were all enhanced by long tenures and extensive internal promotion. With few exceptions (most prominent and strategic among them being George Simpson), the Committee hired its officers from within. To do so, it relied on the apprenticeship program, management training for some servants who had education or other unusual skills, and deliberate rotation of junior officers among posts. In the few instances where it diverged from internal promotion, the externally hired officers suffered from both their lack of local knowledge and the lack of support from career officers (Brown 1980).

In summary, the Committee enhanced its trust in and control over its employees by: (1) recruiting them carefully, (2) hiring them based on a connection (often kinship) to other Company employees or Committee members, (3) hiring apprentice officers (some as orphan boys) and young bachelors with few ties in Britain, (4) rearing those young recruits into the Company family, (5) promoting almost solely from within the Company, and (6) building on these long ties and tenure to develop a sense of family, professionalism, and loyalty.

Communication: Negotiating for Information

From its beginning, the Committee in London depended almost entirely on the records and written communication carried by the annual ships for all information about operations on the Bay. The written communication practices were established during the first half century of the Company's existence.⁸ Then, beginning in 1730 and gaining momentum in the 1780s and 1790s, the Committee initiated a series of negotiations with bayside factors about the form and content of those communications—and thus about the bases for trust and control between London and the Bay.

Establishing Communication Norms The Company's written communication between London and the Bay centered around annual letters in both directions, daily journals kept at the posts and sent to England each year, and financial account books. The Committee relied almost exclusively on a single annual "Letter Outward" to each post to communicate with its bayside officers. These letters often reflected a recognition by the Committee that it had to trust its officers to act in the Company's best interests. For example, in its 1682 instructions to bayside Governor Nixon, the Committee wrote, "We must leave much to yours and the Captain's prudence and conduct, not doubting but [that] you will both do that which in your understanding [is] best for our service" (Rich 1957, 57–58).

The letters also drew on expense figures, returns, and basic profit reckonings as the sources for praise of or complaints to its officers. Finally, the letters contained all notices of appointments and reappointments of officers and servants.

The annual letters from each factor to London ("Letters Inward"), supplemented by daily journals of life at the posts, were the other side of the transatlantic interaction. These letters described each post's operations and results, and the "indents" included with them requested supplies and personnel for the coming year. As the primary vehicle by which factors documented the performance of their men, their posts, and themselves, the letters, journals, and supporting accounts were the

foremost means by which factors could demonstrate their competence and earn London's trust. The only other source for London's knowledge of what was happening on the Bay were the ships' captains, returning officers and servants, and occasional travelers. These personal reports back to London were irregular and, according to those who remained on the Bay, unfairly skewed. For example, bayside Governor John Nixon complained that "this advantage all my adversaries have above me, that they come first home [and] by fraud and flattery can have their tale first told and they can be heard [directly] by you, though it proves to your loss" (Rich 1945, 278). However, the Committee was sensitive to the potential for its officers to use such contact to their advantage and dismissed at least one officer for "set[ting] so great a value on himself" during a return trip to London (Rich 1948, 3).

This asynchronous annual communication contained information that was used to establish (and express) trust and simultaneously to control behavior through instructions, admonitions, and evaluations of past actions. The norms and expectations for annual letters and journals were set in the early instructions from London. For example, in 1680, in one of its first references to the annual letters, the Committee instructed bayside Governor Nixon, "You are every year to send us a punctual and particular account of all our servants in the country, and how they are employed in the several factories and vessels" (Rich 1948, 8). In these letters, it required "an exact account of the disposal of our goods and also what quantities of our provisions are expended" so that it might know of any "profuse and extravagant" expenditures and "see your good husbandry and conduct in the management" (*ibid.*, 45, May 15, 1682). Furthermore, outgoing letters from previous years were not intended to be read and forgotten or discarded. The factors were expected to "look them over and observe such things as are still necessary to be done." In these interactions, the Committee demonstrated its first concern for managing the flow and volume of paperwork in the Company, noting that factors need not repeat certain things each year (*ibid.*, 46). While it would become much more explicit about the norms for factors' answers to its concerns, the Committee was already beginning to request "particular answer[s] to the several things we write to you about" (*ibid.*). It was also clearly beginning to make comparisons of performance and expenditures across posts as early as 1682, requesting annual information in a form such that it could "distinguish whether the benefit of each factory is proportionably [*sic*] equivalent" to its costs (*ibid.*, 48).

The Committee also began to set norms for communications *among* its posts. For example, in 1682, it wrote to its governor at Fort Nelson, "As soon as possible

... , we would have you contrive a way of correspondence with [your fellow governor on the Bay] that you may from time to time understand the condition of each other." This interpostal communication served a vital coordinating and trust-building purpose among officers. Yet, the Committee also requested "copies of such letters" in order to enhance its information about and control over those officers (*ibid.*, 35).

While the Committee demanded details in its reports from the Bay and asked factors to "always giv[e] us the reasons" for departing from its advice, it acknowledged, "We know it is impossible at this distance to give such orders as shall answer every occurrence and be strictly observed in all points, so that when we have said all, we must leave much to your prudent conduct, having always in your eye the true interest and advantage of the Company, who have chosen and trusted you in the chief command they have to bestow" (Rich 1948, 10). Instructions such as these clearly indicate how the Committee was invoking its distant representatives' good judgment and identification with the Company as bases for its current and future trust. Based on this identification and the men's concern for their reputations and careers, the Committee made it clear that men's service should not be limited to what the Committee could capture explicitly in its contracts or sailing instructions (*ibid.*). At the same time, it noted that it would "not exact from you the strict performance of the letter of our agreement," recognizing that conditions beyond London's control necessitated its reliance on the men's good judgment and commitment to the Company (*ibid.*, 30).

Tightening Communication Norms The Company initially tightened norms for annual correspondence in the late 1730s. During that time, London's interest in these letters shifted somewhat, from seeing them primarily as a source of general information about bayside operations to seeing them also as a way to monitor events more carefully. This shift resulted in part from an incident at Moose Fort that revealed a gap between London's admonitions and existing practices at the posts. In 1735, drunken Christmas revelry resulted in a fire. Too "stupefied" to contain it, the men watched as the flames consumed their post and provisions in two hours. Subsequently, they nearly died from cold and hunger while awaiting assistance from Albany (Davies 1965, p. xlvi). The man London sent out to inspect the burned post and take charge of a rebuilt one in 1737 found that drunkenness had been to blame and also that Indian women had been living in the post, in direct violation of London's policies. While the offending factor was replaced, this incident made the London leadership more suspicious and less trusting than before. As a result, they

requested additional information from the factors, whose letters grew from three to nine transcribed pages (Davies 1965). Over time, this breach of trust was repaired through the information contained in the longer annual letters. Within several years, having satisfied themselves that most factors were not allowing the indiscretions that led to Moose's destruction and were using reasonable standards of trade, their requests for detailed operational information relaxed (*ibid.*).

Renegotiating Communication Norms As competition intensified and the HBC grew, London experimented with a series of further changes to its correspondence and record keeping in hopes of improving the quality and comparability of the information from the Bay. While most of the changes were eventually achieved (though not always to the extent London desired), they were the subject of ongoing exchanges negotiating the amount and nature of information sent to London.

In 1774, the company responded to competition by expanding and beginning to move inland. For the past century, the annual letters to London had included several narrative lists (e.g., of supplies requested and of information on personnel) embedded in the text of the annual letters. By the 1780s, the company's growth rendered these narratives increasingly burdensome and ineffective for London, and the Committee attempted to standardize the flow of information from its factors. For example, the Committee complained in 1786 that "much trouble is occasioned in collecting the indents of accounts of stores from want of having them placed in the same order at all our factories" (HBCA B.135/c/1/p. 186, May 26). To alleviate this problem, they "sent out a general list to be followed in the future and direct[ed] that the particular parts be alphabetically arranged under the general heads" (*ibid.*). Similarly, in 1790, they asked that all information about employees' movements, salaries, disciplinary actions, and so forth be removed from the narrative and handled in list form. Accounts were also made more extensive and more specific in their requirements during this period.

Because London's attempts to secure better-organized information had implications for trust, these changes sometimes became a point of contention between the Executive Committee and the factors, who resisted what they viewed as burdensome and intrusive requirements imposed by distant directors. As the Company began establishing its inland posts, this lack of understanding became more salient and the "disadvantages of rule from London became ever more obvious" (Williams 1970, 35). Even with three excellent surveyors mapping its inland posts and waterways, London struggled to understand the geography, resources, climate, and competition in the same way that the more proximate NWC leaders could. Expressing

his frustration with the Committee's "local ignorance," one factor told London that "your rivers never freeze, ours are only for a short while open. . . . I intreat you to dismiss from your minds the sprucely-dressed wherryman with his plush breeches and his silver badge, nor conceive the descent of the solitary bargeman at London Bridge with that thro' the shallow horrors of rocky chasms [here] as at all synonymous" (*ibid.*). Even the Committee acknowledged at one point that it had "no sort of Clue" about many aspects of trade in Rupert's Land (*ibid.*).

Partially because of London's avowed cluelessness, factors resisted some of London's directions regarding record keeping. As the Committee's 1794 letter indicates, the factors did win some concessions: "To the complaints [that chief factor John Thomas] makes of prolixity and tediousness in keeping the account book of provisions, in the present mode, all we have to reply is that it matters not how it is kept, provided [that] it be accurately done—the principal intention of it is to furnish . . . a constant check upon those who distribute the provisions and, by sending a transcript of it home, to give us all the necessary information respecting it. We are also of the same opinion with Mr. Thomas that the expenditure for any number of men . . . may be carried out in one line, as well as in separate lines . . . by which much time and writing may be saved" (HBCA B.135/c/1/p. 223, May 29).

A desire to keep "a constant check upon those who distribute the provisions" was the clearly stated goal of the Committee, but it had to balance that desire with the resistance of its factors. Moreover, no matter how much London desired control, the exigencies of the increasingly competitive business required increased trust of factors to make decisions themselves.

In addition, systematic information was a potential basis for increased trust. Indeed, during this period, and probably reflecting increased competitive threat as well as increased trust, London's "annual letter for 1790 gave, for the first time, the chiefs of bayside posts the right to distribute men among their bayside and inland posts" (HBCA B.135/c/1, May 1790; Spraaakman and Wilke 2000). This trust in turn created obligations among the bayside factors to both the inland posts and London to make this distribution for the good of all. However, negotiation and renegotiation between London and its officers on the Bay continued well into the 1800s, reflecting the ongoing tensions over information, as well as the trust and control based on it.

Participation: Generating Situated Knowledge and Relationships

While socialization and written communication were sources of trust and control in the HBC, participation in everyday life on the Bay was also particularly

important. Only through such direct participation could factors (and later the governors on the Bay) develop the situated knowledge and the network of relationships that allowed effective operations in areas where London lacked the requisite knowledge. Bayside officers generated such knowledge and relationships through at least three means: being there, canoeing around, and staying on.

Being There Through their presence on the Bay, the factors and officers developed knowledge of local conditions and personnel about which London understood very little. For example, during the period of expansion that began in 1774, London could not have adequate knowledge of the new terrain or the dynamic competitive conditions. Consequently, London gave its factors relative autonomy, entrusting its bayside and inland officers with many of the decisions about when, where, and how to expand. Their success depended less on strategy, direction, or advice from London than it did on their own skills and local knowledge.

The value of being there is illustrated by the expanded role taken on by Humphrey Marten, the chief factor at York, as the inland expansion began. Marten had been in the Company's service since 1750 and had served at Albany and Severn before taking over as factor at York when the previous factor, William Tomison, was moved inland. Thus, he knew Tomison and many of the other officers sent inland. Marten put the needs of the new inland post at Cumberland above those of his own at York by, for example, giving Tomison the unusual privilege "to pick and chuse the goods he liketh best" (Rich 1952, xxv).

York was 700 miles from Cumberland by canoe, and subsequent inland posts were even more isolated. Although ill health kept Marten from traveling to oversee these new posts in person, he worked to increase his own knowledge of the inland officers' situation and build relationships with them by poring over their reports and keeping them at York for days of conversation every time they journeyed to the Bay. Based on what he learned from them, he created "unsparingly blunt" reports to London that "lay the [inland] situation mercilessly bare." Depicting the location and nature of the competition in "meticulous" detail, "season after season Marten pounded into his masters the urgency of [the inland posts'] need for men" (*ibid.*, xxix). In addition, Marten was "too big and wise a man to be jealous of his subordinate's success" and was able to "depute authority and leave his subordinates freedom to use their own initiative" (*ibid.*, xxv). Marten did his best to empower the inland factors. In fact, to convince men to travel inland, he offered them bonuses out of his own account, trusting the men to do a good job and trusting London to

support his bonus plan (*ibid.*). Based on his knowledge of the officers going inland, Marten knew whose judgment to trust and how to interpret the written and oral information he got from these inland factors.

Because of his presence on the Bay, Marten began with the localized knowledge of bayside (if not inland) conditions and the relationships with individuals such as Tomison that enabled him to combine trust and control successfully in his relations with the inland factors. During this period, he made the most out of being at York, continuing to develop new knowledge and relationships useful in his management at a distance.

Canoeing Around When Marten took on the new role supervising the inland posts, he had the benefit of a quarter-century's experience on the Bay and the resulting local knowledge. In contrast, when George Simpson was made head of the Northern Department right after the 1821 merger with the NWC, he had been an officer on the Bay for only one year and had no experience with the NWC men who were now under his management. In order to gain the situated knowledge of local operations and establish the relationships necessary to act as London's delegated representative, Simpson adopted a strategy that could be called "management by canoeing around." Rather than being in one or two locations for a long time, Simpson attempted to be everywhere for short periods.

Simpson's tireless travel crisscrossing the Company's territory allowed him to observe firsthand the managerial strengths and weaknesses at each post. His initial focus was on consolidating posts and controlling the deficiencies. In his own words, Simpson's travel allowed him to rein in the "abuses which nothing but *my own presence* can effectually stop" (Williams 1983, 52, emphasis added). He saw his role in part as increasing the direct control over what he perceived as lazy and inflexible factors. Simpson's travels also allowed him to discover what conditions were like at each post and which of his factors were competent and trustworthy. Over time, they gave him the benefits in situated knowledge of places and people that Marten had known through his long tenure at the Bay. After Simpson became governor of all Rupert's Land in 1826, he spent winters in London every other year or so. That practice allowed him to share more of the local knowledge he had gained with the Committee in London and to use his personal influence to push his view of how matters on the Bay should be handled.

Simpson also used his "canoeing around" to reinforce company values and spread his own values by example. He stage-managed his arrivals at and departures from

each post to produce an air of pomp and circumstance. For example, as he neared a post, he would change from his sweat-soaked canoe gear into dry and dashing clothes befitting his station. A bagpiper who traveled with Simpson would provide a rousing musical announcement of the governor's arrival. These symbols reinforced the hierarchical values of the Company and Simpson's own authority.

Although he took full advantage of (and deliberately emphasized differences in) rank within the Company's hierarchy, Simpson was not impressed by ranks of other sorts. For example, when a Company employee wrote to complain about serving under the direction of a man with lesser British military credentials, Simpson replied with "sovereign contempt" at the man's "impertinent and ridiculous note": "Your honor and rank in his majesty's service are quite immaterial to me and all I require of you is to do your duty faithfully as a clerk in the service of the Honourable Company" (Newman 1985, 173).

Simpson also used his canoeing around to lead by example, displaying his own personal strength and tireless dedication to the Company's goals. His travels sent clear signals about the level of effort that he expected from his men. He was clearly conscious of the symbolic effect of his behavior, writing, "The example I show them of a total disregard for personal ease and comfort does much good" (Williams 1983, 52). Simpson was known for regularly starting his eighteen-hour day at 2 A.M., and tales abounded of his pace reducing "to total exhaustion" a pair of British army officers traveling with him (*ibid.*). As such tales spread widely throughout the ranks of the Company, Simpson's arduous travels quickly took on epic proportions and served as powerful symbols. Through his travel, direct observation, heavy use of symbols, and personal exertions, Simpson gained knowledge of, demonstrated control over, and established trust in the Company's posts and men.

Staying On A final way in which participation in life on the Bay contributed to the building of knowledge about locales and people was by officers who chose to stay on well beyond their initial three- to five-year contracts. Despite the isolation of life on Hudson Bay, many Bay men made the Company their career for life, ensuring the development of knowledge about individuals, conditions, and practices. They stayed on at the Bay, playing key and irreplaceable roles, despite the potential to capitalize on their earnings and return to Europe or embark as independent traders (as many employees of the Royal Africa did; Carlos 1992, 1994).

They were rewarded for this in part by the respect that the Committee gave to such loyalty and seniority. As a promotion letter to one such officer noted, "We

shall never send new, raw, and unexperienced men to put over the heads of such as have served us long and faithfully” (Rich 1948, 6). On the rare occasions when the Committee violated this policy, the officers were quick to complain. For example, in 1811, chief factor William Auld complained about officers hired from outside the Company, saying that there was a “very considerable time . . . requisite to qualify as an officer to perform with success the duties of his station” (ibid., citing A.11/118, fol. 24). The Company also encouraged this lengthy tenure through the use of pensions and other retirement supports. Like the Royal Navy, which retired men on the “half pay list,” the HBC developed a system to house, support, and feed its retirees in North America, as well as to support those elderly employees who returned to Europe.

The value of long tenure is clear in the careers of both Marten and Simpson. At the time of the initial inland expansion, Marten’s long tenure—already a quarter-century—had enabled him to build up his knowledge of the Bay and the other officers serving there. Simpson began without that advantage, but he ultimately served forty years on the Bay. As the decades passed, Simpson’s lengthening tenure gave him similar advantages in knowledge and relationships, both on the Bay and, because of his frequent winters in London, with the Committee there.

In summary, the HBC benefited from the direct participation of individuals in daily life, primarily on the Bay, through their accumulated knowledge of the situation and their relationships with other people. Bayside officers with special authority from London gained this knowledge by being there, canoeing around, and staying on, either individually or (most often) in combination. Ultimately, these modes of participating strengthened both their ability to control and their bases for trust in those under their charge. Moreover, it gave London the assurance that they could trust officers such as Marten and Simpson who acted on their behalf on the Bay over long periods of time.

Trust and Control Then and Now

In this chapter, we have argued that trust is closely connected to and intertwined with control, and that both are enacted through ongoing organizing practices. Our investigation of the HBC suggests that at least three practices—socialization, communication, and participation—were particularly important sources of trust and control. As a result, our findings provide support for the idea that trust and control

are not opposites or subsets of one another, as some have suggested in the literature (Bradach and Eccles 1989). On the contrary, our findings from the HBC indicate that trust and control are highly interdependent aspects of organizing, enacted through a number of different ongoing practices and, thus, are overlapping, interacting, and emergent.

At the HBC, the dispersed operations relied heavily on a combination of explicit information and detailed record keeping, as well as the more tacit and situated knowledge developed through socialization and participation in life on the Bay. Correspondence from London to the Bay in the early years of the HBC contained repeated statements of trust, reflecting both the reality of the distance and a sense that by reinforcing this trust, London could also reinforce the trustworthiness of the actions taken on the Bay. For example, London's letter to one officer noted that it had received a complaint against him from someone returning to London, but that "we have overlooked all, and are resolved to lay such an obligation of kindness and confidence upon you, as shall engage your fidelity as well as utmost industry" (Rich 1948, 7). Here, obligation and commitment are clearly linked, making trust reinforce trustworthiness (and, at the same time, control). At the point of expansion inland, letters from London similarly stated the Committee's faith in Marten and the local officers to decide where to place new posts (Davies 1965).

Contrary to some discussions in the organizational literature that focus on firms' preferences for one form of control (e.g., Ouchi 1980), the HBC did not have a clear preference for one form of control and appeared to engage in a variety of controls both simultaneously and over time, shifting repertoires of control dynamically as appropriate. Our examination of the HBC's dispersed operations suggests that the HBC enacted a variety of control mechanisms—selection techniques, information requirements, and direct local oversight—through its primary practices of socialization, communication, and participation. For example, the elaboration of reporting requirements during the period of the inland expansion did not replace (but was added) to the continued use of the Orkneys as the main source for servants and the use of orphanages and individuals known to Committee members as the source for officers. Both of these were supplemented by the participation of individuals such as Marten, and later Simpson, in positions of heightened authority on the Bay.

Our examination also finds that the HBC's senior management learned early on about the strengths and weaknesses of contracts as a means of controlling distant agents (Carlos 1992, Carlos and Nicholas 1993). As early as 1682, the Committee

was surprised to find that “common sense” was not enough to “cause all our servants to comply.” In response, it resorted to “all manner of means” to bind its men to the Company’s interests. Initially, these means were simple extensions of the contracts, such as bonds and oaths (Rich 1948). Over time, however, the Committee shifted away from contractual controls to a reliance on the types of trust and control we have described here.

Our view of the intertwined nature of trust and control as enacted in organizations suggests that a more complex, practice-oriented view of trust would be beneficial in current research on trust and control in virtual groups and organizations. In particular, our longitudinal examination suggests that researchers and practitioners would do well to consider the broad array of potential trust- and control-enhancing practices and move beyond the single and simplistic quick-fix remedies so widely propounded in the literature, such as the commonly prescribed initial face-to-face meetings. Many authors use trust as a catchall for all things good in teams and communities. We agree that trust is important, but do not view it as the “cure” for the ills of the traditional organization (Handy 1995, 44), or the “elixir” of distributed or virtual work (Davidow and Malone 1992, 264; Lipnack and Stamps 1997, 224–225). Indeed, the story of the HBC suggests that the process and outcome of geographically dispersed work are shaped by the interaction of a number of elements that are more complex, dynamic, and emergent than suggested by the contemporary literature on virtual working. Empirical research that explores and elaborates on these elements and their interaction would be particularly valuable.

We also suggest that in considering the repertoire of practices that virtual organizations may adopt, both researchers and practitioners need to be attentive to how these practices are experienced in different situations. This chapter is based on a particular situation of a trading company operating hundreds of years ago. Not all the practices we have identified, such as the six-week voyages for socialization, will generalize directly to our contemporary context. Moreover, researchers and practitioners need to be alert to the inevitability of unintended consequences. For example, unintended outcomes were evident in the HBC when the Committee attempted to increase the amount of information it obtained about the posts. To the Committee’s surprise, the factors resisted, and a renegotiation of norms and expectations was required.

Although it is dangerous to draw too direct a connection between centuries-old organizing practices and those of today’s geographically dispersed organizations, the HBC records demonstrate that trust is not solely a twenty-first-century concept

applied retrospectively to this seventeenth-century organization; *trust* was a term and concept referred to frequently and explicitly in Company communications (Rich 1948). In addition to these explicit references to trust between the Committee and its factors, London's early letters repeatedly demonstrate this trust through its reliance on the factors' prudence, faithfulness, honesty, diligence, good behavior, integrity, reputation, justice, ability, courage, conduct, fidelity, and local knowledge (Rich 1948, in which at least one of these terms is used in each letter outward). Many of these concepts (especially honesty, integrity, reputation, and competence) are all commonly cited bases for trust in the modern literature (Mayer, Davis, and Schoorman 1995, McAllister 1995, Kramer and Tyler 1996, Kramer 1999).

Furthermore, the story of the HBC suggests several important additional implications for modern virtual organizations. While some of the HBC's practices may seem a bit archaic by today's standards, some of them might usefully be enacted today in slightly modified forms. First, the HBC's emphasis on socialization practices might be especially important for contemporary companies as they try to counter the effect of tight labor markets, frequent job jumping, and low levels of loyalty.

Second, the HBC case clearly highlights the value of retaining and sharing business communications and other records in an accessible manner. The Company's carefully maintained records provided it with an important source of organizational memory and allowed the Committee and its officers to analyze and act on long-term trends in key business indicators (e.g., cyclical fluctuations in beaver populations). Its attention to detail and use of version control numbers, the eighteenth-century equivalent of unique employee IDs, and the strategic use of carbon copy (CC) and blind carbon copy (BCC), all predate many database features that are now considered critical for knowledge management.

Third, some aspects of participation and being there can be facilitated by faster, twenty-first-century communications technology, but other aspects still evade the enabling nature of that technology. In the modern version of Simpson's management by canoeing around, many leaders of virtual organizations may feel little choice but to manage by flying around. However, Simpson did not maintain his aggressive travel schedule indefinitely. After developing his own local knowledge, he began to use alternative approaches to being there. For example, he and the Committee supported a strong sense of identity among key staff groups (e.g., chief factors, clerks, and apprentice officers) and thus strove to develop a sense of esprit

de corps and professional community among employees. By explicitly supporting participation in professional and occupational communities, contemporary companies may be able to build on some of the HBC's techniques to counteract the sense of dislocation that is emerging as the downside of frequent travel and telecommuting

Finally, the HBC story illustrates the complex balancing act that geographically dispersed organizations must perform: finding a workable balance between central control and local discretion. The HBC and similarly dispersed companies must maintain reasonable and prudent levels of control, but because they can never have enough information to direct their dispersed operations completely, they must also establish and build trust among their employees to ensure that they respond appropriately and effectively within local circumstances. This is especially challenging when dispersed organizations face tough competition and turbulent environmental conditions, such as those that the HBC confronted in the last quarter of the eighteenth century. Contrary to a number of theories of organizational control, the HBC's story also suggests that unidimensional approaches to trust or control are unlikely to succeed in geographically dispersed organizations. That is, both trust and control need to be generated jointly through a variety of ongoing organizing practices.

Notes

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1. The volumes by Rich (1939, 1945, 1948, 1952, 1954, 1957), Davies (1965), and Williams (1975) include invaluable transcriptions of full series of letters, minutes, journals, and other HBC records. They are not selections of (or from) these primary source records, but full runs for the years covered.
2. Our longitudinal perspective is possible because the Company's extremely detailed records survive in its archives. The HBCA is one of the world's largest and most comprehensive collections of records for a single company (Simmons 1994). For this chapter, we visited the archives and also obtained microfilmed copies of hundreds of Company documents through interlibrary loan.
3. In 1870, the HBC sold most of this territory back to the government to create 75 percent of modern Canada.
4. We use masculine pronouns because the HBC had an all-male staff until the twentieth century.

5. Citations of the HBCA refer to the original records maintained at the archives. For good descriptions of these records and the syntax of their classification codes, see Burley (1997) and Craig (1970).
6. See McKnight and Chervany (1996) for more on the various general definitions of trust and Bandow (1998) for definitions of trust in an explicitly distributed context.
7. Our focus is on internal trust and controls rather than external and environmental influence.
8. Many of these communication and record-keeping practices (as well as other business practices) predate those of the American railroads and the conventional chronology of big business (Chandler 1977) by more than a century.

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