

Trust

“Sustained business success requires hard, honest work. So does building and maintaining trust. And you won’t achieve that success – organisationally or personally – without trust.”

Andrew Lambert, Creelman Lambert.

Executive Summary

What's the issue?

- 1 Trust is a fundamental factor in all human activity – the basis for sustaining relationships, and determining well-being. It is a pre-requisite for social cohesion, critical in forming and sustaining groups and organisations.
- 2 Trust is also the life-blood of business. The entire financial system rests on trust in value behind currencies, debt and equities. Organisations, leaders and brands survive in competitive markets only if they are trusted. Trust underpins strategic imperatives, including investment, performance and productivity, learning, talent management, business improvement and innovation.
- 3 Businesses and people have always had to work in a societal context in which trust issues abound. Healthy competition requires behavioural boundaries, shared norms and rules – in business as in sport. These are weak or absent among many of the world's states, political, racial and religious groups – competing for influence, economic advantage and scarce resources – generating tension and destructive forces.
- 4 Technological advance poses particular challenges for society and business. The new media revolution fuels powerful democratising forces, eroding traditional power bases and deference to authority, and exposing politics and business to 24/7, 360 degree scrutiny. At the same time, control systems are extending their reach beyond combating cybercrime to mass surveillance, and political and economic espionage. Businesses need to decide whether to have the kind of mature internal debate that politicians have so far failed to facilitate.
- 5 How are businesses doing in the trust stakes? Not particularly well, as evidenced by

- a continuing procession of scandals and failings across a range of public and private sector organisations – and implicating whole sectors, such as financial services, pharmaceuticals and energy
- low survey ratings for employee engagement and trust in leaders, the latter exacerbated by growing disparities in reward ratios and limited evidence of justification for top pay levels
- a growing debate within business about how malpractice is bringing the entire capitalist system into disrepute, loudly echoed by protestors against big global business dominance.

Getting a handle on trust

- 6 Our first conclusion is that too many organisational leaders have focused more on generating financial returns than building trust across the range of stakeholders. Some have favoured investors over customers and employees; others may just have been inattentive.
- 7 Secondly, we conclude that boards and top teams tend not to have a serious discussion about what trust means until they get into serious trouble. The level of understanding of personal and organisational psychology is often weak, and the practice of looking hard in the mirror does not come naturally. Also, many reach the top as a result of skill in politics and power games, and thence manipulating trust.
- 8 Yet there are organisations and leaders setting out their stall as genuine forces for good, in society and in business, echoing visionary leaders of the past. We highlight a number of case studies demonstrating this.

“Monopolies, oligopolies and state control can by-pass competitive forces, but do so at the expense of trust – with negative economic and social consequences.”

9 The challenge is to underpin fine aspirations with real understanding of trust and embedding this in all aspects of corporate behaviour and performance. To convince a sceptical world, responsibility has to be core, not a pretty CSR report and a bit of charity.

10 The first step is truly to understand the meaning of trust and how to translate this into individual and collective behaviour. The essence of trust is dependability and mutuality within relationships. In personal and business life, sustaining these is a daily struggle. Only by recognising the pressures deriving from ‘enemies of trust’ and focusing on the benefits of trust can wise choices be made. Trust is an emotion; it does not respond well to logic and management processes.

11 Interrelationships between trust and other important concepts need to be understood, for example engagement, respect, social capital, brands (including the employer brand), and contracting – in particular the psychological contract and employee value proposition.

Challenges and dilemmas

12 The report explores the role of essential organisational disciplines – such as governance, purpose and strategy, culture, organisation design and effectiveness, risk, and values and behaviours – in enhancing trust. It also considers the implications for people processes, including managing performance, reward, development and learning, talent management, recruitment and retention, succession and exiting people.

13 Challenges and dilemmas include managing tensions between transparency and security, competition and collaboration, growth and contraction, cost-reduction and innovation. Trust issues also occur in change, re-structuring and M&As, and in deploying technology and adapting to a digital world.

14 Ultimately, resolving these challenges is a question of leadership. Much focus is rightly placed on top leadership qualities and behaviours, especially the CEO. However, attention also needs to be given to the trust-related responsibilities, qualities and behaviours of

- boards, not least because they generally appoint and oversee executive leaders
- distributed leadership throughout the organisation
- functional leaders – HR and others – and their departments, who do much to shape policies and practices.

15 Our overall recommendation is for organisational leaders to demonstrate more awareness of the linkage between trust and their responsibilities to build lasting value and legacy, and to be held to account for this. Investors and other stakeholders should also understand what good trust building looks like, and include this in their dialogues with organisational leaders.

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