

# Trust in me?

## The role of trust in leadership

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*'You can have all the facts and figures, all the supporting evidence, all the endorsement you want, but if – at the end of the day – you don't command trust, you won't get anywhere.'*

Niall FitzGerald, chairman of Unilever

Bernie Ebbers, Dennis Koslowski, Kenneth Lay, Jack Welch have one thing in common. They are all business leaders who, in one way or another, broke the trust we held them in. And trust matters. A casual glance at the mentions of 'trust' in our national newspapers indicates the degree to which trust as a topic for debate has moved to the centre of our collective consciousness. In the newspapers with which I am most associated, the *Guardian* and the *Observer*, trust is now mentioned on average around 17 times every day compared with a mere six times a week only five years ago.<sup>1</sup>

At a time of uncertainty, people seem to want to trust more, to believe more, to hold on to certainties that they feel might be slipping away. One of the consequences of globalisation has been to bring into collision very different ways of thinking about the world with pre-modern, modern and post-modern societies living cheek-by-jowl.

International studies such as the World Values Survey seem to show that overall we have become more distrustful. However, contradictory evidence from the British Social Attitudes survey seems to indicate that levels of trust in others have remained relatively static in recent times, even if they have fallen by around 10% in total over the last 40 years or so.<sup>2</sup>

People in uniforms – nurses, doctors, firemen, the police – still tend to be the most trusted groups with between 80% and 60% approval ratings. As the MORI poll which tracks these trends shows, even civil servants get over 40% approval ratings. But critically the groups positioned at the bottom of these surveys are business leaders, journalists and politicians.

This matters to all of us. If the groups that most dominate the shape, tone and content of our public discourse are the least trusted, then it is disfigured to the same degree. We all need to believe that those we have elected, those that report what is happening in the world, and those from whom we buy products and services, are as trustworthy as our friends and neighbours.

Leaders who forfeit our trust pay a heavy price. In organisational terms creating a trust gap can spell disaster. For those who work, trust is the essential glue that makes

their work tenable. For organisational leaders this is doubly so. As the economies in the developed part of the world move away from competing primarily on cost and towards competing on added value, high-quality products, efficiency of service and commitment to a wider group of stakeholders, trust as a component of competitiveness and efficiency is becoming a more important 'must have' than ever before.

But trust in business is falling. Across the EU 54% of people say they don't trust big companies,<sup>3</sup> while in the UK only one in four people say they generally trust business leaders to tell the truth.<sup>4</sup> And in the US, where business has traditionally been more favourably received, trust in business and its leaders has fallen to record lows.<sup>5</sup> Why?

### Trust in me?

Ka, the snake in Walt Disney's *Jungle Book*, sings about trust in order to make Mowgli fall asleep so that he can eat him later. Every child watching knows that Ka is lying. Like Ka, particularly in the United States, successive high-profile business leaders have lied to their workers, investors and customers about how well they were running their businesses. Enron's Annual Report for 2000<sup>6</sup> is a model of its kind. Its underlying rhetoric is that Enron is the sort of company everyone should trust.

In the late 1990s, the pursuit of shareholder value, allied to a strictly managerialist approach to running business, led to an almost 'wild west' way of making money, where even the 1980s mantra, 'Greed is good' seemed from a bygone, less febrile time. The bursting of the dotcom bubble and the consequent corporate shamings have led many to reassess what business is for and therefore how business should operate.

My own contention, drawing on the work of Porras and Collins,<sup>7</sup> is that organisations need to identify the core set of values upon which their operations are built – their gene code if you will. Flowing from this needs to be a clear understanding that an organisation is part of, not separate from, the community in which it operates. Each element of that community – from owners to workers to supply chain to customers – is as important as the next. Basing performance narrowly on satisfying one of these groups alone is not a strategy for sustainability or success.

Convincing stakeholders to trust you is probably the most important thing any leader can achieve. As Professor Michael West of Aston University has shown, in his research

into 160 manufacturing companies, trust hits the bottom line directly in terms of profitability. Yet his same research has shown that only 5% of the organisations he has tracked have created a high trust environment in the workplace.

So what is going on?

### The proof is never in just one pudding

As logicians will tell you, a rule cannot be deduced from any finite number of examples. Initiated by Descartes' questioning of the existence of the outside world, the modern scientific bias is towards doubt, not faith.

The same is true of auditing. Just as scientists aim to work out how the world works by endlessly probing it, auditors do the same thing to corporations. Auditors do not seek success, they seek failure and they will search until they find it. The trust deficit faced by corporations does not necessarily indicate that corporations are performing less well, but that they are pursuing a measure of excellence that is constantly receding from them. At no point do scientific measures ever add up to a reason for fully trusting someone, and so the more faith we place in scientific measures, the less faith we are able to place in what it is they are measuring. A reason to trust someone can therefore never be proved in the strict sense of the term.

And just as the performance of a firm will never be able to completely satisfy the auditor, it will never be able to completely satisfy the customer, if treated only as a consumer. Consumerist values are such that, by their own logic, satisfaction is endlessly receding. The firm that appeals to consumer values will again be chasing a measure of excellence that it will never quite achieve, for it will encourage the consumer to want more and more. In highly competitive markets, this strategy may be necessary for survival,<sup>8</sup> but it brings with it considerable turbulence to the firm. Appealing to individual wants and individual needs only heightens the pressure on the producer to satisfy those still outstanding.<sup>9</sup>

### Restoring public judgement

The paradox facing private sector organisations is that their furious pursuit of specific measures of integrity makes it less likely for them to be trusted. What's required is for them to borrow aspects of public sector legitimacy and become public-facing. They need to take a holistic and public view of achievement, rather than just a microscopic and private one. It is not simply that they need to be more trustworthy; they need to enable better reasons to be trusted, which in this instance means public ones.

Yet ironically the public sector has been following the private sector's lead for many years now. The birth of 'managerialism' has led to new paradigms of 'delivery', 'accountability' and 'competence' upon public and private sector alike, shutting down spheres of autonomy and possibilities for trust.<sup>10</sup> Michael Power's famous indictment of the 'audit society', where targets are imposed upon every aspect of the public sector, shows what managerialism does to morale and public service ethos.<sup>11</sup>

Equally, the New Labour Government's attempts to impose quasi-consumerist criteria on public service delivery

risks creating an insatiable (and therefore dissatisfied) electorate. For instance, the success of the imminent Public-Private Partnership for the Underground will be assessed partially on how passengers feel about the tube's 'ambiance'. Surveys continue to show that public sector workers (not including politicians) are trusted more than private sector workers, but the birth of the audit society along with the transformation of citizens into consumers erodes this. Perhaps now is the time to start conserving the public ethos which remains in the public sector,<sup>12</sup> and to start generating some of it in the private sector.

The logic of the private sector defeats itself, if taken to its conclusion. Trust requires criteria which are not scientifically specifiable, nor adaptable to the ethos of consumerism. In short, trust requires a broader engagement with the public. This is where leaders have a role to play, reconstituting their organisations in search of public legitimacy.

Firms that attain the status of quasi-public institutions, such as Marks & Spencer, are rewarded with greater commitment from all stakeholders than those that don't. Leaders themselves can become the social and political faces of their corporations, rather than simply the financial faces as the 'cult of the CEO' bestowed upon them during the 1990s. Leaders need to define the core values of their organisation and then explain how those values interface with the public interest.

### Restoring reasons for trust

Leaders thus need to introduce extrinsic, rather than just intrinsic, reasons for themselves and their firms to be trusted. Intrinsic reasons for trusting someone are things like their personality, their values, their rhetoric; extrinsic reasons for trusting someone include what other relationships they are embedded in, why they may honour their promises, what other people have said about them.

So leaders need to consider how they can reorganise and exploit the networks of social relationships within which their firms are embedded. NGOs, unions, local communities and public sector agencies have greater social legitimacy and trust than private sector organisations, and firms which enter strategic relationships with these other bodies offer citizens reasons to trust them.

By thinking about citizens, firms indirectly consider their employees, consumers and investors, but do not target them specifically. This is strategically sensible. By raising their civic profile, the consumer, employee or investor can then judge the firm according to the extrinsic norms of the public realm, rather than the intrinsic norms of the workplace or advertising campaign.

Finally there is the possibility of new 'third spaces' or independent third parties to evolve which can act as 'recommenders' and reputation formers. For instance [www.thevault.com](http://www.thevault.com) is an online independent space where stories about employers can circulate. ICT networks are especially valuable here because they offer the possibility of building new reputation systems. These decentralised networks allow people to post information – good and bad – about a corporation or individual, creating reputation and enabling

users to know who to trust and who not to trust.<sup>13</sup>

### Office life

So much for the leadership challenges of creating trust externally with key groups of stakeholders. What about within the organisation? Why is trust so important there?

Again the evidence points to the key role of trust in generating the intellectual and social capital on which so much depends. A recent PricewaterhouseCoopers survey of 300 large companies showed that high levels of trust were an essential driver of innovation in those organisations. Yet NOP found recently that 80% of British workers lack any real commitment to their jobs.<sup>14</sup> And The Work Foundation's own research has shown alarming falls in employee motivation, trust and loyalty over the last decade.<sup>15</sup>

To the extent organisations are held together by social capital, this matters. Once trust is eroded, the crucial glue – social capital – that keeps the show on the road starts to erode as well. The impact on recruitment and retention is obvious, but weaknesses show up in more insidious ways – the organisation slows down. The implementation of decisions weakens as a distrusting environment means that individuals wait for directions rather than act on their own. A blame culture inhibits individual initiative. It becomes harder to delegate and give autonomy.

Paul Oliver of the London Business School in association with the New Economics Foundation has devised a simple breakdown of the elements of trust as follows:

| Component of trust     | Driving factor                                       |
|------------------------|--|
| Expectation            | Personal values                                      |
| Quality of interaction | Accuracy   |
| Communications         | Perceived appropriateness of message, medium, timing |
| Transparency           | Understanding of the product; action; motivation     |

And Charles Handy has described seven rules of trust thus:

- Trust is not blind: it needs fairly small groupings in which people can know each other well.
- Trust needs boundaries: define a goal, then leave the worker to get on with it.
- Trust demands learning and openness to change.
- Trust is tough: when it turns out to be misplaced, people have to go.
- Trust needs bonding: the goals of small units must gel with those of the larger group.
- Trust needs touch: workers must sometimes meet in person.
- Trust requires leaders.

All of this is a useful starting point for any leader in understanding what trust is and what its component parts might be. However, to deliver higher levels of trust in themselves and within their organisations other factors need to be considered. These revolve around developing core autonomies over:

- time
- place
- management<sup>16</sup>

and developing new ways to judge intermediate success criteria such as the development of social capital among the workforce and other stakeholders, not just short-term profitability measures or targets.

A non-target-driven, autonomous workforce that can decide how, where and when to deliver objectives is one of the reasons only 5% of the workplaces in Michael West's research (quoted above) have developed high-trust environments. Letting go this much is the antithesis of how most leaders see their roles. It is the opposite of what is taught in most MBA programmes and it is the reverse of what is described in the published hagiographies of business or political leaders.

### Conclusion

Leaders need trust. Complex, dynamic, network organisations such as those that are fast developing cannot compete or operate without its essential glue. Leaders' reputations, the clarity, timing and comprehensiveness of communication with stakeholders and their ability to delegate and devolve; all help build trust externally and internally.

Modern communications technologies, more informed workers, increased international competition and more complex ways of adding value have placed a premium on the 'trustworthy' leader. Externally that means identifying and communicating the public interest. Internally it means increasing autonomy and improving communication.

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### References

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