The Trust Deficit - Views from the Boardroom

A report by Populus, commissioned by DLA Piper

Populus

DLA PIPER

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Key Findings

The trust environment continues to change as information and even mis-information becomes more widely available, more quickly to an increasingly diverse range of stakeholders armed with different levels of understanding, expertise and motives. Businesses are therefore seen to need to work harder than ever to protect trust and in an increasingly cynical and sceptical environment explicit demonstrations of why a business or business leader should be trusted are seen as key.

This challenge seems to excite rather than daunt senior executives. As trust becomes an ever more scarce commodity, they see its growing value as a way of marking enterprises out from one another and business leaders out from their peers.

The Emergence of the Trust Deficit

1. Every business starts with a trust deficit – the burden of proof is on each business to prove that it is trustworthy

Business leaders believe that the public and other stakeholder audiences are growing sceptical and cynical about the claims and actions of businesses. As a result, business leaders are increasingly seeking to prove that they are trustworthy via external or independent certification. Senior executives attribute this development to a range of long-term trends but, in part, believe the behaviour of financial institutions has resulted in all large businesses being viewed more critically.

> "In the world of business we're moving towards the stage where it's not you're presumed innocent until you're proven guilty; it's the other way round, prove that you're not guilty."
>
> CFO, FTSE 100

2. Trust is increasingly unstable

Trust is thought to be increasingly fragile, influenced by the media and social networks, and to be judged by disparate, global audiences. The 24 hour news cycle is widely seen to have forced companies to respond more quickly at times of corporate crisis and business leaders credit the media with considerable power to influence perceptions of corporate trust.

> "I think if BP's reaction had been as it is was and the problem had been 20 years ago, they would have been said to have reacted really quickly because the media wouldn't have got in that gap, but because the whole world has moved faster, it requires the company to move faster. The media has got the news almost as soon as the company's got the news."
>
> Non-executive Director, FTSE 100

In a globalised economy, senior executives recognise that their actions in one country are frequently judged by those elsewhere who hold different standards and norms of behaviour. The rapid rise of social media has accelerated this trend.

> "I also think that society is actually at a very strange point ... social media and the internet has transferred power to individuals from institutions and society still doesn't understand the implications of that."
>
> CEO, FTSE 100

3. Declining trust is viewed as a business opportunity

Senior executives view trust as a scarce and valuable commodity. As trust declines, its value rises and business leaders believe that those businesses – and leaders – that nurture trust will prosper. Trust is increasingly a defining characteristic of successful businesses and business leaders.

> "I think for those who take trust seriously, the decline in trust is probably a good thing, it creates an opportunity."
>
> CEO, FTSE 100

4. There are limits to the importance of trust

Business leaders highlight that not all businesses need trust to succeed and there is grudging admiration for those who thrive despite a lack of trust. Compelling products, low prices, or ubiquity can be seen as possible substitutes to trust.

> "If you stop people on the street and you said, what's your view of Tesco as a corporate? People would say oh, big, bullying, and squeezing local corner shops out of business every time they set up something in town ... If you said to these guys why don't you shop in your local little butcher, your local little baker, your local little corner shop, they'd say, Oh, Christ, Tesco, the quality of the stuff is great; the prices are terrific. You can do one shop in one supermarket. Parking is terrific ... So there is a peculiar dichotomy there, if you like."
>
> Chairman, FTSE 100

Implementing Trust

5. Corporate Social Responsibility is not a shortcut to trust

Business leaders view those who judge trust – like customers, regulators, and the media – as sophisticated and they caution that these groups see through CSR initiatives that are designed solely to increase trust. While business leaders believe that CSR activity can be beneficial – to inspire employees, for example – they note that for CSR to drive trust, the initiatives must be consistent with the purpose, values or legacy the business is seen to embody.

> "If you're trying to build trust via CSR you better be damn sure of your claims … the business that claims it's done X to support good cause Y, if good cause Y turn round and say 'wait a minute, you only did Z', is going to face a huge problem. I think the public are every bit as cynical about CSR as they are about everything else a business does."
>
> Non-executive Director, FTSE 100

6. Government regulation is an inadequate substitute for trust

Business leaders fear that by specifying a particular set of behaviours, legislation focuses businesses solely on meeting the letter of the regulation and prevents trust developing beyond this level. Because trust is more difficult to create and sustain, and easier to lose, it is seen as a more powerful guarantee of corporate behaviour than regulation which can be, and frequently is, subverted.

> "Joe Public's trust in business has undoubtedly suffered, and as a result, regulators are being brought in to try and restore or replace that trust, and possibly because there is now a regulator, instead of people relying on integrity and trust, businesses think 'If we're in a regulator's rules, I'll play by those rules' and then there's a temptation to game those rules or push them to the wire because it's a rule and it's different from a trust based system."
>
> Non-executive Director, FTSE 100

Trust in the Boardroom

7. Successfully managing trust is a vital skill for senior executives

The ability to consistently make accurate trust-based decisions is a key distinguisher between those capable of fulfilling board-level positions and those unsuited for top-level roles. Business leaders are clear that protecting and growing trust is a key part of their role – and something that they do well.

> "Very often, business leaders have to make very tough decisions. Very often these decisions are about trust. There are great rewards if you get them right, and – quite rightly – if you get them wrong you are out."
>
> Non-executive Director, FTSE 100

8. There is disagreement on senior management's responsibility in times of crisis

Some, including many NEDs, believe that part of the duty of CEOs and other senior figures is to take ultimate responsibility for any breach of corporate trust. These business leaders view it as sometimes necessary for CEOs and others to be symbolically removed following significant losses in corporate trust. Others, however, criticise changing senior management as mere appeasement and stress the importance of established, consistent, senior leadership at times of crisis.

> "If the situation is bad enough, you've almost got to start again in terms of the senior management team. I think you've got to have a sense of a cleansing of the organisation even if that, again, is rather unfair on some people who may have been purely innocent."
>
> CFO, FTSE 250

9. Trust is personal

Trust-based decisions, at a senior level, are about personal relationships and personal judgements. Business leaders view themselves as the best judges of trust and see surveys, credit ratings, and the opinions of others as tools, not substitutes, to aid their own judgements.

> "If you trust the person you do the deal, if you don't trust the person you walk away. So this has been my policy all my life ... it is very, very difficult to put your finger on it. The body language, what they say, what is the background, how honest they've been on the deal you're talking about, and so on."
>
> Chairman, FTSE 250

10. Senior executives question the value of trust building with short-term investors

While building trust with long-term investors remains a goal for business leaders, and they are clear about the benefits of positive relations with long-term and institutional investors, they are less certain about the role of trust when dealing with short-term investors. Some openly question whether it is possible, or necessary, to build trust with profit focused short-term investors.

> "We have the large institutional shareholders with whom we have a dialogue on a fairly regular basis and who are, by and large, relatively sophisticated. But short-term investors, they are there to meet their targets ... It's all about the numbers game for them."
>
> CFO, FTSE 250

Profiles in Trust

11. High-profile individuals have the power to create and maintain institutional trust

Apple and Virgin were seen to epitomise a group of businesses that use high-profile personalities as a shortcut to corporate trust. Business leaders believe that ordinary consumers more easily build trust in individuals than corporates and that charismatic individuals like Steve Jobs and Sir Richard Branson are able to transfer personal trust to their companies.

> "You have a class of businesses who cleverly link themselves to a figurehead – Virgin and Branson, Apple and Steve Jobs, easyJet would be another. What these companies have worked out is that it is much easier to trust a person than a corporate entity."
>
> Chairman, FTSE 250

12. Personal experience is key to building trust

Senior executives are clear that the key to building trust – their own or that of others – is a positive personal experience. John Lewis is therefore widely respected and trusted by business leaders, not just because of its general reputation, but because many senior executives have personal experience of John Lewis honouring or exceeding its commitments on quality, customer service and to be "Never Knowingly Undersold".

> "I think the thing that we always have to remember is the difference between what is held as a view more generally amongst the population, versus what's individually experienced ... So, yes, I trust John Lewis, because I've got a long history of buying with them. I've managed to test that, coming through and so from that point of view, it does have to be something personal. You don't earn it once and then you keep it. You have to find a way of continually validating it."
>
> CEO, FTSE 100

“I think we are more sensitised. There have been too many failures, scandals, a lack of transparency, where I think there is a large scale level of mistrust and cynicism and doubt and concern. I think one needs to recognise that and almost overcompensate.”

Non-executive Director, Top 100 Privately Owned Companies

The Emergence of the Trust Deficit

Every business starts with a trust deficit

Senior executives noted a general decline in trust in businesses, chiefly amongst the general public but also amongst other stakeholder audiences, and consequently few felt trust was still placed in businesses “on good faith”. As a result, a significant trend in trust identified by business leaders was the need for businesses to demonstrate and validate their trust credentials. Indeed, senior executives saw a wide range of actions – Fairtrade certification, committing to the London Living Wage, lifelong guarantees, transparency over fees, disclosing the use of subcontractors, and contractual assurances – as businesses attempting to demonstrate that they were trustworthy. Business leaders noted that, in many cases, such was the cynicism about the claims of businesses that they were now seeking independent or external certification to enhance their trust credentials.

> “I think that people now wish to verify much more. I don’t think trust is enough anymore ... there’s an onus on business to verify that as well, people now wish not only to hear and to believe that there’s a trust, but they actually wish to verify that in many ways. And I think that may be part of that, and sometimes that’s a requirement. Good governance of a company, for example, requires verification of issues. You don’t necessarily just take things at face value.”
>
> CEO, FTSE 100

> “It’s more a requirement to have much more confidence in the answers that you’re getting, and not necessarily just take the answers at face value, and to get independent verification if necessary.”
>
> CEO, FTSE 100

Business leaders saw the need to verify and demonstrate their trustworthiness as part of a larger trend, and they believed many – customers and clients, regulators, even some in business – had become sceptical and cynical about businesses. Business leaders attributed this rise in cynicism and scepticism to no single cause; a long-term decline in deference, historic corporate scandals, a tougher media environment, and the recent banking crisis were all identified as causes of declining trust in business. The net effect was thought to be a shift in the burden of proof such that businesses now had to actively demonstrate that they were trustworthy and, in the absence of this proof, were assumed to be untrustworthy. A breach of trust in a company, business leaders believed, was no longer assumed to be an isolated incident. Instead business leaders suggested that the public assumed any breach of trust was indicative of more widespread malpractice, even if no evidence of this existed.

"In the world of business we're moving towards the stage where it's not you're presumed innocent until you're proven guilty; it's the other way round, prove that you're not guilty."

CFO, FTSE 100

"I think there is a view, a cynicism, scepticism and disgust, a general turning off … people are certainly very disillusioned, there's a lot of anger. And I think, as a result of that, there's less willingness on the part of individuals to believe in certain areas of society, and believe in their integrity in terms of representing them."

Non-executive Director, Top 100 Privately Owned Companies

"One is that the volume of legal documentation surrounding any contract now is hugely greater than it was 15 or 20 years ago … Therefore, to my mind, that is a reflection of less trust and more reliance on legal detail, so more the letter and less the spirit."

Non-executive Director, FTSE 250

"I think the higher barrier is on the negative publicity. If you do anything negative, it's increasingly more likely to be publicised and that's the challenge."

CFO, FTSE 250

Trust is increasingly unstable in a global, connected world

Another significant development in trust identified by business leaders was a perceived widening of the audiences who judged a company's trustworthiness. Businesses were no longer thought to be accountable just to those most intimately involved in their operations – immediate customers and clients, employees, shareholders and regulators – but to a much broader potential audience.

Senior executives therefore cautioned that businesses had to be prepared to justify their actions to, and to nurture trust amongst, disparate groups in government, the media and the general public. These groups, senior executives explained, would often have little direct contact or involvement, and little knowledge or expertise, yet would feel empowered – in a change from previous periods – to comment and judge a business' actions.

"People feel more able to judge. Non-experts, in the media, in government, in the public, feel able to say what they think. A lack of technical expertise isn't a barrier any more to having a broad view of whether something is right, or wrong."

CEO, FTSE 100

"I also think that society is actually at a very strange point ... social media and the internet has transferred power to individuals from institutions and society still doesn't understand the implications of that."

CEO, FTSE 100

"What I think is also interesting is the way progressively that broader public trust in a business, i.e. not just with your customers, ... has become more important in the relationship between the business and its consumers, i.e. not just what your consumers think of you; but what the broader public thinks of you, then affects what your customers think of you whatever their experience. There's an interesting piece of social feedback that takes place in that."

Chairman, FTSE 100

"The more exposure to the media, generally the more opportunities there are for evidence of untrustworthy behaviour to come to light."

CEO, FTSE 100

Senior executives identified globalisation as an additional trend impacting upon trust in business. In particular, business leaders believed they no longer needed to simply build trust in one country or market, but that this needed to be done internationally. The challenge identified by senior executives was how to do so given the differing standards, norms and behaviours that would be seen as indicative of trust in different countries.

A number of business leaders spoke from first-hand experience of the difficulties of building trust internationally and of how an action taken in one country could be welcomed, and contribute to trust in that market, yet could be seized upon elsewhere as an example of malpractice or untrustworthy behaviour.

This trend was seen to exacerbate the impact of wider stakeholder audiences judging trust. Business leaders therefore noted that an international business needed not just to build trust in individual countries with individual audiences, but needed to do so in a way that would please a complex web of trust stakeholders in that market, while limiting the number of actions taken that could attract criticism or cause a decline of trust in other markets where the company operated.

"I spent the majority of my career working outside this country in places where trust is still highly valued; places in Asia, and in some countries which have very weak legal systems, business has to be based on trust because there's no other way of doing it."

Non-executive Director, FTSE 100

"Globalisation is not a new trend, but it does mean what you do in one country can be picked up by an NGO in another."

Non-executive Director, FTSE 100

“Overall, globalised markets have been good news for business. But it does mean businesses need to be more aware, more careful of how they act in any new market. I probably have a very Western view of trust and how to do business, and I’m aware that isn’t a perspective shared by many people around the world.”

Director, FTSE 100

“I think people who do the right thing, people who play for a longer term relationship; people who create a win for someone else as well as a win for themselves will still be trusted. In fact, they’ll be more trusted because they will be real rocks in the sea, because they’ll be much more obvious.”

CEO, Top 100 Privately Owned Companies

Declining trust is viewed as a business opportunity

Taken together, these trends – greater cynicism and scepticism about the actions of corporates, increasingly diverse and globalised audiences, the difficulty of demonstrating trust against a challenging CSR and regulatory environment – were seen to have caused a decline in trust in business. While business leaders saw declining trust as a potential threat to businesses in general, they also saw it as an opportunity for individual businesses and business leaders.

Business leaders explained that as trust in business became scarcer, its value to those businesses who successfully maintained trust increased. Senior executives were clear that, in an environment where most businesses were trusted less, the competitive advantage of having a trusted status or brand increased. A number of business leaders noted that their business had adopted a “trust strategy” or were taking explicit actions to protect trust for this reason.

> “I think for those who take trust seriously, the decline in trust is probably a good thing, it creates an opportunity.”
>
> CEO, FTSE 100

> “I’m absolutely certain that for those of us who understand how important trust is and take action to protect it, we’ll do well going forward. I think of it like this – if everyone else is losing trust, those of us who can hold onto it, perhaps even become more trusted, will stand out ever more strongly from the rest.”
>
> Director, FTSE 100

> “I think there are huge benefits to people being more sceptical … If people are deferential, you don’t know how to improve your services, whether they’re public or private services, and if you’re a commercial organisation, not knowing how to improve your services loses you commercial edge. I think the people should be encouraged to criticise, I think they should be encouraged to give their feedback; I think people should be encouraged to complain where it is well founded. And I think that it’s a foolish public or private sector organisation that doesn’t actually log and review where most of the complaints are coming from in order to put things right.”
>
> Non-executive Director, FTSE 100

"I think in one sense the decline in trust is wholly healthy. You don't trust your country; you don't trust the politicians; you don't assume that the king is descended from God; all those things are – at least in the West – a reflection of a society that's become more independently minded and therefore more likely to question givens."

Chairman, FTSE 100

Business leaders were also clear that, while the decline in trust had regrettable consequences for businesses and others, there were also positives associated with the decline. Senior executives stressed that the public, regulators and others were now more willing, and better able, to hold businesses and others to account for their actions. Participants believed that society had, on balance, gained from higher standards of accountability and that a willingness to trust less had, in recent years alone, resulted in the exposure of malpractice amongst MPs, journalists, in banks, and in business accounting practices.

> "So there is clear distrust of banks, and as a result of that, there's a greater willingness, I think, to switch banks, and to complain and to take them to the ombudsman and things like that. I think that in general, the British public has been known as being quite complacent and less willing to make a fuss, so to speak. I think that's changing."
>
> Non-executive Director, Top 100 Privately Owned Companies

> "It's the ending of decades of deference where you thought you were lucky to get anything from the organisation concerned and you didn't challenge it ... you'd link it to developments in the media, but also a genuine cultural shift that people are now much more prepared to question the services that they receive from them, to regard themselves with more of a customer mentality. And once that degree of challenge starts, then it's very easy to see why a degree of trust will fall away if shortcomings in performance are identified."
>
> Non-executive Director, FTSE 100

"Trustworthy means, if you say you're going to do something, you do it, and you don't ever claim to be capable of doing something you're not capable of, and if something goes wrong, you fix it. That's trustworthy in business terms."

Chairman, FTSE 250

Implementing Trust

Trust strategies

Almost all business leaders shared a common view of how trust in business should be built and maintained: consistently deliver (or exceed) your commitments, communicate clearly internally and externally, and be transparent about behaviour. Senior executives accepted that all businesses experienced moments of difficulty and they believed these incidents, while posing a risk to business, were also opportunities to demonstrate and build trust if businesses explained the source of the problem, apologised, and made a genuine effort to correct the issue.

Business leaders recognised that building trust was simple in principle, but was exceptionally difficult to do in practice. Indeed, senior executives often disagreed sharply over how businesses were best advised to build trust.

> "You build trust by delivering your promises, all of your promises, not just some of them, all of the time. And if you don't then being very clear why things have changed and being very, very transparent about it."
>
> CEO, Top 100 Privately Owned Companies

> "To me, it's all about continuing to do the right things. You're very transparent as regards how you work with customers. You're very straightforward as regards how you work with suppliers. You are very clear about expectations. You deliver to expectations, so to me, trust is something that comes through delivery and performance."
>
> CEO, FTSE 100

One area of difference was the role, if any,"trust strategies" had to play in building trust. Some senior executives were clear that, such was the importance of trust to their business and to them personally, that trust had to be directly addressed as an issue. These business leaders tended to state that trustworthiness was an explicit value of their firm and they believed that to protect and grow trust, a formal strategy was needed. These senior executives therefore approached trust in a similar way to other business challenges like a new product launch or expanding into a new market.

> "You can't say, on the one hand, that trust is important for A, B and C and then just hope it falls into place. If trust is important, and we think it is, I personally think it is, you have to work at it. You set targets, you establish a plan, you pursue it, you review and you amend."
>
> Director, FTSE 100

"We don't have one individual who is, let's say, the Chief Trust Officer or anything like that. No, it really is something that should be implicit in everybody's behaviour. It's one of these things that we try to do as a business and it should translate into all our actions both internally and externally."

CEO, FTSE 250

"We've had something going within the company now for the last two or three years which we've christened our Trust Agenda, which is bringing together basically all of those things that we do that we think either create or sustain trust in us as an organisation. So that encompasses a spectrum of things ranging from our corporate social responsibility-type work to our carbon reduction programme, local communities, and so on, through to the procedures and processes we have in place for employee appraisals, employee development, and so on."

General Counsel, FTSE 250

"In our company trust is one of our five core values, because you cannot really be comfortable in business if you don't have the ability to inspire trust."

Chairman, Top 100 Privately Owned Companies

Not all business leaders shared this view, however, and some explicitly cautioned against adopting a 'trust strategy'. These business leaders believed customers, regulators and other stakeholders reacted cynically to any overt attempt to court trust and they therefore believed that a 'trust strategy' was at best ineffective, or at worst counter-productive. These business leaders instead believed that long-run, sustainable trust was best built as a side-effect of a business' other actions; for example, delivering on time, honouring commitments, and admitting mistakes.

"The public are very sophisticated. They have a very good sense of when something is in keeping with a brand, of when something is genuine. They also recognise when something is done just to generate publicity, or just to boost trust. That type of action rarely proves worthwhile."

Chairman, FTSE 100

"I can think of a number of actions we take that contribute to trust, we work quite closely with our unions – we're not adversarial with them ... some of our work is certificated by outside bodies. But interestingly, we do all these things for reasons other than trust, there are good business reasons for all of those, with the uplift in trust being something secondary although welcome."

CEO, FTSE 250

Corporate Social Responsibility is not a shortcut to trust

Business leaders' views on two common responses to declining trust in business – the growth of Corporate Social Responsibility initiatives and the emergence of tighter regulation – were mixed. On Corporate Social Responsibility schemes, business leaders cautioned that these were not shortcuts to building or rebuilding trust. Senior executives believed that for CSR schemes to have a positive impact on perceptions of trust, they had to be linked to a business' core activities or in some way explained by a business' values.

Business leaders believed stakeholders, including customers but especially more elite audiences like regulators, journalists and other businesses, were easily able to determine between CSR initiatives conducted merely as a marketing, image or trust building exercise and those that were, in some way, linked to a business' values, purpose or history. Senior executives were clear that the latter group of initiatives were much more likely to drive perceptions of trust than the former.

> "You see an ever increasing demand for corporate social responsibility, and for evidence that businesses don't just exist for their own benefit and the benefit of their shareholders."
>
> Director, FTSE 250

> "The public are smarter than you might think, they can tell when a CSR initiative is just a piece of corporate positioning – just giving money to a charity for no reason, or just dressing up something you've always done – as opposed to when something is linked to your values, or is rooted in something about you as a company."
>
> CEO, FTSE 250

> "If you're trying to build trust via CSR you better be damn sure of your claims ... the business that claims it's done X to support good cause Y, if good cause Y turn round and say 'wait a minute, you only did Z', is going to face a huge problem. I think the public are every bit as cynical about CSR as they are about everything else a business does."
>
> Non-executive Director, FTSE 100

"I think regulation is largely a cost that is necessitated by a lack of trust."

CEO, FTSE 250

Government regulation is an inadequate substitute for trust

Senior executives were sceptical about the concept of regulation and legislation attempting to prescribe or compel trustworthy behaviour. Business leaders felt increased regulation of businesses to be a noticeable trend in the UK, and they expressed concern about the impact this legislation had on businesses' behaviour. They feared that increased regulation often took the place of trust, and that those businesses in heavily regulated industries often became (understandably) focused on complying with the letter of the regulation and did not attempt to build trust any further. Beyond this, senior executives feared that regulation could actually hamper the development of trust, as businesses could find themselves unduly restricted by regulation and therefore find it difficult to "go beyond" the legislation.

> "Joe Public's trust in business has undoubtedly suffered, and as a result, regulators are being brought in to try and restore or replace that trust, and possibly because there is now a regulator, instead of people relying on integrity and trust, businesses think 'If we're in a regulator's rules, I'll play by those rules' and then there's a temptation to game those rules or push them to the wire because it's a rule and it's different from a trust based system."
>
> Non-executive Director, FTSE 100

> "I think [the reason] we're having to impose external regulation on all sorts of behaviours, particularly on people like banks, but in lots of other situations as well, is because the best kind of regulation which is peer pressure, is not available anymore."
>
> Chairman, FTSE 100

> "You're seeing it with banks. There have been great calls for regulation and action to force banks to behave in a trustworthy fashion, to force certain behaviours on them. There is a certain irony to the idea of legislating trustworthy behaviour, but given what the public think the banks did, I can understand why they want it."
>
> CEO, FTSE 100

Responsibility for building trust

Another point of contention was the degree of responsibility of C-Suite managers for establishing trust within a business. Some business leaders believed that senior management's responsibility was to establish a "tone" for trust within a company and to act in a trustworthy and responsible way as an example to others.

These business leaders did not, however, believe that responsibility for trust lay exclusively with senior management. They believed that trust had to be a value of all employees, albeit inspired by senior management, and that – in any event – Britain's major businesses simply employed too many people, in too many countries, for senior management to directly enforce and oversee trust. These business executives, for example, tended to believe that a management team could remain in position following a breach of trust if that breach had occurred at a lower corporate level.

> "It is something that is very much the tone at the top, so I think the message that comes out from the Chief Executive and the way the Chief Executive acts sets the tone for the whole organisation. I don't think this is something that is a corporate communications department issue; it is more individual actions led by the most senior people."
>
> Chairman, FTSE 100

> "I like the idea of managers being responsible for every action of their company, but I think it is now an old-fashioned concept. Modern businesses are too large, too complex, too globalised for a CEO or Director to be resigning or being sacked every time something goes wrong ... their role is to set an example, to act in a trustworthy fashion so subordinates can learn from that."
>
> Non-executive Director, FTSE 100

"I'm often irritated by calls for the CEO to resign whenever something quite minor happens down the food chain ... I think the CEO's role, and other board members' role, is to establish the values of the company and set a good example. I don't think they can be held responsible for someone five steps down, in a minor office, for breaching that trust."

CFO, FTSE 250

"The buck absolutely stops with me. I'm the most senior officer of the company, and I can't go on for 15 minutes about the importance of trust to the company, and then turnaround and try to say 'oh, but the failures are someone else's fault'. If trust is important, and it is important, I take responsibility."

CEO, FTSE 100

Other senior executives, however, disagreed and they viewed trust as the ultimate responsibility of the CEO and other board members. While these business leaders did not believe it was easy for senior management to drive trust across a company, or that senior management would be able to oversee every action that could impact on trust, they did believe it was important that C-Suite directors accepted ultimate responsibility for trust in a company. These business leaders tended to assign a very high importance to trust and, consequently, often suggested that following periods of crises senior management should be changed to restore trust, even if senior management had not been directly involved in the loss of trust.

> "It's an all-important role. They have to be the guardians, the representatives, and the deliverers of the way in which the entire organisation behaves. If they don't, the organisation will not behave as they hope it will."
>
> Chairman, FTSE 250

> "We would expect that a Director or senior figure that oversaw a failure in a new product to consider their position, or one who oversaw a failure in government relations to consider resigning, and I think the same has to apply to damaging breaches of trust."
>
> Non-executive Director, FTSE 100

Trust is fragile

One area in which all business leaders agreed was the fragile nature of trust. Senior executives believed that trust was extremely difficult to build, and came only as a result of years of investment and company-wide effort, yet could be lost extremely easily. Business leaders believed this to be true in two ways. First, business leaders believed even well-established reputations could be lost extremely quickly as a result of a breach of trust. Second, business leaders noted that trust tended to be built on personal experience, of customers and clients having good experiences, or via trusted recommendations, yet could be lost at a corporate level. They believed that a client or customer could lose trust in a company despite no poor personal experience, yet could only gain trust in a company via personal experience.

> "It sounds like a terrible cliché, but, trust really is terribly difficult to gain and very easy to lose."
>
> CFO, FTSE 250

> "You can destroy trust in ten minutes and it can take years to build it back again."
>
> Non-executive Director, FTSE 100

"Trust is built up brick by brick over a long period of time … if you lose your trust or your reputation it takes a lifetime to build it and you can lose it in 24 hours."

CFO, FTSE 100

"Unfortunately, it takes a hell of a lot longer to build trust than it does to destroy trust. And I don't think you can rebuild trust very quickly. I think you have to rebuild trust like you're back at first principles. When something goes wrong, I think you have to be shown to be decisive, honest, and willing to take the necessary pain and steps to put it right, whatever that means, whatever cost, and then it will take time to get it back."

Non-executive Director, Top 100 Privately Owned Companies

"Well the Bank of Scotland and the Royal Bank of Scotland, in a decade, pissed away 300 years of reputation building … it's just about the most shocking thing there could be."

Director, FTSE 250

Many business leaders considered why, if the basic principles of trust were comparatively simple and well-known, so many businesses – and governments, public institutions and individuals – found themselves in situations where they had allowed trust to be eroded. In general, business leaders, often speaking from past experience, regarded trust as more noticeable "by its absence" than by its presence. Senior executives noted that while some businesses lost trust "spectacularly" through a single, high-profile event, others lost it slowly through a series of small incidents. In these instances, business leaders believed it was easy for management to continue to believe that a business was trusted, and to miss the signs of decline, until it was suddenly apparent that trust was gone.

"If you're not careful it's very easy to lose your way as a business, as a management team, as a sector, as a group of people. People talk about governments that have been in power too long; the same can be true in that sense of businesses … it's easy to become arrogant without knowing it. And I mean arrogant, not in the being pompous and wearing robes, sense. I mean in just assuming that you know and therefore you don't have to explain. And assuming everybody else knows what you know and you can therefore just go and do it … if you behave in a trustworthy fashion then over time that trust will accrue to you and will stay with you. And then at that point if you do one thing that looks a bit odd people will be intuitively and in a human way, give you a bit of slack. But if you do more than that, or if it's really out of kilter, then people will completely lose faith and you're a long time rebuilding it; a very long time."

Chairman, FTSE 100

"I think it's easier to know when it's broken down because normally there'll be something that has triggered that. I think prior to that it's probably a bit difficult to say how do you actually measure it."

General Counsel, FTSE 100

"Trust really only comes to the fore when it isn't there … we take trust for granted but when it's not there it suddenly becomes important to us."

Chairman, FTSE 100

Trust and specific audiences

Most business leaders highlighted the importance of building and maintaining trust inside a company between employees at different levels, sites and departments. The benefits of trust within a workforce were thought to be significant and were seen to range from simplified negotiations with trade unions, to building a reserve of goodwill for when companies had to make difficult decisions, for example, over closures or redundancies, to staff simply being prepared to work harder or longer knowing that their efforts would be recognised or rewarded.

Many senior executives spoke from personal experience about the difference to a business that trust between senior management, line management, and ordinary staff made. Some business leaders noted that in the internet-era, a video, image or comment posted online by a disgruntled employee could cause immense harm to the entire business.

> "'Our employees are our greatest asset' has become something of a cliché. But I've worked in and managed companies where staff would demand everything in writing, do nothing on their own initiative, and simply didn't believe anything they were told by their managers. I've also had the pleasure of working in some fantastic places where everyone works together, where people pour their energy and effort in, and the difference is immense."
>
> Non-executive Director, FTSE 100

> "There is far less – you can call it trust, you can call it long-term loyalty – between employers and their staff than there used to be, in both directions. I think, employers have become much more willing to cut numbers when business turns down, and similarly, and probably for that reason, individuals have become much more willing to move, without any real sense that they owe loyalty to their employer, or that they are looking for a long-term relationship of trust and mutual commitment."
>
> Non-executive Director, FTSE 250

> "They're [employees] less likely to leave. They're more likely to go the extra mile when you're in trouble. They're more likely to cope with ambiguity ... They'll stick with the business and not get too distracted by that. And, therefore, overall productivity's probably higher."
>
> Non-executive Director, FTSE 250

"As far as you possibly can you want anyone who represents the company behaving in a broadly consistent manner and to have the same set of attitudes and approach. It's very difficult to do, but I think one person can very easily let down the rest of the organisation. So, we try very hard - I'm sure all sorts of organisations do - to instil the same values in everyone who works for us and everyone who represents us."

CFO, FTSE 250

"I think we built a company in its early days out of not cheating our sales force... I've picked up so many good salespeople who felt as though they'd had their commission doctored, twisted, turned inside out by my competitors, and they came to work for us."

CEO, FTSE 250

Senior executives noted that the most important form of trust to cultivate within a business is between staff and their immediate supervisors and juniors. These relationships were viewed as those used, and tested, on a day-to-day basis and therefore the ones where trust was most important. While business leaders recognised the importance of C-Suite management "setting a tone" for trust within a company and that trust between senior management and ordinary workers would become important at times of great difficulty, they noted that there would typically be much less contact between workers and senior management than there would between workers and their immediate superiors and subordinates.

> "I happen to think it's more important the closer you get to the individual, personally. Because I think once you're at the institutional level of a national union and a national official of the business that they learn to cope in a terribly hands-off fashion with the relationship between them. Whereas at the level of the individual: trusting that your manager's going to look after you; trusting that the tasks you're set will be fairly evaluated; trusting that the management team will look appropriately at the pay rates; trusting that should you fall ill the company will honour all its promises about sick pay etc; I think at the individual level are immensely important."
>
> Chairman, FTSE 100

> "I think we [the senior management] have a role to set the values of the company, which includes trust. I think enacting those values however has to be down to those on the shop floor as it were, and their immediate managers. That's where the majority of our workforce is, and that's where the values of our company have to live."
>
> CEO, FTSE 250

The nature of trust with customers and clients was seen to vary between businesses, as was the overall importance of trust with customers and clients. In general, those senior executives whose clients were other businesses, the public sector, or involved personal relationships with small numbers of the general public tended to assign a higher importance to trust than those whose customers were the general public. In the latter case, trust was seen to be procedural in nature – charging the right prices for items, honouring published terms and conditions – while in the former case it was thought to be more complex and involved intentions, professional expertise and personal relationships.

"We have even many examples of companies which are able to survive without inspiring trust, but I believe it's much more difficult and much more volatile."

Chairman, Top 100 Privately Owned Companies

There are limits to the importance of trust

While business leaders believed trust to be important to all enterprises, they did identify businesses that were able to prosper despite limited or selective trust. Tesco, for example, was seen as widely trusted amongst the general public to offer competitive prices, convenience and good quality products, but was perceived to be little trusted in terms of its practices around land-banking, or planning issues, or impact on local independent shops. Ryanair was viewed as a more extreme example. While trusted on safety, Ryanair was perceived to be actively distrusted on pricing, customer service, and transparency.

> "Tesco, strangely enough, are slightly feared and not sort of trusted, because they always seem to be getting planning permission for new stores, and they squeeze out local shops and so on. But guess what? Customers keep on going into their stores in bigger and bigger numbers, and their profits are up again."
>
> Chairman, FTSE 100

> "I suppose the company that comes to mind most with lack of trust is Ryanair which people suspect of trying to screw them at every stage and also will just leave them in the lurch if things go wrong. And yet in terms of their results, I've not seen any adverse consequences directly resulting from that lack of trust."
>
> Non-executive Director, FTSE 100

> "If you stop people on the street and you said, what's your view of Tesco as a corporate? People would say oh, big, bullying, and squeezing local corner shops out of business every time they set up something in town ... If you said to these guys why don't you shop in your local little butcher, your local little baker, your local little corner shop, they'd say, Oh, Christ, Tesco, the quality of the stuff is great; the prices are terrific. You can do one shop in one supermarket. Parking is terrific ... So there is a peculiar dichotomy there, if you like."
>
> Chairman, FTSE 100

Trust in the Boardroom

Successfully managing trust is a vital skill for senior executives

Business leaders were explicit that, not only was trust an important issue for business in general, but that it was particularly important for senior executives. Making trust-based judgments was thought to be an important skill for all in business, and business leaders felt the importance of this ability increased at higher levels within a business. Making trust-based decisions was seen not just as an especially important skill for business leaders to hone, but as an important responsibility discharged by board members.

> "Values emanate, first of all, from the leadership of the company. In our case, we're a public company, so the board of directors have to believe in them ... they can't have just been dreamt up by a public relations agency and slapped on a website or something."
>
> CFO, FTSE 250

> "I personally feel it matters a great deal. I feel much happier doing business with people that I trust. I feel much happier working in business with people I trust, so, yes, for me personally it is a very important consideration."
>
> Non-executive Director, FTSE 250

> "I think it is essential. The ability to work out 'who can I trust' and to what extent is important for everyone in business whether you're just starting out or at a board level. It is a skill that becomes more important as one progresses and one hopes to develop that skill."
>
> Non-executive Director, FTSE 100

The ability to make complex decisions based on trust – who to partner with in business, who to trust with difficult assignments, who to appoint as an external advisor – was seen as a key competence for aspiring business leaders to develop. Participants, while often freely admitting their past mistakes, believed that by the time they had first joined a Board that they had developed a sophisticated, and largely accurate, ability to make judgments on trust.

While business leaders thought that trust was a difficult issue to manage, and one that was becoming harder to manage all the time, few entertained serious doubts about their own abilities to be able to do so effectively. As well as offering benefits to their companies – in terms of reduced shareholder activism, happier staff and customers, and less invasive regulation – many were also quite open about the personal advantages of their ability to manage trust well, both in terms of securing their own existing positions and advancing to better ones.

"I think knowing who to trust and what to trust is a skill ... we've all got it wrong. We've all trusted people that we shouldn't have done. We've all distrusted people that we should have trusted. Knowing who to trust and when to trust, when to push, when to go, I think it's a huge skill."

CEO, FTSE 250

"Experience is the true measure and that takes time and you learn when you can't trust when you're let down. So it's a difficult type of learning experience."

CFO, FTSE 100

"It's fundamental to exercise your judgment on the risk that you are taking. It doesn't mean that you won't do the deals, or you won't have a relationship with people, but in that case you should be aware that the level of risk is different."

Chairman, Top 100 Privately Owned Companies

"Well, some decisions are easy. Do I trust you to take a tenner and go down and buy me a coffee? Yes, because if you run away, I've only lost a tenner. And if it's 20 million, then it might be different. Where the line is becomes the difficult bit. I think that's a judgment call in business and it varies by person and by difference sizes of organisation as well."

CEO, FTSE 250

"So if you're in the business world, I think you're probably more knowledgeable, more aware, more understanding that company CEOs and boards are often placed in no-win situations. If I share this information, this is what's going to happen and it's bad. If I don't share this information, it's also bad. There are a lot of tough areas, conflicts, which doesn't make running a company or being a member of the board of a company easy. And there are a lot of tough decisions and there's no absolute. Sometimes, there's no clear right and wrong."

Non-executive Director, Top 100 Privately Owned Companies

"Very often, business leaders have to make very tough decisions. Very often these decisions are about trust. There are great rewards if you get them right, and – quite rightly – if you get them wrong you are out."

Non-executive Director, FTSE 100

There is disagreement on senior management's responsibility at times of crisis

Perhaps unsurprisingly given the general importance assigned to trust in business, and the perceived particular importance of trust at a boardroom level, business leaders had strong views about the most appropriate ways for senior management to react to a loss or breach of trust. Some – including many of the non-executive directors interviewed – believed that changes to senior leadership were often appropriate following a loss of corporate trust.

> "If the situation is bad enough, you've almost got to start again in terms of the senior management team. I think you've got to have a sense of a cleansing of the organisation even if that, again, is rather unfair on some people who may have been purely innocent."
>
> CFO, FTSE 250

> "Trust is too important an issue for shareholders or investors to keep someone on a generous pay and bonus package who can't get it right."
>
> Non-executive Director, FTSE 100

These participants believed that, even if not directly culpable for the loss of trust, it was the role of senior management to take ultimate responsibility for trust in the company. They therefore accepted that some Chief Executives or other senior figures would sometimes lose their position because of the failings of others. On a pragmatic level, they noted too that a change in senior leadership was often necessary to act as evidence to critical observers that the culture of a company had changed and to allow trust to be rebuilt.

> "For someone like BP, you had to have change at the top, so the tone of the management would begin to change."
>
> Chairman, FTSE 100

> "You've got to change the people at the top. Fred Goodwin was never going to get that trust back."
>
> CEO, FTSE 250

> "Changing the CEO, shaking the board up, is often very effective. It sends a very clear message 'We are changing, we are doing things differently.' You can look at RBS, or BP, or any number of companies where the shareholders have decided it is the right approach to take."
>
> Chairman, FTSE 100

Those who disagreed with this view tended to highlight that changing the senior management was often mere symbolism. These participants stressed that unless those responsible for the loss of trust were replaced as well, and the company genuinely reprioritised trust, that changing senior leadership often had little, if any, real benefit for the company. Indeed, business leaders noted that changes to senior management, unless handled very carefully, caused disruption at a time when leadership was most required.

> "I think it's very easy for the media to demand that the senior person is hung out to dry as a scapegoat, but very often that's symbolic only and you end up losing a really good person when actually the fault is quite possibly somewhere lower down."
>
> Non-executive Director, FTSE 100

> "I always compare it to calls for a government minister to resign because some civil servant they've never heard of has made a mistake ... It just shouldn't be the case that the CEO or Board is liable for every breach of trust, often it is the existing management who are best placed to put things right."
>
> CEO, FTSE 250

"If you trust the person you do the deal, if you don't trust the person you walk away. So this has been my policy all my life ... it is very, very difficult to put your finger on it. The body language, what they say, what is the background, how honest they've been on the deal you're talking about, and so on."

Chairman, FTSE 250

Trust is personal

Business leaders viewed trust largely as a matter of personal judgment, and often made decisions on trust based on personal relationships and contacts. Senior executives were clear that customer satisfaction surveys, stakeholder audits, credit ratings or similar methods of measuring trust were, at best, tools to aid decision making and that trust in business was best judged by experienced and tested business men and women.

Senior executives viewed many of the trust-based decisions they faced, whether in terms of who to enter business with, who to deal with, or who to hire or fire, as making a judgment concerning a single individual or small group of people. They explained that in these cases, while legal due diligence on proposed deals or lengthy screening processes of potential senior hires were of use, the ultimate decision was a personal one that they had to take responsibility for.

> "The point of being a business leader, as opposed to a simple manager, is one's meant to anticipate issues and start to inform people before you know the answer."
>
> CEO, FTSE 250

> "I hadn't thought about trying to measure trust. You recognise very quickly where there's an absence of trust."
>
> Chairman, FTSE 100

"You can measure trust but not in a simple way, so I think we will look at a range of different criteria like Net Promoter Score, and various other marketing indicators. Also, through our PR strategy we'll be using stakeholder panels, and also polling, and other things to test out that audience. With our political stakeholders there are proactive things we can do, such as polling, but also meetings, and just testing the temperature, and in the political world through indirect feedback, informal feedback and direct feedback. So looking at the different audiences there are a range of different sources, and you can pool all that data together and have some sense of quantification, but I think ultimately when you put all that together you've also got to use a bit of instinct. You've got to have a feel for it as well."

Director, FTSE 100

"I think because those of us who are in business basically are reasonably sophisticated, we can draw a distinction between what's happening in society generally and what is happening specifically in terms of businesses we run."

Non-executive Director, Top 100 Privately Owned Companies

"You can meet people who are inspiring trust, and in ten minutes you can be convinced that this guy is worth trusting; or you can feel, let's say, something which tells you that the guy is not trustable."

Chairman, Top 100 Privately Owned Companies

"Business relationships are founded on personal relationships and there are a lot people involved, and it's the personal integrity and trust that matters more than anything else."

Chairman, FTSE 250

"I think you make a judgment on business transactions often on the basis of trust. I'm just thinking of one particular character I got to know over recent years, who I liked. I enjoyed his company. I thought he was incredibly bright, but I wouldn't have trusted him, because he talked and talked and talked, and you could never quite get to grips wholly with what he was saying."

Non-executive Director, FTSE 100

"It is absolutely through the individual that trust is felt and built because the individual that you come across is representing the values, the culture and everything else for the firm … if you say something confidential or that you're given sound advice, it will be through the individuals and your experience around other people within an organisation and eventually you begin to think, 'oh they're a good trustworthy outfit', 'they can keep a confidence', or whatever it happens to be."

Chairman, FTSE 100

Senior executives question the value of trust building with short-term investors

Some business leaders were sceptical about the value of building trust with shareholders, and these participants noted that investors, rightly, focused on their returns and profits from an investment. These business leaders did not tend to believe that any level of trust would be sufficient to entice shareholders to maintain an investment that no longer delivered the desired rate of return. Some senior executives noted too that tighter legislation regarding how companies reported to shareholders and the stock market had limited the role for voluntary, trust-building actions in relationships with shareholders and investors.

> "Shareholders are going to do what's best for the shareholder ... shareholders need to trust a company because they're making an investment in it and they need and want to know that what they're told is the truth, and if shareholders don't trust a company they won't buy the shares; it's pretty straightforward. But I think if a company, in some ways, is trying to trust its shareholders it's kidding itself. Shareholders of one sort or another, the only reason you buy a share is to make money. You don't invest in it for any other reason and if a better opportunity comes along, you're not going to turn around and say, 'Oh, but the chief executive's an awfully nice person; I'm not going to sell his shares'."
>
> Non-executive Director, FTSE 100

> "I don't think it is as important as it was, and, therefore, whether it's broken or not doesn't matter. Companies have to communicate with shareholders in very specific ways, very thoroughly; they have to issue quarterly or six-monthly reports; they have to make sure that they don't give any inside information to staff or customers before it goes to all shareholders; etc. They didn't have to do all that ten years ago, 20 years ago, and now they do. So a shareholder doesn't really have to worry about trust any more: will they be trying to pull a fast one, because if they are pulling a fast one it's illegal and they'll go to jail when it's found out."
>
> Non-executive Director, FTSE 250

> "As an aside, I think it's worth noting that there are many things one might like to do to build trust with shareholders that businesses are banned from doing. It's a very tightly regulated set of behaviours, which offer good safeguards to shareholders, but do rather limit our ability to show trust or reward faith in our shareholders."
>
> Director, FTSE 100

Trust and Professional Advisors

Individuals matter in professional relationships

Business leaders drew a sharp distinction between their trust in lawyers and accountants as a whole, and their trust in individual professional advisors. While trust in the professional advisor industry as a whole had declined, many business leaders spoke at length about particular lawyers, accountants, and other professional advisors that they trusted to provide excellent advice and support.

Senior executives reconciled this conflict by stressing the importance of trust and personal relationships in appointing external advisors. Business leaders believed the UK to have a wealth of technically proficient and professionally qualified advisors in the Big 4 and equivalent law firms. Professional qualifications or technical competence were therefore not seen as distinguishing characteristics and so not the criteria on which senior executives appointed advisors. Instead, business leaders explained that selecting the right lawyers and accountants was a trust-based judgment and one influenced by personal experiences, working relationships, and trusted recommendations. Appointing the 'right' external advisors was seen as an example of the type of difficult, trust-based judgments business leaders had to make.

> "When you deal with them, you have to trust them or not, and it comes down to individuals. I would say in these kinds of companies, even more than the normal company, this is true because these kinds of firms are really based on individuals and they rely very much on the single quality of the individual."
>
> Chairman, Top 100 Privately Owned Companies

> "It often comes down to the people you're interacting with on a particular assignment because in the service industries, if you've had good experiences you tend to go back to the same person. If that person moves jobs, you might then sort of cast the net a little wider or follow them."
>
> CFO, FTSE 250

> "When you have hundreds and hundreds of lawyers, that doesn't mean all the top lawyers. The top lawyers are the people who have the quality, the right people to give right advice."
>
> Chairman, FTSE 250

Most business leaders were clear that their primary relationship, and trust, was with named individuals – Partners of their appointed firms or senior members of the advisory team – and not with the wider firm. In part, this reflected business leaders' view that trust was most effectively built between individuals rather than corporate entities, and in part the importance assigned to trusting external advisors. Senior executives stressed the importance of receiving the right advice on complex legal, financial and other issues and they were therefore not prepared to trust this role to individuals that they had not developed a trusted relationship with. As a result, business leaders' loyalty was seen as transportable should a Partner or advisor move firm or establish their own practice. A number of those interviewed admitted taking their business to a Partner's or trusted advisor's new company rather than appointing a new, little or lesser trusted, Partner or team from the old firm.

> "Frankly, I think as a client you either trust your lawyers or you go and get somebody that you do trust. In other words, you vote with your feet as a client … it's a binary situation; you trust them and use them. If you cease to trust them, you go elsewhere."
>
> Chairman, FTSE 100

> "I think it goes down to choosing people you've already worked with … you choose people whom you believe you will trust, and that's usually based on having seen them in action."
>
> Non-executive Director, FTSE 250

> "I don't think I'd really instruct anybody that I didn't trust … If you didn't trust them then you're not going to trust their advice, you're not going to feel comfortable saying to business colleagues 'look, such and such has said this'. I just don't see the point of not trusting your advisors."
>
> General Counsel, FTSE 100

> "By and large it's relatively easy over a period to build trust with a team that's looking after you. The problem is often that that team doesn't necessarily have as much clout as it might like within the organisation … you can get a situation where a London based partner loses out to a very important partner in New York if it's an international firm, who does something that is not in the best interest of this client in London … that tends to mean you need to be a little bit careful of some of the really big advisory firms because your point of contact in that firm doesn't have as much clout as he might like."
>
> Non-executive Director, FTSE 100

"I think it's a combination of the people you deal with, the one-on-one people you deal with in that company and then, second, the brand image of that company itself. If that company itself has a strong brand, certainly it is easier to sell using that company than if it's an unknown or does not have a good brand. But beyond that when you're looking at, let's say, choosing between ten companies that are very good, well known and respected in their field, I think it comes down more to which people you deal with."

CEO, FTSE 250

Professional advisors face significant trust challenges

Lawyers, auditors, and other professional advisors were not seen as immune to the trends in trust affecting all large companies; greater cynicism and scepticism about their actions and motivations, increasingly diverse stakeholder audiences, and standards of trustworthy behaviour varying country-by-country.

Trust, alongside professional knowledge, was seen as vital to professional advisors and as the foundation on which lawyers and accountants provided advice. Many business leaders therefore viewed these changes in trust as particularly challenging to professional advisors. Senior executives speculated that the actions of lawyers and accountants being judged by increasingly cynical, global and diverse audiences would begin to pose significant challenges to professional advisors.

> "All professionals need to think beyond the technicality of the advice they're giving. They have to think through as regards how the client is using it, and the consequences of it, if the client ends up using it, in a stretched way."
>
> CEO, FTSE 100

> "I think they have to be seen as guardians and custodians. Whilst they get paid by clients, I still think they have to rise above the fray. And I think they have to be bold enough to turn down mandates and to blow whistles, and to not water down reports or audits or whatever when they think things aren't as they seem."
>
> Non-executive Director, Top 100 Privately Owned Companies

> "It only takes one example of untrustworthy behaviour, as in the Enron case, and a whole accountancy firm disappears."
>
> CEO, FTSE 100

The importance of context and candour

Business leaders had stringent expectations of how professional advisors should behave. At the senior level in which business leaders operated, the highest levels of technical and professional expertise and knowledge were assumed.

While business leaders understood why accountancy, and to a lesser extent legal, firms had expanded their range of services, they were strongly opposed to the prospect of a trusted Partner or advisor feeling under commercial pressure to expand the range of services provided to their clients. Indeed, senior executives noted that providing impartial, client-focused advice was the most important role of an external advisor and that any suspicion advice had been given for a financial motive would severely harm the relationship and cause a breach of trust.

Business leaders also expected honesty and context from their professional advisors. One aspect of a client-advisor relationship built on trust was thought to be advisors admitting when they were not best placed to help. Senior executives were clear that professional advisors, if not able to expertly advise on an issue, should freely admit this and that doing so would often increase, rather than decrease, trust, especially if accompanied by a recommendation for another advisor, perhaps at another firm, who could assist.

Senior executives explained that they were increasingly looking for their advisors to place their advice in context. Business leaders looked for their advisors to explain when actions were technically legal but at the fringes of legality or would be viewed critically by outsiders, and for their advisors to balance the likelihood of success of any option against the direct and indirect costs of taking action. Business leaders did not expect their advisors to make these decisions – and senior executives were clear that these were decisions to be taken by senior management and not advisors – but most did expect their advisors to be aware of the wider context and not focus solely on the legal or financial aspects.

> "I don't appreciate advisers who have a bias and don't declare it. I want to know why advice is being given. I do not ever want to suspect it's because they will make more money if I follow their advice. That would be a breakdown of trust. [What would happen if that occurred?] I'd find another advisor."
>
> Chairman, FTSE 250

> "Those people who can say 'no' to the client, people who care for the client will be the people who will succeed. And as far as the lawyers are concerned, no difference, they should tell the client, 'you're going to lose, don't mess about.' If you ask me to act for you and go for it, I will, but if you ask me I'll tell you don't."
>
> Chairman, FTSE 250

> "I expect advisors to speak up if they think something is wrong, and not just consider, 'ooh, wait a minute, better be careful to maintain the fee relationship' we have. So I do not appreciate advisers who don't say what they think."
>
> Chairman, FTSE 250

> "Clearly you want to keep to the letter of the law but you also want to keep to the spirit of the principles and I don't think you would look to your lawyers to help you keep to the principles, I think you've got to look to that yourself."
>
> Chairman, FTSE 100

"A trusted advisor gives sound advice which is impartial, or which is the right advice, as opposed to necessarily telling you what you want to hear."

Chairman, FTSE 100

Profiles in Trust

Business leaders cited a range of recent corporate crises – BP's Deepwater Horizon spill, phone hacking at the News of the World, and the banking crisis amongst others – as evidence of the importance of trust. While senior executives did not suggest that a lack of trust had caused these problems, they did tend to believe that it was the resulting impact on trust in BP, News International and the major banks that had primarily caused harm to these businesses, not the original event itself.

Business leaders noted that businesses with the trust of their customers, regulators and society were more likely to survive these types of crises and that, if a business found itself in crisis situation, behaving in a trustworthy fashion – recognising the problem, communicating openly and directly, allowing the response to be verified by an external party – was vital.

Outside the business world, the MPs expenses scandal was seen as an example of where a poor response had caused a loss of trust.

> "Visibility, honesty, accessibility, and demonstrating that you know where you've erred and you know what steps need to be addressed, and you're addressing them as quick as practically possible. People just have to see that you're doing everything reasonably and humanly possible to put the wrongs right ... I think once bitten, twice shy. I think people are probably more willing to afford an element of trust and goodwill if they've never had a bad experience. If they've had a bad experience, I think it takes longer to convince them that it won't happen again."
>
> Non-executive Director, Top 100 Privately Owned Companies

> "I think having a reputation for truth and it being true, is pretty important because when things go wrong, being able to communicate in a way that people believe, is pretty important."
>
> CEO, FTSE 250

> "Evident leadership from the top, not just talking but acting at the top, helps quite a lot in those circumstances."
>
> Chairman, FTSE 100

"The first thing is the management shows that it understands and accepts it has a problem, but if they're in denial then nothing will get fixed. So first of all it's acknowledging the problem and then you have to be able to show that you have understood it and done something about it."

Non-executive Director, FTSE 100

"Something needs to be seen to be done, and whether that's one individual falling on his sword lower down the organisation where he actually was at fault or whether it's a reorganisation or a new management being brought in from outside, but whatever it is, unless there is something that is absolutely tangible and visible that's being done, then why would anybody think you'd changed?"

Non-executive Director, FTSE 100

"I think it takes an incredible amount of time to rebuild trust. I don't think it's something you can rebuild overnight and indeed in some situations and some people you never would be able to rebuild."

General Counsel, FTSE 100

"I think you've got to have a restatement of your own values and you've got to be seen to be upholding them ... it comes down to living up to your promises and showing you have learned the lessons ... you've got to be clear on what you want to be judged by and then give a full statement of your performance against those targets."

CFO, FTSE 250

"If you go and buy something, you want it to represent value for money, you want to know that if the product breaks, someone will sort it for you. If it's a service you're buying and they let you down, you want to know that they'll put it right ... An apology goes a long way. I've always felt, how you handle situations when things go wrong is as important as when things are going right."

Non-executive Director, Top 100 Privately Owned Companies

Profile

High-profile individuals have the power to create and maintain institutional trust: Virgin, Apple, and Berkshire Hathaway

Senior executives identified a group of "personality led" businesses that enjoyed high levels of public trust because of their close association with a high profile individual. Business leaders believed trust to be most effectively gained through personal experiences and personal relationships and they commented that a number of companies – Apple and Steve Jobs, Virgin and Sir Richard Branson, Berkshire Hathaway and Warren Buffett – had built trust by the close association of a high-profile, charismatic individual, with the brand.

Business leaders believed this to be a proven approach with the general public and Apple, Virgin, and Berkshire Hathaway were all seen to enjoy improved levels of trust as compared to close competitors because of their strong association with individuals. Senior executives cautioned, however, that while this approach was successful with the public – who may well believe that Steve Jobs oversaw the design of all Apple products, or that Sir Richard Branson's links to Virgin meant improved customer service – the approach did not improve their own views of these companies. Indeed, they noted that there was often little practical difference between Apple, Virgin, and other personality led businesses and competitors with lower-profile senior management.

"So I think we do look to individuals. I guess trust is in individuals, and therefore the trust in the company is dependent on the individuals behind that company who are actually running it. When you have somebody like a Richard Branson who's very upfront, it's very easy to say yes, that guy's in charge and he's the guy to trust and that's the reason that I trust Virgin. It's probably more difficult in most companies."

CEO, FTSE 100

"I think people trust Apple because they have such respect for Steve Jobs … in a way it accords Apple all sorts of significance that is extremely frustrating to the competitors who produce almost the exact same thing."

CEO, FTSE 250

"You have a class of businesses who cleverly link themselves to a figurehead – Virgin and Branson, Apple and Steve Jobs, easyJet would be another. What these companies have worked out is that it is much easier to trust a person then a corporate entity."

Chairman, FTSE 250

"You have Virgin, where the trust comes from an individual, this isn't the case, but it has the perception that he is the guy who is responsible and who will carry the can. I think that gives a degree of confidence that yes, there's an organisation that is very trustworthy."

CEO, FTSE 100

"Berkshire Hathaway, they've been involved in a number of celebrated, questionable dealings and yet people still trust them … there are few people in the world that have the track record of Warren Buffett, so people just trust him."

CEO, FTSE 250

"You ask someone in the sector, and probably there aren't many differences between Apple and Samsung or another rival, between Virgin and BA or whoever, but in the popular imagination, it's very easy to see why these companies perform better. The public can very easily picture this individual who is responsible for their phone, or flight, or train and they can therefore place their trust."

Non-executive Director, FTSE 100

Profile

Personal experience is key to building trust: The John Lewis Partnership

John Lewis was frequently named as a trusted company. Not only did business leaders believe John Lewis to be trusted by the general public, they tended to have a high personal opinion and level of trust in John Lewis. John Lewis was praised for establishing a set of principles – "Never Knowingly Undersold", helpful and knowledgeable customer service, excellent quality – and consistently delivering them. By meeting or exceeding its publicly stated commitments, John Lewis was seen to generate trust and senior executives flagged John Lewis as an example of a company that successfully built trust by consistently meeting or exceeding its commitments.

While business leaders accepted that for the general public John Lewis' partnership model, rather than shareholder ownership, was a generator of trust, this was not the case for business leaders' own trust in John Lewis. Instead, some senior executives were personal customers of John Lewis and their sense of John Lewis' trustworthiness had developed from this personal experience. Business leaders stressed that, while a general reputation for being trustworthy was important in assessing a company's credentials, personal experience was key both for themselves and the general public in developing trust in a business.

> "The biggest one is probably John Lewis. Look at that in terms of a trusted brand and a trusted business and the way that they've built that. They've built that through, I would say, always under-promising and over-delivering in everything they do ... I don't think you can put your finger on any one thing. I think you can put your finger on many things that they do and how they do it that have built that trust over many years."
>
> CEO, FTSE 100

> "You can be absolutely reliant at every level of business on somebody like John Lewis. And what is more, you can be pretty reliant on anybody who leaves John Lewis, having trained there and worked there, that they well bring those values into whatever they do next."
>
> Chairman, FTSE 100

> "I think the thing that we always have to remember is the difference between what is held as a view more generally amongst the population, versus what's individually experienced ... So, yes, I trust John Lewis, because I've got a long history of buying with them. I've managed to test that, coming through and so from that point of view, it does have to be something personal. You don't earn it once and then you keep it. You have to find a way of continually validating it."
>
> CEO, FTSE 100

> "John Lewis Partnership is the obvious example of a company that has gained, because they have this wonderful cosy image that they're all partners, they're not fat cats and so on, and so they aren't regarded with the same deep suspicion by potential customers as others who are thought to be much keener on making a fast buck would be."
>
> Non-executive Director, FTSE 100

"Somebody like the John Lewis Partnership. It's got a very high, a very, very strong relationship between its staff and the company."

Director, FTSE 250

"If you look in the retail world at a company like John Lewis people go there basically because they feel comfortable about the quality of the products, the way they'll be treated by the staff, the ambience of the stores, that they're getting good value, they know what to expect when they get there."

CEO, FTSE 100

Profile

Long-term loss of trust: Marks & Spencer

Marks & Spencer was used as a comparator, by some, to John Lewis. While John Lewis was thought to be widely trusted because it consistently delivered its public commitments, Marks & Spencer was seen to still suffer from a lack of trust because of past issues. Although business leaders attributed Marks & Spencer's past problems to a range of causes – poor store layout, uninspiring products, lacklustre customer service – there was consensus that Marks & Spencer continued to suffer from reduced consumer trust because of these past difficulties.

While many senior executives believed Marks & Spencer's actual offer and customer service to have improved, the public's trust was not thought to have recovered and so Marks & Spencer was seen to illustrate the difficulty of rebuilding trust, even once the actual cause of the breach-of-trust was fixed.

"Marks and Spencer, they did extremely well, never advertised as long as the Sieff family was managing it because they cared for the staff, they cared for the customers. Once the regime changed you see what happened to them because the new people went for the bottom line and they didn't get it either."

Chairman, FTSE 250

"If you look at M&S, basically having built up a position of fantastic trust with the customer, it succeeded in losing it and it's taken it an awful lot of time to get even some of it back."

CEO, FTSE 100

"You would almost have said 10 years ago they were on a level with John Lewis and they've weakened; they're not as strong as they were. They're still very good, but somehow they lost their way ... My gut feel is that if you've lost trust, you're in a very difficult position because it takes you a long, long time to build up trust and you can lose it overnight, and if that happens, actually rebuilding it is, it could almost be impossible."

Non-executive Director, Top 100 Privately Owned Companies

"They are still a long way short of the position they once were in. And it was because they underinvested in the stores, the stores became shabby, the staff got less helpful, the layout in the stores got very sloppy ... there were 100 things they got wrong and the quality of their buying wasn't as good. And as a result people started to desert it."

CEO, FTSE 100

Profile

Recovering from crisis: BP and Shell

Senior executives contrasted BP's response to the Deepwater Horizon incident with Shell's historic response to its difficulties in the 1980s. Shell was seen to have recovered much of its lost trust by publicly acknowledging its past mistakes and genuinely changing its behaviour. BP, in contrast, was thought to have compounded damage to its reputation by responding in an untrustworthy fashion; withholding information, failing to admit the extent of the pollution, and not showing that senior management took the incident seriously. While BP's initial response was criticised, its actions since the crisis – appointing new senior management and publicly addressing safety – were praised and senior executives believed this very public change in leadership and priorities to be an important step to restoring trust.

> "I mean Shell back in the boom, boom, boom, late 80s, had a couple of disasters that caused a lot of loss of trust, really, from what you might call the public and Government. And it invested a lot of time and effort and continuity of effort in, I think, probably regaining most of that trust, in truth ... And I think you have to say in recent times, BP in the US has lost a lot of trust because of the Louisiana mistake."
>
> Chairman, FTSE 100

> "I think if BP's reaction had been as it is was and the problem had been 20 years ago, they would have been said to have reacted really quickly because the media wouldn't have got in that gap, but because the whole world has moved faster, it requires the company to move faster. The media has got the news almost as soon as the company's got the news."
>
> Non-executive Director, FTSE 100

> "It's a bit like BP where the new guy, Bob Dudley is saying from now in front of a culture of cost cutting and efficiency, we're going to have a culture of safety. And you've basically got to completely change the agenda of the company and publicise that externally, but it's very difficult for the people that were tainted with the previous culture to do that."
>
> CFO, FTSE 250

> "What BP didn't do was acknowledge there was a real problem. The loss of trust occurred because here was a multi-national not responding, not getting there was a problem ... the change in management gives them a chance to do things different, to take decisions that the previous management wouldn't have the trust of the public or US Government to take."
>
> Director, FTSE 100

> "It's always very easy to say that a company has lost all trust ... you only have to look at another oil company, Shell which recovered from a series of issues in the 1980s, to see that it is possible for BP to recover, although it won't be easy."
>
> CEO, FTSE 250

Profile

Public commitment to regaining trust: NatWest

Business leaders' views of the banking crisis, subsequent rescue packages, and the impact on the trustworthiness of banks in the public's imagination were complex. While business leaders took a more nuanced view of banks' culpability for the crisis and their behaviour during it than the public at large, they acknowledged that most major banks – whether recipients of public support or not – had lost the public's trust and, for some business leaders, their own trust.

In this context, NatWest's recent launch of a public Customer Charter, with independently audited progress reports, was of interest. Business leaders believed that NatWest's actions were a sign of the bank publicly recognising its past failures and the loss of trust and they noted that NatWest was adopting many of the principles senior executives recommended for tackling crises in trust; a public restatement of beliefs, a clear list of actions to be taken, and independent public accountability for these actions. While business leaders believed it was too soon for this initiative to have had any positive impact on the public's trust in NatWest – and some questioned whether the scheme would ever have an impact – they did believe the plan was praiseworthy.

> "I think NatWest's recent actions – the public commitments, getting their auditor to sign-off on them – are interesting. I don't have any figures to suggest that it is making an iota of difference to the public, or having any impact beyond opinion former circles, but it's a practical example of lots of the steps you'd expect a company who's lost trust to take."
>
> CFO, FTSE 100

> "To recover, I think you need to be extremely open and actually, acknowledge that they've fallen down … you will have seen the advertising, extensive television advertising about all the NatWest customer promises and how they're going to publish the results. Now that struck me as really rather a good thing to be doing and I think that other companies could follow suit on that. Of course, it's high risk because if you don't deliver, then you'll slip backwards, but if you've lost trust you've got to take risks in order to regain it."
>
> Non-executive Director, FTSE 100

> "I think it's very clever. The public's view of banks is so low that if they fail to meet the commitments it's no problem. If they do meet them, it will be a very public demonstration that here is a bank that has actually done what they said they would do."
>
> Chairman, FTSE 250

Appendix 1: Methodology

Populus was commissioned by DLA Piper to explore business leaders' attitudes to trust.

Populus interviewed 51 business leaders between April and August 2011. While business leaders were asked to participate for just 10 minutes, many were extremely generous with their time and interviews lasted between 10 and 35 minutes.

All those interviewed held board level positions in FTSE 100, FTSE 250 or the UK's largest privately owned companies. Participants included Chief Executives, Chief Financial Officers, Non-executive Directors and Chairmen (both executive and non-executive). More information on participants, including a list of those who participated, can be found in the appendix.

Interviews were discursive in nature and followed a discussion guide designed by Populus. A copy of the discussion guide can be found in the appendix.

As a token of appreciation for involvement, Populus has made modest charitable donations to a number of good causes and charities nominated by participants.

Appendix 2: Discussion Guide

Trust in general

I'd like to start by asking a very broad question – why does trust matter? Is it a subject worth conducting research on? Does trust matter? [In politics?In business?Elsewhere?]

Is trust something you can measure? [How would you measure it – via credit ratings, Opinion Polls, something else?] Or is it something you can't measure? What does trust look like? What does it feel like? Can you give any examples?

Surveys by ourselves and others have shown a decline in trust overtime in politicians, in big companies, in newspapers, in institutions like the church, and in figures of authority like doctors. Why do you think trust has declined? [Or perhaps they were never trusted?] Is the decline in trust the recent of isolated events – the MPs expense scandal, the credit crunch – or are there longer term forces at work? [What are they?] Does it matter if trust has declined? [Is it a good thing?]

Trust in a business context

Although lots of research has been done about voters trust in politicians and consumers trust in big companies, much less has been done about trust in a business context. How important is trust to business? How important is it to your business? Why? Who does your company need to trust in order to succeed? [Your investors?Your staff?The media?Government?] How does trust compare to innovation, or keeping costs down, or the environment, as an issue to your business? [Does your business have any one person in charge of trust – if it's important, why not?]

How important is it for your customers / clients to trust your business? [If you deliver good quality at a good price, does trust really matter?] Can your business win customers / clients from others on trust alone? Have you lost business because of trust problems?

How important is it for your workforce to trust the senior management of your company? What tangible benefits do / would trust from the workforce to senior management deliver? [Is it easier to deal with a workforce that trusts you? Do Trade Union's reward trusted businesses?] Why?

How important is for your shareholders / owners to trust the Board and other senior managers? If your company delivers profits / growth, does trust matter? Does it only matter when things go wrong? Does trust affect AGMs? [How?]

Are there any companies that come to mind who are particularly trusted? Why are they trusted? What do they do differently to others? [Do they actually do anything different? Or is it just a perception?] Are there lessons that others – in business, in politics, in the media – can learn?

And are there any companies who aren't trusted? Why have they lost trust? [Did they ever have it?] Does it impact on how you view them? Are there things that others – your business, politicians – can learn here?

Restoring trust

What can be done to restore trust? Is it about being more transparent [what does that mean?], more honest [was dishonesty a problem before?], more committed to being trustworthy? [Did trust not used to be a priority?] Are there specific things that politicians, banks, and other people with trust issues we've discussed need to do? What are they?

What role do business professionals – like lawyers and accountants – have to play in restoring trust? Is your trust in these professionals higher or lower than in the past? Can they help others address their trust issues? Is trust an important issue for lawyers, accountants and other professional advisors?

Conclusion

That's everything I wanted to talk to you about – are there any aspects of trust, as it affects big business, that we haven't discussed and that you'd like to add?

Appendix 3: Participants

While all participants were offered the opportunity to contribute anonymously, the following generously agreed to be identified as participating in the research:

Roger Aylard

Sir Victor Blank

Richard Burrows, Chairman, British American Tobacco

Sir Michael Bibby, Chairman and Managing Director, Bibby Line Group

Alison Carnwath, Non-Executive Chairman, Land Securities

Huw Davies, Chief Financial Officer, Wates

Paul Drechsler, Chairman and CEO, Wates

Andrew Fisher , Finance Director, Provident Financial

Allison Gammon, International Legal Director, Legal and General

Stephen Huddle, Chief Financial Officer, Premier Oil

Andrew Hynard, Chairman England, Jones Lang Lasalle

Ornella Barra, Chief Executive, Wholesale, Alliance Boots

Mike Norris, Chief Executive Officer, Computacenter

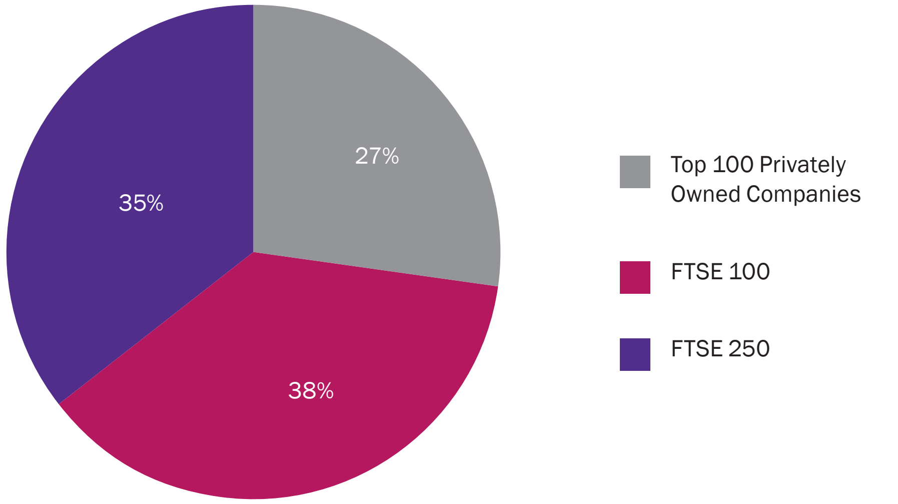
David Nish, Chief Executive Officer, Standard Life

Lord Alliance of Manchester, Non-Executive Chairman, N Brown Group

Rupert Pennant-Rea, Non-Executive Chairman, Henderson Group

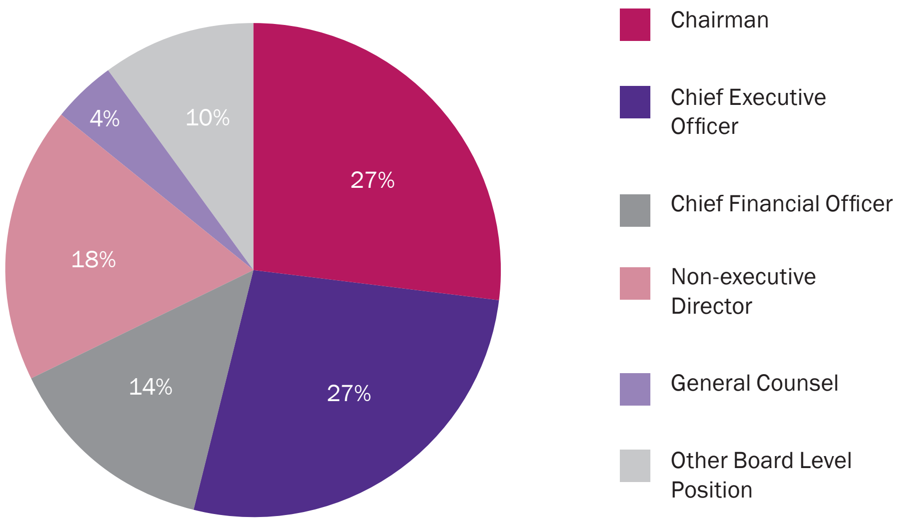
Company listing

All participants held positions in FTSE 100, FTSE 250 or major privately owned companies.



Position

Participants included Chief Executives, Chief Financial Officers, NEDs, and Chairman.



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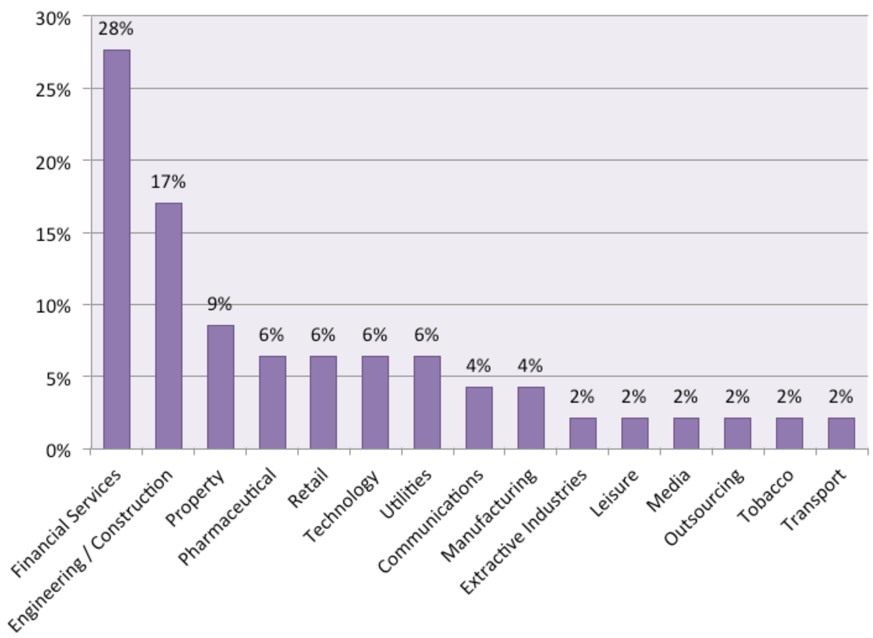

Contact

www.populus.co.uk
T: +44 (0)207 253 9900

www.dlapiper.com
T: +44 (0)8700 111 111