



THE TRUST DEFICIT: AFTER THE CRASH

DLA Piper's response to a
perspective report by Populus

February 2014

DLA PIPER'S RESPONSE TO THE TRUST REPORT BY POPULUS

When we sponsored the publication of the inaugural trust report, *The Trust Deficit: Views from the Boardroom*, in 2011 we did so as a response to the media and political fallout brought about by the financial crisis that gripped the world from 2008 and the shockwaves of which continue to be felt throughout the global markets.

The first report concluded that the trust deficit between business and the other sections of society was serious. In this second report, *The Trust Deficit: After the Crash*, it is clear that trust between business, politics and the media has broken down completely. There are a number of key conclusions in the report which we believe require a proactive and timely response from a number of those sections of society.

It is clear that trust deficits exist between business leaders and politicians, between different parts of the corporate world, and between the public and business as a whole.

Many business leaders feel increasingly alienated from the debate about Britain's economic future. The report found that business leaders are frustrated and concerned with anti-business rhetoric. Despite this they believe that the financial crisis will have little lasting impact on the way in which they go about their business. In contrast, some politicians and commentators suggest either that the financial crisis did represent a watershed moment or that it should have done so.

These conflicting groups have differing timescales. Business leaders have an obligation to focus on the long-term - although some businesses in recent years have been accused of short-termism arising from excessively frequent reporting of financial and investment performance - whilst politicians tend to look no further than the next electoral cycle. This disjointedness is exacerbated by the fact that the world of business has the perception that British politics is dominated by career politicians with little knowledge of the business world. As a result, political messages are seen to be unclear and contradictory and business leaders are demanding more clarity and less contradiction in what politicians expect and communicate.

The overwhelming view of business leaders is that British business has a positive story to tell. British businesses lead the world in many aspects of corporate responsibility and governance but the positive story that UK business can tell is rarely told. As growth returns, the country's mood brightens, wages start to rise and bank shares are successfully sold, business leaders hope their reputations and relationships with politicians and the public will see similar improvements.

Yet it is evident that "trust in business" remains at the forefront of the political agenda. From Ed Miliband's "responsible capitalism" and David Cameron's defence of profits through to the Public Accounts Committee's very public examination of Google, Starbucks and Amazon's tax affairs, Westminster remains fixated with addressing what is perceived to be widespread malpractice amongst businesses.

Businesses have been arbitrarily placed by some politicians into either the good or the bad category or, to use one politician's memorable phrase, into being either a "predator" or a "producer". Simultaneously, businesses have clearly learnt to profoundly mistrust politicians of every hue and several interviewees cited the contradictory state of affairs around policy decisions.

It must be said, however, that the business community has not always helped itself. A litany of headline-grabbing, poor corporate behaviour such as energy companies overcharging, the tax affairs of big businesses and bank mis-selling scandals has dragged many sectors through the reputational mud.

What is clear is that trust has broken down between business, politics and the media – there is little common ground. Such a schism can only be repaired by sustained effort and a willingness on the part of all stakeholders to tackle the issues face on and consider solutions with an open mind.

Inspired by the findings of the report, DLA Piper will be looking at ways to address these problems and assist in effecting an outcome that sees trust rebuilt between these key pillars of our society.

OUR RECOMMENDATIONS ARE:

1. British businesses should speak out more and deliver positive messages which show that they are a force for good.

It is clear that many business leaders are afraid to put their heads above the parapet. They also feel that industry organisations such as the IoD and the CBI, could do more to promote British business as the engine room of prosperity and inspiration and as a source of social responsibility activity. We need to instill a sense of the virtue of capitalism and the benefits it brings. Schools have a role to play in explaining the value of commercial activity and countering any cultural problem with success. Business needs to reevaluate its social responsibility and pro bono activity accordingly.

2. In discussion between business, financial and political leaders and the wider community we need to explore the areas where trust has broken down and formulate solutions for the long term.

DLA Piper is in discussion with the Oxford University Centre for Corporate Reputation at Saïd Business School with a view to partnering with them in creating a platform for discussion of trust and the issues surrounding it across a broad cross section of the relevant stakeholders. We have asked Baroness Patience Wheatcroft, a fellow of the Centre for Corporate Reputation at the School to take this forward with us. DLA Piper and Populus will also collaborate with the Oxford University Centre for Corporate Reputation in taking the trust research forward. A very large academic literature exists on the subject of trust. Much of it is theoretical; another large portion is based on experiments done under laboratory conditions; yet another stream is based on general surveys of the public, usually as consumers or voters.

With our partners at Oxford, and using the unique resource that Populus provides, we have the opportunity to design a research project that differs from the already existing literature. These interviews of senior individuals in business, government, and media form a valuable qualitative data set that will allow for rigorous analysis on why public trust has deteriorated so dramatically.

3. We need to continue to track and report on the level of trust and relations between relevant stakeholders and sections of the community.

DLA Piper will continue to work with its partners to ensure we have the correct tools to consistently monitor and understand the changing trust landscape. This further research will provide our firm with specialist insight into issues of trust that will impact our clients and their business and inform our counsel accordingly.

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