Richard Sexton, Executive Board of PwC UK, which provided support for the publication, provided a brief introduction to the report. PwC has been involved in work around the issue of trust and what it means for business for over a decade now (see end of notes for recent PwC papers on the subject). As part of the firm’s work around trust, PwC continues to engage with others, to provoke wider thought and discussion around this key business issue.

As a concept, trust is very elusive; it means different things to different people, and takes time to develop. As we move away from the economic crisis, organisations need to stay focused on building trust and developing it as an asset. It is important for organisations to consider how they can reinforce the good aspects that build trust. An organisation that is trusted can manage its risks more efficiently as it is more likely to recover if something goes wrong.

Dr. Graham Dietz and Dr. Nicole Gillespie

The authors provided an overview of the report and described how it focuses largely on internal trust with employees, but contains transferable insights for managing trust relations with other key stakeholders, including customers, shareholders, suppliers and regulators. However, this is an area that requires more research. In times of a crisis employees are often overlooked yet internal trust is essential to a company’s ability to respond effectively and rebuild trust with other stakeholders. The report is based on the authors’ own research, their review of the broader literature on trust, and case study research, including interviews with managers who have worked at the face of recovering their organisation’s reputation.

Ethics and trust are interdependent and complement each other; to be ethical is to be trustworthy. Both are essential for an organisation to be resilient not only in the good times but also in the event of a crisis.

To trust involves making a confident judgement of a party’s reliability. The process of trusting begins with an assessment of the other party’s ability, benevolence and integrity, which should, ideally, be based on solid evidence. The evidence can be internally sourced (e.g. from direct observation of the party’s behaviour) or externally sourced (e.g. from others’ testimonies, reputation effects and institutional constraints and incentives). Trust is demonstrated by taking a risk with regard to the other party, and the outcome transmits fresh information about their trustworthiness.
Before one can repair organisational trust, it is important first to understand how it is built. In judging an organisation’s trustworthiness, employees and other stakeholders draw on signals and cues from six elements of the organisation:

1. Leadership and management practice
2. Culture and climate
3. Strategy
4. Structures, policies and processes
5. External governance
6. Public reputation

The authors discussed how trustworthiness can be embedded into an organisation’s design through these six elements. Not only do these system elements signal trustworthiness, but they also powerfully influence employees’ conduct – and the extent to which it is trustworthy and ethical.

It is possible to recover and even enhance an organisation’s trustworthiness after a crisis. However, it typically requires a decisive system-wide set of reforms aimed at preventing a reoccurrence of the failure, as well as demonstrating positive displays of renewed trustworthy behaviour throughout the process. There are 4 stages to this:

1. **Immediate response** *(first 24-72 hours after the crisis)*
The organisation needs to stabilise the situation, reassure staff and show that it is competent. It is important to acknowledge the failure early on; denying the problem may make matters worse if it proves to be a second trust violation, while saying and doing little or nothing encourages rumours to escalate and signals indifference. However this ‘talk’ needs to be backed up with action such as suspended operations or product recalls to protect stakeholders. Having a robust reputation for ethical conduct helps an organisation through a crisis by engendering stakeholder goodwill.

2. **Diagnosis**
There needs to be a thorough and systematic investigation process to establish why the failure occurred. The diagnosis needs to consider both direct and indirect contributory factors, and ideally should be independent. It is important to communicate the investigation findings to staff and keep them updated: keeping staff engaged is likely to improve the organisation’s resilience during the crisis and secure buy-in to subsequent reforms to working practices. Ideally, the investigation report should be made public as transparency facilitates trust repair.

3. **Reforming interventions**
At this stage the organisation needs to tackle not only the direct causes of the crisis but also the contributory factors that allowed it to happen. This requires structural and cultural changes as well as procedural changes; the organisation needs to act on all 6 elements as they reinforce each other and work as a system. Voluntary, proactive reforms are more effective than compliance-orientated changes.
apology is appropriate here; apologising too early can lead to the blame being disproportionately placed on the company. Internal and external communications should be consistent, perhaps even using the same tone and phrasing.

4. Evaluation
This stage is not essential but aids trust repair. An evaluation is valuable to monitor progress and to maintain focus on the reforms, and the importance of the organisation’s reputation for trustworthiness.

The presentation was followed by an extended Q & A session. The main points discussed were:

- Which one of the six elements would you say is most important for restoring trust? Tone from the top is vital, there has to be clear authentic leadership. This in turn shapes organisational culture; culture fundamentally influences employees everyday work patterns, behaviours and values. The organisation’s reactions need to be legitimised by the culture, or they can undermine trust. Depending on the nature, extent and causes of the failure, changes in leadership may be an important symbol and first step to rebuilding trust.

- Where an organisation has had a trust failure and then restored internal trust, what interventions have been most effective in rebuilding employee trust? This will be context-specific and depend on the history of the organisation and, importantly, what contributed to the failure. Typically though, employee engagement involving all staff is effective. Giving staff time to grieve for the past transgression and understand how it occurred and how the organisation is working to ensure it won’t happen again (e.g. through a forum) is also helpful. There needs to be openness from management too; trust erodes if communication breaks down.

- The paradox of transparency: if an organisation is transparent all the ‘dirty laundry’ is in public view and can be misused, yet if they are not transparent the information is communicated through other channels, such as social media, which the organisation has no/limited control over. It is better for organisations to be as transparent as possible; someone will always speak up eventually. It is also important to be transparent to create the foundations of organisational trustworthiness and resilience; information and education are vital to the process of developing and recovering trust. Social media creates an additional challenge with the speed of exposure. Transparency needs to be about informing others in an ongoing process rather than a ‘data dump’.

- The business case for trust; there is now compelling research evidence that trust in the workplace results in greater efficiency and speed, better communication and teamwork, and enhanced employee, group and organisational performance. Organisational trustworthiness has many corporate benefits, such as employee attraction and retention and enhanced
inter-organisational collaboration - it is recognised as a source of sustainable competitive advantage.

- Companies take a great risk if they suddenly claim to be trustworthy or ethical following a crisis. Building trust is an ongoing, two-way process, and it ought to be left up to others to decide whether the organisation is trustworthy, not for an organisation to claim it themselves.

Further reading
An executive summary of Building and restoring organisational trust is available at: http://ibe.org.uk/userfiles/trust_execsumm.pdf

PwC (2010) Trust: the overlooked asset and Trust: the behavioural challenge are available at: http://www.pwc.co.uk/trust

To order a copy of the report please visit www.ibe.org.uk or email events@ibe.org.uk