The chemistry of trust
Part 3: Deconstructing trust
DECONSTRUCTING TRUST

How to build, sustain, and nurture trust in an organization

Trust is the fundamental element of all relationships. Losing it can cost organizations enormous financial value relatively quickly after a scandal. Consider the recent examples, which we looked at in part 1 of this series, of three large global companies, each with a market cap of more than $10 billion, that lost from 20 to 56 percent of their value, or a total of $70 billion, when they breached their stakeholders’ trust. Yet, while senior business leaders understand the concept of trust, our research shows they struggle with how to measure it and operationalize it.

In the more than 20 interviews we recently held with the executives of iconic Canadian companies, we discovered that in today’s complex business environment, trust goes unnoticed—unless it’s lost. Senior executives understand the value in managing not only their shareholders’ expectations for superior financial performance, but also the needs of consumers, suppliers, regulators, employees, and the communities in which they operate.

The challenge that lies ahead for CEOs is in measuring the level of trust their stakeholders have in the organization, monitoring it periodically, and taking constructive action to improve it. In this report, the third of our The chemistry of trust series, we provide a guide to help business leaders rise to this challenge. Applying the insights we gained from working with Sandra Sucher and Shalene Gupta of Harvard Business School, we lay out the steps for how executives can measure trust and what actions they can take to embed trust within their organizational culture.

“Trusted companies know how to balance the trust of all their stakeholders. They can act in favour of one group while still serving the interests of others.”

Professor Sandra J. Sucher
Harvard Business School
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The trust journey for many companies is
shrouded in mystery. Our research, how-
ever, has done much to reveal it. Through
the application of the scientific method,
we’ve deconstructed the measurement of trust
to help business executives visualize
the journey. An outcome of this research is
the trust diagnostic that helps identify gaps
within an organization and develop a stra-
tegic roadmap to establish a trust culture.

The appropriate levers

Step 1
Begin by analyzing key trust drivers for
the organization—including stakeholder
perceptions of those drivers—and then as-
sess how effectively executives define and
operationalize trust. This can be done using
a combination of ethnographic and market
research. Typically, the CEO and the chief
ethics officer, if there is one at the organi-
zation, are deeply involved in this effort.

Step 2
Next, conduct a trust “health check” to
ascertain how well the organization is
performing against the trust drivers most
important to its customers and key stake-
holders. The results of this diagnostic can
then be used to determine what factors
the company can influence to improve
stakeholder trust. It’s also important
to note that trust fluctuates, and so con-
ducting the health check bi-annually will
allow you to capture shifts in the trust
framework and stay up to date on key
initiatives in the organization. This ap-
proach allows and encourages members
of the C-suite—such as leaders of finance,
risk, technology, HR, information security,
privacy, operations, and marketing—to
provide input and perspective that can
prove instrumental.

Step 3
The final step is to reconcile stakeholders’
trust perceptions with the organization’s
performance. Using these insights, lead-
ers can identify the key priorities, actions,
and investments they need to launch the
organization on its journey toward institu-
tionalizing trust. A scorecard can be used
to track progress and serve as a valuable
governance tool for the board. This road-
map is typically developed in collaboration
with the CEO and board of directors.

Use the diagnostic tool to find trust gaps

The challenge that lies ahead is in measuring
the level of trust stakeholders have in an organiza-
tion, monitoring it periodically, and taking constructive
action to improve it.

The organization may be aware of the need
to earn and retain its stakeholders’ trust,
but no effort has been made to define a
strategy to do so, much less set up an in-
frastructure for this purpose. The organiza-
tion may not have articulated its purpose
beyond generating profitable revenue.

As the organization grows, it begins to
adopt a trust strategy, typically by building
capability in discrete silos within the enter-
prise. Trust measurement mechanisms are
not yet in place. Incidents that threaten
trust in the company are responded to in
a reactive manner, as the company lacks the
ability to have a rapid response plan in
place already.

Purpose-driven
As the organization makes trust a key im-
perative, it combines the competent deliv-
er of its products or services with an intent
to effect positive change in society. It also
begins to unite its employees and internal
stakeholders around this shared goal.

The trust strategies and activities that first
developed in various pockets of the or-
ganization now begin to coalesce around
shared priorities; as they do so, the issue
of trust starts to make its way into main-
stream business functions. The first tools
for actively preserving trust are introduced,
providing the organization with a fledgling
ability to begin to build trust intentionally.

In time, some organizations begin to oper-
ationalize trust. Trust underpins the busi-

ness, and is integrated into decision-mak-
ing across all functions. The organization
now strives to live its purpose day to day,
though it may still be challenged to get this
across in its messaging to stakeholders. At
this stage, the organization is taking a for-
ward-thinking approach to building trust,
focusing on continually improving its stake-
holder relationships and experiences. Trust
is measured and monitored periodically.

Active
For organizations that invest in building
trust actively, the greater purpose is now
deply integrated into every aspect of the
business, from what it does to how it does
it. The company’s financial success is an
outcome of living this purpose.

Such organizations are also adept at sens-
ing the external environment and foreseeing
challenges that could adversely affect
their stakeholder relationships. The CEO
and other leaders can then prepare to
address these challenges early by taking
appropriate action through interventions
designed to anticipate adverse events.

Companies build trust
by living up to the
promise of delivering
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services through just
means. Seventy percent
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Measure progress in your
trust culture

Once an organization begins to measure
trust and makes changes to become more
trustworthy, clear changes in its culture
become noticeable. We have identified the
following three distinct phases in the evo-
lusion of organizational culture.

Reactive
At this stage, an organization’s reputation
and relationship with its stakeholders is
one that meets requirements and is trans-
actional in nature.

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Actively engaging in and building trusted
relationships with key stakeholders helps
an organization adapt and stay resilient
during times of adversity. It also helps
differentiate a business and build a loyal
following in a crowded market. Stakehold-
ers’ loyalty to the organization encourages
them to advocate on its behalf through
referrals or by defending the company
against criticism.

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CONCLUSION

A company that does not actively build trusted relationships and regularly monitor them is exposed to risk. As the case studies from part 1 of this series, The future of trust, demonstrate, organizations that lose the trust of their stakeholders can also lose a great deal of their market cap, as well as suffer lasting reputational damage.

And as we discovered from our consumer survey, the results of which are shared in Navigating consumer trust (part 2), 70 per cent of the levers that can improve trust are within a company’s control. Organizations build trust by living up to the promise of delivering quality goods and services through just means. Adversity can be an opportunity to strengthen trust if leaders respond swiftly and appropriately by accepting responsibility and taking corrective action. Trust is the necessary ingredient for protecting long-term shareholder value.

Managing trust means senior business leaders know what factors matter to each stakeholder group, have a means to measure them, and make informed, data-driven decisions to strengthen trust. And since trust by its very nature fluctuates, leaders must periodically check that the level among the organization’s stakeholder groups is, at minimum, acceptable.

Business needs to reinvent itself to reclaim its role in society as a force for good. The first step in the journey to building a trustworthy company is investing in relationships.

Culture: The trust differentiator

Organizational culture plays a foundational role in institutionalizing trust throughout an enterprise. It’s essential that leaders and their teams pay close attention to the myriad ways organizational culture is expressed—both overtly and in subtle ways—in order to understand, measure, and monitor trust.

Culture is perhaps most obviously articulated in terms of an organization’s strategy, stated mission and vision, and brand promise, as well as communicated through its policies, processes, and approach to innovation.

However, culture is also expressed in many more subtle, almost invisible ways: the organization’s higher purpose, its ethics and integrity, and its employee experience, workforce diversity and inclusion, and its workers’ sense of psychological safety. Culture is manifested in the perceptions, feelings, and behaviours of those who work at an organization. It is represented by the undocumented rules and expectations that govern how people work together and how work is done. It is expressed in the organization’s attitudes toward equality.

Ideally, an organization’s commitment to earning, maintaining, and building the trust of its stakeholders is fully supported by its culture. When there is misalignment, the organization’s efforts to institutionalize trust can be compromised. That’s why it’s critical that leaders pay attention to culture and ensure it’s genuinely aligned with the organization’s trust ambition.
THE CHEMISTRY OF TRUST SERIES

Our three-part series gives you our perspective on business trust. Learn about the importance of embedding trust into your organization, what trust means to your customers, and how to truly understand its complexities and benefits.

Part 1: The future of trust
Shareholder primacy is no longer the only purpose of a business. Emerging as the new vital business requirement is creating sustained value for all stakeholders and reconciling their divergent interests. Similar to the call for increased diversity in the corporate world and the product quality movement that preceded it, trust is a social value under siege. In this part of the series, we explore what trust means to the leaders of iconic Canadian companies, quantify the financial impact of a scandal with lessons on what to do during tough times.

Part 2: Navigating consumer trust
Trust takes a long time to build, but it can be lost quickly. Executives should know where to invest their attention and efforts. Through a research study of a key stakeholder group—the consumer—we test our trust framework and discover what factors matter to them in building trust. The lessons learned here have implications that extend beyond the consumer. In this report, we delve into the nature of consumer trust and determine what companies can do to build a more trusting base.

Part 3: Deconstructing trust
While the importance of trust is undeniable, how can business leaders operationalize it? They should start by assessing all the initiatives that impact stakeholder relations across the organization and then develop tailored strategies to manage their complex stakeholder environment. Finally, they should monitor stakeholder relations periodically and revise or enhance strategies to effectively safeguard an organization. In this part of our series, we dive deeper into how to build a trust-worthy organization.
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