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

Operationalize trust by understanding and influencing the appropriate levers

Trust is the responsibility of the CEO. Business leaders must foster collaboration and accountability for trust at all levels, which begins at the top. They need to know and prioritize the factors that aid in building strong relationships, which are:

- Assessing initiatives that impact stakeholder relations across the organization
- Developing tailored strategies to manage their complex stakeholder environment
- Monitoring stakeholder relations periodically and revise or enhance strategies to effectively safeguard the organization

Managing trust needs to be on the performance scorecard of every CEO and his or her management team, and boards need to monitor trust regularly as part of their mandate.

Companies build trust by living up to the promise of delivering quality goods and services through just means. Seventy percent of the levers that can improve trust are within a company's control.

Use the diagnostic tool to find trust gaps

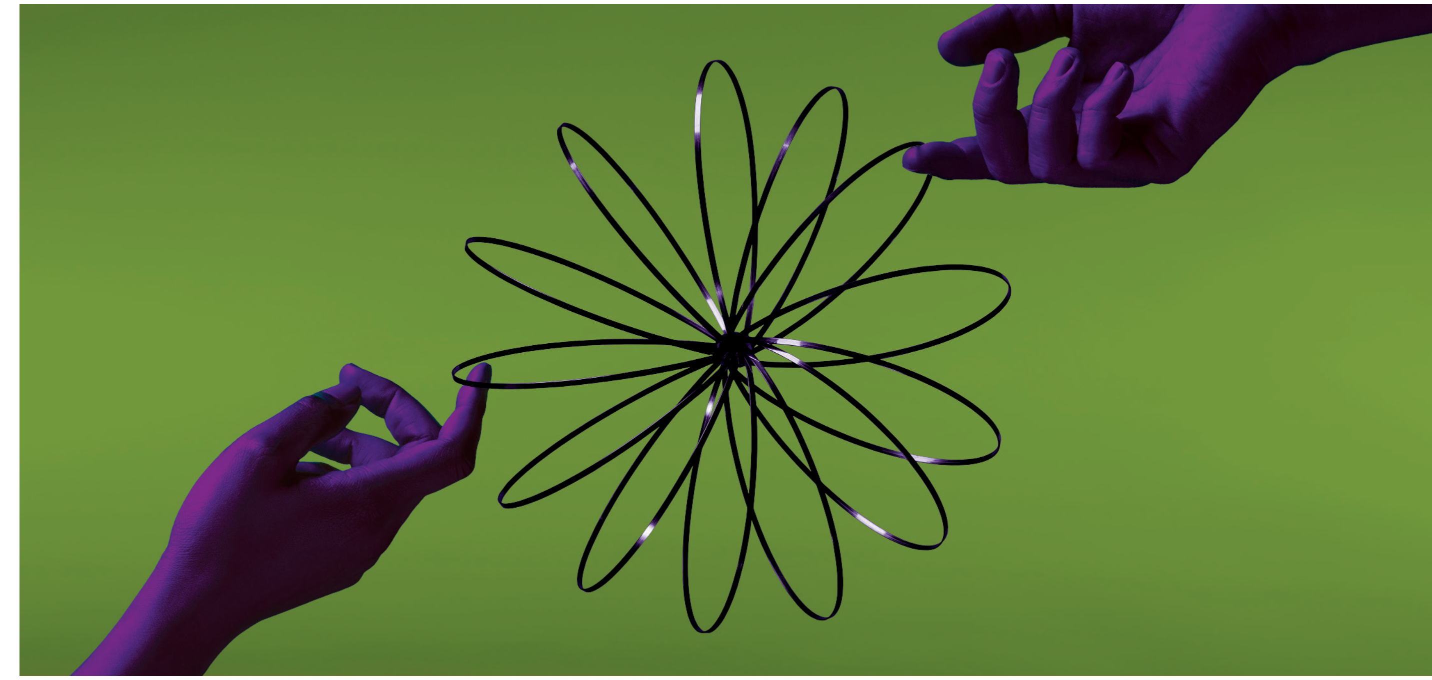
The trust journey for many companies is shrouded in mystery. Our research, however, has done much to reveal it. Through the application of the scientific method, we've deconstructed the measurement of trust to help business executives visualize the journey. An outcome of this research is the trust diagnostic that helps identify gaps within an organization and develop a strategic roadmap to establish a trust culture.

Step 1
Begin by analyzing key trust drivers for the organization–including stakeholder perceptions of those drivers–and then assess 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 organization, 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 stakeholders. 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 conducting 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 approach 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.

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

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



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 evolution of organizational culture.

Reactive
At this stage, an organization's reputation and relationship with its stakeholders is one that meets requirements and is transactional in nature.

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 infrastructure for this purpose. The organization 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 enterprise. 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 imperative, it combines the competent delivery 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 organization now begin to coalesce around shared priorities; as they do so, the issue of trust starts to make its way into mainstream 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 operationalize trust. Trust underpins the business, and is integrated into decision-making 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 forward-thinking approach to building trust, focusing on continually improving its stakeholder relationships and experiences. Trust is measured and monitored periodically.

Active
For organizations that invest in building trust actively, the greater purpose is now deeply 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 sensing 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.

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. Stakeholders' loyalty to the organization encourages them to advocate on its behalf through referrals or by defending the company against criticism.

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 percent 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.

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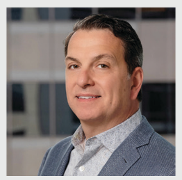

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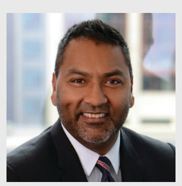

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THE CHEMISTRY OF TRUST
SERIES

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 itv, 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 trustworthy organization.

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