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Facts on: Opinions of Leaders

Tom Peters, thought leader on management
“Technique and technology are important. But trust is the issue of the decade.”

Kieron O’Hara, author, Trust From Socrates To Spin
“Trust is the big issue of the 21st century”

Thomas L. Friedman, author, The World Is Flat
“In a flat world, where value is increasingly created, and complex problems increasingly solved, by whom you connect with horizontally, having a high-trust society is even more of an advantage.”

“I am convinced the future of business is not about selling. It is about building and sustaining relationships with multiple stakeholders through dialogue, credible sources and relevant experiences. We engage traditional critics like NGOs because they bring a devoted constituency to each issue. We build brands from the bottom up by activating today’s most credible spokespeople - the average person, friends and family, and regular employees - as well as recognized experts. We identify and engage catalysts, 'average' people who have become authoritative sources of information on any given subject. We measure the depth of impression and strength of stakeholder relationships, not just the advertising criteria of message frequency and recall.”

Alan Greenspan, Chairman of the U.S. Federal Reserve Board
“Our market system depends critically on trust--trust in the word of our colleagues and trust in the word of those with whom we do business.”

Warren Bennis, management and leadership theorist
“Trust is the lubrication that makes it possible for organizations to work.”
“The ability to trust others, even if the risk seems great. A withholding of trust is often necessary for self-protection. But, the price is too high if it means always being on guard and being constantly suspicious of others. Even an overdose of trust that at times involves
the risk of being deceived or disappointed is wiser, in the long run, than taking it for granted that most people are incompetent or insincere.”

Pierre Omidyar, Founder and Chairman, eBay

“[The most significant lesson learned from eBay is] the remarkable fact that 135 million people have learned they can trust a complete stranger…. That’s had an incredible social impact. People have more in common than they think.”

Rich Jernstedt, CEO, Golin/Harris International

"Every business type and category has trust issues.”

“An America that is cynical or skeptical about business generally is a serious problem – more serious than any specific business scandal.”

“Corporate misdeeds – or even perceptions of wrongdoing – cause direct and collateral damage to business as a whole, not only to specific industries. The erosion of trust indicated in the research is a call to action. And it must be heard loud and clear.”

Francis Fukuyama, an American philosopher and political economist

“Widespread distrust in a society…imposes a kind of tax on all forms of economic activity, a tax that high trust societies do not have to pay.”

Jim Burke, former CEO & Chairman, Johnson & Johnson

“You can’t have success without trust”

"'We’ve corrupted the system by hiring boards of directors that feel beholden to the CEO,’ Burke says. Not only should an independent board and lead director govern companies, he advises, but business executives also need to ‘recreate a trust agenda.’ ‘Nothing good happens without trust,’ he proclaims. ‘With it you can overcome all sorts of obstacles. You can build companies that everyone can be proud of.’"

“Trust has been an operative word in my life. The word trust embodies almost everything you can strive for that will help you to succeed…especially businesses that deal with the public.”

“I have found that by trusting people until they prove themselves unworthy of that trust, a lot more happens.”*
Richard D’Aven, Dartmouth Business School

“Building trust is the critical success factor of management, yet it is often non-existent in today’s world.”*

Robert Shaw, author, Trust in the Balance

“Above all, success in business requires two things: a winning competitive strategy and superb organizational execution. Distrust is the enemy of both.”

Stephen M. R. Covey, author, Business at the Speed of Trust

“High trust won’t necessarily rescue a poor strategy but low trust will almost always derail a good strategy.”*

“The ability to establish, grow, extend, and restore trust with all stakeholders—customers, suppliers, investors and employees—is the critical leadership competency in the new global economy.”

“I remember Robert Galvin, Jr., the CEO of Motorola, who took over from his father. He did a great job and he said he was asked this question: “People ask me how I’d had the interest and the zeal to hang in there and do what I’ve done. I say, ‘Because my father treated me with very stern discipline. He trusted me. I’m stuck. I’ve got to see the trust through. He trusted me. I trust other people, and they do the job.’”

“Warren Buffett, who’s the CEO of Berkshire Hathaway … in his management letter, he talked about the big acquisition that his company, Berkshire Hathaway, did of a $23 billion company that they bought from Wal-Mart … to make this deal happen, it took place in a total of a two-hour meeting, and then 29 days later, Wal-Mart had their money from Berkshire Hathaway…. It did no due diligence, and Warren Buffett said, ‘I trusted Wal-Mart, I trusted the people I worked with. I knew everything would be in exactly the order that they said it would be, and it was.” He said, ‘We did no due diligence,’ and in 29 days they did this deal.”

William Shaw, President, Marriott International

"If we are to address the challenges of speed in today’s marketplace, we must strengthen the trust in our relationships with our people, customers, shareholders and other partners.”
Robert Eckert, CEO, Mattel

“Trust is the key to the creation of a company’s reputation, and therefore, its shareholder value.”

“Every time one of these high-level and deep-seated [scandals] is uncovered, the American public trusts a little bit less. We just don’t bounce back as fast.”

“And my favorite from [Charles] Handy: Trust requires leaders. You’ll notice that I said ‘leaders’ plural. Trust does not require one leader, but many leaders — and at different levels of the organization, responsible for different things.”

“Charles Handy, a fellow of the London School of Business, says quite succinctly that the ‘surest way to make your employees trustworthy is to trust them.’”

“As you go to work, your top responsibility should be to build trust.” Read his entire commencement address to the graduating Class of 2004 at UCLA’s Anderson School of Management (http://www.anderson.ucla.edu/x3704.xml).

Richard Branson, CEO, Virgin Group

“In the West, big businesses have no job security, so people tend to rule by fear. But good leaders should trust those around them. I try to treat people as human beings. I believe in creating something for people that we can all be proud of. If they know you care, it brings out the best in them.”

Peter Drucker, business thinker and author

“The leaders who work most effectively, it seems to me, never say ‘I.’ And that’s not because they have trained themselves not to say ‘I.’ They don’t think ‘I.’ They think ‘we’; they think ‘team.’ They understand their job to be to make the team function. They accept responsibility and don’t sidestep it, but ‘we’ gets the credit.... This is what creates trust, what enables you to get the task done.”

Jim Lawrence, EVP and CFO of General Mills

“There were certain things I wanted to do very quickly, but I learned that before I could go and do them, I had to build up the trust bank.”

Booker T. Washington, African-American political leader

“Few things can help an individual more than to place responsibility on him, and to let him know that you trust him.”
David Packard, Co-Founder, Hewlett Packard

"The open bins and storerooms were a symbol of trust, a trust that is central to the way HP does business."

Warren Buffet, CEO & Chairman, Berkshire Hathaway

“It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you'll do things differently.”

Jack Welch, former CEO, G.E.

“At GE, it took us about a decade to install the kind of candor and trust that makes differentiation possible.”

* Source CoveyLink LLC.
Facts on: The State of Trust

State of Trust in Leaders


“Polls record levels of trust in politicians, businessmen, scientists and others that are at all time lows: a crisis in trust is currently gripping Western culture... trust is the big issue of the 21st century”

“Our trust in our leaders is low and declining. Only leaders of NGOs were trusted by more than 50 per cent of the respondents (and even then not with a massive vote of confidence”, quoting results of the Davos World Economic Forum survey.


“This is a truly global phenomenon. Just 17 per cent of Americans now rate the honesty and ethics of business executives highly, for example, while nearly three quarters of people in Tokyo, Hong Kong, Taipei and Singapore think ‘recent events have caused a crisis of confidence and trust in the way we do business.’


“With few exceptions leaders across the spheres of endeavour and countries ... are given lower trust ratings than the institutions they lead.”

“Significant minorities [about 40%] of citizens self-report that their trust in all three categories of leaders has fallen over the past year”, with similar numbers reporting their trust has stayed the same. Only about 10% reported their trust has increased.”


According to a The Atlanta Consulting Group study, “48% of the people surveyed trusted their bosses and just over half (52%) trusted upper management. While 66% of the respondents admitted that their companies had clearly stated values, only 33% believed they were evident in the actions of the organization.”

“Canadians rank Chief Executive Officers (traditionally, highly respected in western societies) and politicians among the least trusted profession.” Politicians are believed likely to lie by 91% of Canadians, and corporate executives 83%.

“For example, in a 2002 Ipsos-Reid survey, 83 per cent of Canadians thought corporate executives were somewhat or very likely to lie when making statements to the news media. A still higher proportion, 91 per cent, believed the same of politicians. In early 2003, only 21 per cent of Canadians thought chief executive officers (CEOs) were trustworthy or extremely trustworthy.”

“In a 2005 survey of Canadians, only 16 per cent of respondents thought CEOs and chief financial officers (CFOs) were credible sources of information about their companies.”


“Academics and doctors are the most credible spokespersons when forming an opinion of a company in Canada and the U.S., whereas the CEO of a company is least trusted.”

Armour, S. (February 5, 2002) "Employees' new motto: Trust no one", USA Today, published by Council of Public Relations Firms.

“Nearly 50% say corporations can be trusted only a little or not at all to look out for the interests of their employees, according to the USA TODAY/ CNN/Gallup survey…. more than 40% say executives are only interested in looking out for themselves -- even if it harms the corporation they work for.”


“There are also declining levels of trust within organizations, with employees questioning whether their employers are being honest with them. The vast majority (84 per cent) of Americans think that the people who run their companies are trying to do what is best for themselves rather than the company. Worryingly, attitudes tend to be worse amongst longer-serving employees. The 2002 ‘Britain at Work’ survey found that management communication is trusted by about half (52 per cent) of employees with less than two years’ service, but only 32 per cent of employees with 15 years’ or more service.”

“Survey of senior executives around the world found that only 69 per cent were confident that their CEO has strong moral values. In Europe, just 56 per cent shared such confidence, compared with 72 per cent in north America and 73 per cent in Asia Pacific.”
State of Trust in Business


“Every business type and category has trust issues.”

“Nearly 70 percent of survey respondents said, ‘I don’t know whom to trust anymore.’”


“Large companies in particular are now viewed by many people as interested only in their own self-serving objectives. Recent corporate scandals have led people to apply the same analysis to individual business leaders.”


“Trust levels for global companies, while still very low, are now at or above where they were in December 2000 (prior to the Enron scandal), in 13 of the 18 countries for which comparable data is available. Significant improvements in corporate trust have occurred since August 2002 in ten of the 18 tracking countries.”


“Global companies and large domestic companies are equally distrusted to operate in the best interests of society, ranking next to national legislative bodies at the bottom of the trust ratings.”


“Confidence in big business is consistently among the lowest (lowest or second lowest) of all institutions in the U.S. consistently across studies and over time.” See [Figure 1])

“The survey found that every business type and category have trust issues.”

“Nearly 70 percent of survey respondents said, ‘I don’t know whom to trust anymore,’ and said they will “hold businesses to a higher standard in their behavior and communications”


“Small businesses are the most trusted by consumers, while large corporations are least trusted, other than e-tailers.”

**State of Trust in Institutions**


“The data suggest that anywhere from two-thirds to four-fifths of Americans display a profound distrust of institutions.”


“Consistent with previous research, the current poll shows that non-governmental organizations (NGOs) are the most trusted and global companies are least trusted of the seven institutions tested. The United Nations comes second to NGOs across the countries surveyed, followed by national governments in the middle range of trust.”


“A general decline in public confidence in institutions is observed in the United States, with the exception of the military, from 1973 to 1998. Major companies experienced a relatively small decline during the same period, with the second highest volatility.”


“Trust in institutions is stronger in the U.S., than Europe: government (U.S. = 48% vs Europe = 31%), business (U.S. = 51% vs Europe = 40%) and NGOs (U.S. = 47% vs Europe = 41%) ... Trust in business is trending higher with the U.S. at 51% (vs 48% in Jan. 03 and 41% in Jan. 02) ...Trust in NGOs, which had been growing steadily in previous years, is down slightly (U.S. = 47% vs 49% in Jan. 03, and Europe = 41% vs 45% in Jan 03)”

“Trust in nongovernmental organizations has steadily increased in the US (‘01 = 36% to ’05 = 55%), joining Europe and Canada, where they are already regarded as the most trusted institution.”


“It comes as no surprise that consumers today report having very little trust in institutions generally, and corporations in particular…. Anywhere from two-thirds to four-fifths of Americans display a profound distrust of institutions…. 80% are ‘sceptical about the accuracy of new stories and information presented in the media’; 80% believe American business is too concerned about its profit and not concerned enough about its responsibilities to workers, customers, and the environment’; 69% believe that ‘if the opportunity arises, most businesses will take advantage of the public if they feel they are not likely to be found out.’”

State of Trust in Intermediaries


Confidence in the media among Americans has declined consistently and more rapidly than any other institution from 1973 to 2000.


“One quarter of Canadians don’t trust information from third parties [with only about one in two trusting the information they receive from journalists, financial analysts, or auditors on corporations and government].”
Facts on: The Trust Imperative

General Business Benefits of Trust

Trust is integral to every transaction and the foundation for business success. It drives the volume, velocity and value of every business transaction.

Trust is the basis for all business engagement and stakeholder collaboration. Since no organization is an island and few organizations have absolute control over their business environment, their prosperity and very existence hinges on their ability to win the support of key stakeholders. It is therefore critical for organizations to engender confidence in the information they provide to stakeholders with explicitly designed business processes and mechanisms that help to reduce and mitigate uncertainties that inhibit stakeholder engagement. Regardless of whether an organization suffers from a crisis of trust or already enjoys high levels of trust, in an increasingly commoditized world stakeholder trust and confidence are defining the winners and losers.

There is a magic that certain companies have (eBay, Google, Harley Davidson, HP, Coca Cola earlier and maybe also GE and Microsoft) where companies transcend the normal bounds of management. Investors consistently value their shares at epic price/earnings ratios, employees evidence unusual loyalty and performance, customers use their products and gush about them, and the press finds ways to give them the benefit of the doubt (how would the market have responded to any other bank in Canada had it encountered the same IT failure that Royal Bank did earlier last year). Perhaps, "trust" is one of the underlying currencies that make this happen, where trust isn't an accident or an afterthought, but the carefully designed objective of a pattern of actions.

“Trust is not an option in the success formula; it is an imperative.”

“Business is about money. We make the case that it is also about trust – about managing the risk of consciously behaving in ways that benefit others…. We do not directly claim that more trust equals more money (although that is clearly the case, as we will show later)… moneymaking opportunities are severely constrained without trust… trust ultimately underpins everything that business depends upon.”
limiting factor in business development is no longer the availability of resources but imagination about way to collaborate.”


A “study of 4,000 employees in eight countries concludes that building trust and emphasizing business ethics in the workplace pays off in tangible and intangible ways, helping the company's bottom line. Sponsored by United Technologies and conducted by Pamela Shockley-Zalabak, Ph.D., Kathleen Ellis, Ph.D., and Ruggero Cesaria, the study showed "trust is more than a social virtue and it serves as an economic imperative for business resilience in a global marketplace." Its findings show that organizations with high levels of trust continually benefit from:

* Adaptive organizational structures
* Strategic alliances
* Responsive virtual teams
* Effective crisis management
* Reduced transaction and litigation costs”

Economy


“[For economic development] encourage trade by promoting trust & lowering transaction costs…. Trust correlates with growth & development.”


“Trust is the ‘glue’ that holds the economy together. In the absence of trust, investors hesitate, capital markets falter,…”


“Trust increases retention, boosts spending, enables premium pricing and provides a lasting competitive advantage.”

(Krack and Keefer (1997) “found that a very measure of how trusting inhabitants of different countries are is a significant explanatory variable in regression of average annual growth rates in per capita income from 1980 to 1992. Moreover, the impact is large – a 10% increase in the measure of trust translates into a .8% increase in economic growth – a sizable increment given world average growth rates of 1% to 3% in the latter half of the 20th century.”


"[It] threatened to "significantly erode" the economy's impressive gains in productivity.”


"I'm concerned about the economic impact of the fact that there are some corporate leaders who have not upheld their responsibility,’ Mr. Bush said … economists caution that a deepening crisis of confidence gripping financial markets is likely to cool prospects for months to come. ‘Even without another big scandal, it could take six months to a year to get out from under this cloud,’ said Peter Morici, an economist at the University of Maryland in College Park, Md. … ‘Weak investor confidence, and in turn declining stock valuations, will impede the economic recovery,’ agreed economist James Glenn of Economy.com Inc. in West Chester, Pa.”
Profitability


“We believe that trust in supplier-buyer relations may be an importance source of competitive advantage in industrial settings in which: (1) transaction costs are expected to be high due to conditions that create transactional difficulties (e.g., environmental uncertainty and high interfirm asset specificity), and (2) there is a high value associated with information sharing (information is a particularly valuable resource due to product complexity and industry uncertainty).”


“A 1999 Watson Wyatt Worldwide survey reported ‘companies with employees who had high trust and confidence in senior management had a three year total return to shareholders of 108 percent versus a 66 percent return for companies with low trust and confidence levels.’”

“The Atlanta Consulting Group … provides even more compelling evidence of the connection between trust and profitability.” “The study … found a high correlation between trust and profitability. In divisions that outperformed others, 84% of survey
respondents said they had high levels of trust, as compared to lower-performing divisions in which only 27% believed trust was high. The findings provide evidence of a relationship between the level of trust in organizations and the success of major improvement initiatives like team, quality, customer services, and engineering. More importantly, it supports a strong link between trust and overall company results.”


“Building customer trust grows ever more profitable. As a result of their trust bond with HP, customers migrate toward limiting their choices to one company: HP. Such customers often “take themselves out of the market,” not even considering competitive options. Why would they do this? Evaluating other offers takes time, which is costly and in short supply, and history has taught these customers that HP would come out on top in a vendor analysis anyway. Furthermore, this customer asset is uniquely capable of talking to others, powering a referral-generation machine. Here lies a wellspring of brand equity.”


Tony Simons’ study, "The high cost of lost trust" (Harvard Business Review, Sept. 2002) focused on pinpointing the real cost associated with low-trust environments. It demonstrated that the U.S. and Canadian Holiday Inn hotels where managers followed through on promises and had behavioral integrity were more profitable. “Where employees strongly believed their managers followed through on promises and demonstrated the values they preached were substantially more profitable than those whose managers scored average or lower. So strong was the link, in fact, that a one-eighth point improvement on the five-point scale could be expected to increase the hotel’s profitability by 2.5% of revenues – in this study, that translates to a profit increase of more than $250,000 per year per hotel. No other single aspect of manager behavior that was measured had as large an impact on profits.”

Transaction Costs


“People who do not trust one another will end up cooperating only under a system of formal rules and regulations, which have to be negotiated, agreed to, litigated, and enforced, sometimes by coercive means. This legal apparatus, serving as a substituted for trust, entails what economists call ‘transaction costs.’”

“In general, trust helps reduce these transaction costs and the input of transaction costs will in turn, change the perception of trustee’s trustworthiness.”


“The presence of trust and an ethical mindset can substantially lower TCs [transaction costs]. Organizations may achieve TC economisation by applying trusting and ethical behaviours at both the firm and societal level.”

“Trust is just as crucial at the broader societal level as it is at the micro level of conducting business. Lower levels of generalized trust and morality in a society increase the TCs [transaction costs] of conducting business for all entrepreneurs in such a society.”

Share Value


“Public distrust can have an impact on share prices. In testimony before Congress, U.S. Federal Reserve Board Chairman Alan Greenspan noted that damaged investor confidence in audited financial statements had led to lower valuations for equity securities.”

Note: eBay still traded at a 143 P/E, as of June 20, 2002, or 420% of the industry average, this is after the dot com crash.


“Companies [listed on the stock exchange in Thailand] with strong corporate governance practices have higher market valuations.”


“In examining the 100 largest companies in emerging markets, researchers found a strong correlation between corporate governance and financial performance ratios.”

“Institutional investors are willing to pay a premium for well-governed companies.”


“Portfolios of companies with high corporate governance standards perform better than companies with worse standards. Investors value well-governed companies significantly higher.”


“While investors penalize poor transparency ... they reward good corporate governance efforts. [measured by “Opacity Discount” and “Corporate Governance Premium”].

Brand and Reputation Value

Red Herring, (July 1, 1999) “Starbucks CEO Howard Schultz brings a powerful brand to his new venture firm”, Red Herring.

“Never before in the history of our country has there been a lower level of trust in public institutions and corporations,” he [Howard Schultz, CEO, Starbucks] says. Given consumers' disenchantment, he thinks that brands that inspire trust are more valuable than ever.”

Moore, C., and de Bruin, A.(June 2004) “A Transaction Cost Approach to Understanding Ethical Behaviour”, World Congress of Social Economics, Albertville, France

“In recent years, intangible asset growth has been the major driver of corporate market value, with some estimates suggesting that it accounts for more than 80 per cent of market value.”

“A majority of members believe 40% or more of their company’s market capitalization is represented by brand/reputation.”

“Corporate reputation is a more important measure of success than stock market performance, profitability and return on investment, according to a survey of some the world’s leading CEOs and organization leaders. Only the quality of products and services edged out reputation as the leading measure of corporate success.”

Market Share


“Today, eBay commands more than 80% of the online consumer and small-business auction market.”

Investment and Growth


“The amount invested decreases as trust diminishes in principal-agent relationships, adversely impacting income growth. “Investment and growth improve with trust.”

Revenue


“[At eBay] we do $2.25 billion worth of gross sales a quarter entirely on trust”, according to eBay’s chief financial officer, Rajiv Dutta.

“Some 34 million people now participate in eBay, which consists of buyers and sellers from all over the world. Hardly any of them know one another. Nonetheless, they ring up commerce at a staggering rate of nearly $10 billion a year, taking it on faith that someone really will send the money or ship the goods on time. In the overwhelming majority of cases, that trust is richly repaid.”
45% of consumers have lost trust in a business. As a result 94% spend less; 76% tell family and friends; 58% stop shopping there for some time; and 49% increase business with competitor.

**Price**


“Most consumers shop at businesses that have earned their trust – even if they charge more.”


“From the perspective of the seller, the implications are that good behaviour is rewarded with higher prices (on average 19%) on eBay.”

**Price Volatility**


“Most economists will tell you that the current disconnect between stocks and the economy is – at least in the post-war era – historic…. The Market at the moment is doing its own thing for its own reasons. And not many – or even any – of those reasons concern the direction of the economy. Accounting scandals and corporate corruption, the war on terrorism – all provide sound reasons for what many say is a rethink of the multiple that investors will pay for future earnings. Part of what we’re watching is the painful recalibration of risk.”
Effectiveness


“Jeffery Pfeffer, professor of organizational behaviour at Stanford University, discovered the indispensability of trust. In the book, Leader to Leader, he outlines the three basic principles leaders use to transform their organizations: build trust, encourage change, and use appropriate measures of performance. Warren Bennis, one of the most published authors on leadership, concurs that the underlying issue in aligning people with goals is establishing trust.”

A study by Royal Dutch Shell pointed to four characteristics common to companies with life spans of 200-700 years. Trust is essential to producing the latter three (Hacker claims only the latter two) of the four:

1. They are financially conservative (risk management);
2. They demonstrate sensitivity to the world around them [Note: Trust Enablement™ is predicated on the requirement that organizations be sensitive to the levels of trust required by their stakeholders];
3. They create a sense of cohesion and identity; and
4. They limit central control and exhibit tolerance for activities in the margins.

“To ensure effectiveness, then, leaders must instil a climate of trust in order to innovate and transform as the environment dictates.”

Productivity


“In 1994, Federal Express and IDS both increased their productivity by up to 40 percent by creating empowered work teams trusted with many of the responsibilities traditionally held by managers. Trust is the key pillar that supports empowerment and cooperation within organizations.”


“The value of trust was demonstrated in a study reported in HBR and conducted by Jeffrey Dyer of the University of Pennsylvania’s Wharton School and Wujin Chu of the Seoul University School of Management…. The U.S. automaker that suppliers scored lowest in trust spent roughly 50% of face-to-face time negotiating price or assigning blame for problems, as opposed to the automaker scoring highest in trust, where only
25% of the time spent was on these relatively unproductive activities. Similarly, the volume of purchases handled by the highest trust automaker was double that of the manufacturer who was least trusted. Trust relationships pay off in tangible ways.”


“When employees who work together trust each other, they exert more effort in their jobs and expend less effort monitoring each other. This leads to increased productivity, lower costs, and greater satisfaction for workers as well as shareholders…. It is in every corporation’s interest to consider developing a culture of trust as a way of improving performance.”


“La Porta, Lopez-de-Silanes, Shleifer, and Vishny describe a significant positive correlation between trust and performance. Simply put, trust promotes performance.”


“Decreased public trust often translates into increased scrutiny and regulation. Some U.S. commentators have expressed concern about the cost of complying with the Sarbanes-Oxley Act of 2002. However, the Act (along with similar initiatives here in Canada) was a response to a perceived need to rebuild public trust in capital markets following scandals such as Enron and WorldCom.”

Change


“Trust increases the likelihood of successful change.”


“Conclusions reached by Horst Kern support the notion that “when employees distrust the commitment of their organizations, they fear that innovation might result in job changes or, worse yet, downsizing.”

A Ford Motor Company study of getting people to work together on change found that the average time to execute a change took 89 weeks. They calculated that 39 of those weeks were a direct result of distrust, because of people sitting on information or refusing to share ideas. “Trust equals speed. Once people have stopped worrying about what the other guy’s agenda is, you can make changes much more quickly.”


“Distrust can stall the launch of new initiatives, policies and products. Consumer distrust of biotechnology and biotechnology companies, for example, has forced delays in the launch of various products, including bioengineered sugar beets, potatoes and wheat.”

Innovation and Entrepreneurship


“Trust fulfills various and important societal functions. Most importantly for our concerns here, it facilitates innovative actions.... Trust, one can summarize, is of fundamental importance for the diffusion of a new technological style in the knowledge society.... At the same time, trust substantially reduces transaction, control, monitoring and enforcement costs and therefore makes available more resources for productive use. Innovative networks with a high level of trust tend to reinforce not only the innovate capacity but also trust.... Trust as a cultural resource raises the overall innovative capacity of a social system, since it allows economic and also political agents to take advantage of their extended potential for action”


“Our results suggest that trust does, in fact, influence Internet adoption. Since low trust countries tend to be low or middle income countries, this will result in a digital divide between these countries and higher-trust, higher-income ones.”
Efficiency


“High trust organizations rely on fewer controls of a more strategic and critical nature”


“Now trust has a very important pragmatic value, if nothing else. Trust is an important lubricant of a social system. It is extremely efficient and it saves a lot of trouble to have a fair degree of reliance on other people’s word.” – quoted of Nobel laureate Kenneth Arrow


The Lean production system, a system that is cheaper in terms of total capital costs and more productive per unit of capital than mass production “that constituted such a powerful boon to productivity that it was soon analyzed and copied by other countries, is founded on the principle of high-trust being shown in the lowliest assembly line worker.”


“Lean manufacturing is perhaps the clearest example of the efficiency gains that can come from the proliferation of network structures in the context of a high-trust society.”

Cost Savings


“The research showed that Web site improvements drove trust values up, which in turn positively affected the number of downloads and saved Intel millions of dollars in customer-support costs.” When navigation aids and assistance tips were added “successful downloads increased by 6 percent, trust by 3.5 percent and satisfaction by 4.5 percent, according to Bryan Rhoads, Intel Web Strategist.”
Sustainability


“So strong is eBay’s hold, say some observers, that the only force capable of stopping eBay is eBay itself.”


“Such a decline could never be good news, but it is particularly worrying today because new ways of doing business depend on high trust levels. The emergence of what Accenture has termed the ‘Connected Corporation’, with its permeable boundaries and complex web of links to other people and organizations, places great emphasis on the establishment and maintenance of relationships, and of a highly collaborative approach to business.

Without trust, customers and suppliers would be reluctant to do business with people they had never met (a major problem in this Internet-enabled age); employees would be nervous about working collaboratively with people from the other side of the world, some of whom could even be employed by their competitors; shareholders would be nervous about investing in businesses about which they did not have a deep personal knowledge; and leaders would not give employees the necessary freedom to behave in an entrepreneurial way.

Business today also needs the trust and confidence of society to operate successfully. Without this, governments are likely to regulate to limit companies’ freedom of action, which may in turn constrain the entrepreneurial spirit. In these tough times, it is especially important for business to have the support of government and indeed society at large.”

Employee Attraction and Retention


A client of Hacker and fellow authors purposely designed a highly engaging and empowering work environment as a strong value proposition for attracting talent, which resulted in the lowest turnover in the Portland metropolitan area, even though they ranked in the middle of the area’s salary range.

“Employees are scrutinizing their own firms. Management experts say workers will become less naive about their own company’s finances and missions after the harrowing Enron headlines. More will ask questions and cast a critical eye on their own CEOs.

‘Executives are looking out for the good of major shareholders, not employees,’ says Kusner, 33, in Denver. ‘It's hurt trust. People who lived through the Depression are frugal. This could have the same kind of lasting attitude change.’

The breakdown is having ramifications. Anxious employees are swamping financial counselors to learn about protecting themselves from worst-case scenarios. They're negotiating severance and outplacement help before they take a job, taking new steps to provide their own golden parachutes. And they're watching CEOs with a wary eye, putting top executives on the hot seat and demanding more communication from their companies.

The distrust is widespread. Only 10% of adults surveyed think corporations can be trusted a great deal to look out for the interests of their employees, according to a USA TODAY/CNN/Gallup poll.

For companies, this is more than mere inconvenience. This goes to the bottom line. Employers who fail to restore workers' faith risk costly defections: Studies show lack of trust is a top reason employees quit. That's troubling news to companies now dogged by accusations of impropriety, because the breakdown of trust is making it tough to keep and retain top talent just when it's needed most.”

“Corporate greed has never been seen on a scale that we're seeing now,” says Mike Olson, CEO of Washington, D.C.-based American Society of Association Executives, which promotes voluntary associations. "Employees are going to ask more questions and become more involved in learning about their companies' finances. Companies are going to have to deal with that or find themselves at the end of the line."

Workers are worried about their own finances. Reports of retirees taking hits to their 401(k) plans or losing severance packages have employees trying to determine -- and reduce -- their risks. It's a seismic shift from the dot-com heyday, when the focus was on which company would offer the potential for fast riches. Now it's all about which will guarantee safety.

And job seekers are protecting themselves: More than 60% of job hunters say it's important to negotiate severance agreements upfront, according to online recruiting service TrueCareers. Forty percent already research severance and outplacement assistance before talking to a company about a job. Workers concerned about their own financial security in light of Enron are swamping advisers and counselors with questions. ComPsych, a Chicago-based employee-assistance provider, has seen a 35% jump in calls the past three months from workers citing financial issues as a source of stress.”
Stakeholder Engagement


“Increased trust translates into an increased ability to present the perspective of the organization to important stakeholders. A study by the Institute On Governance found that companies regarded as ‘exemplary’ by senior public officials enjoyed ‘easier access to government and a more relaxed dialogue with public officials; greater willingness on the part of public officials to listen seriously to the company’s views . . . ; advance insights into early stages of government thinking on policies, regulations, etc.; . . . [and] invitations to provide input into policy making that go beyond formal consultative processes.’ Many of the criteria used in the study to define ‘exemplariness’ were related to trustworthiness.”

“Distrust by important stakeholders—such as the media—can have dire consequences for organizations. Journalists interviewed for this study noted that, once an organization has lost public trust, the media tend to pay closer attention to it. ‘Sometimes there’s a designated target and everybody piles on,’ said one. ‘Once a scandal gets rolling there is a tendency for everyone to bring their spade and start digging.’”

Values


Johnson & Johnson, “the pharmaceutical company is famous for its Credo, which was written many years ago and reflected the sincere values of the leaders of the company at that time. The J&J Credo could be considered rather quaint by today’s standards. It contains several old-fashioned phrases, such as “must be good citizens — support good works and charities — and bear our fair share of taxes” and “maintain in good order the property that we are privileged to use.” It lacks the slick PR packaging that I observed at Enron. Yet, even with its less-powerful language and seemingly dated presentation, the J&J Credo works — primarily because over many years, the company’s management has taken the values that it offers seriously. J&J executives have consistently challenged themselves and employees not just to understand the values, but to live them in day-to-day behavior. When I conducted leadership training for J&J, one of its very top executives spent many hours with every class. The executive’s task was not to talk about compensation or other perks of J&J management; it was to discuss living the company’s values.” Note: Employees trust J&J’s commitment to their values.
Privacy and Customer Relationship Management (CRM)


“Consumers are willing to share more personal information about themselves with marketers when they have a trusted relationship.”