

The power of trust: how companies build it, lose it, regain it

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Panel

Anjali Raval, management editor, Financial Times, in conversation with
Sandra Sucher, professor of management practice, Harvard Business School

THE POWER OF TRUST: HOW COMPANIES BUILD IT, LOSE IT, REGAIN IT



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TRUST IS A WILLINGNESS TO BE VULNERABLE TO OTHER PEOPLE'S ACTIONS AND INTENTIONS



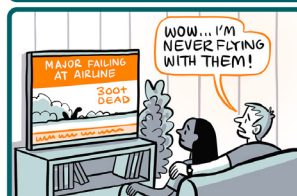
THE FOUR DIMENSIONS OF TRUST ARE: COMPETENCY, MOTIVE, FAIRNESS AND IMPACT



YOUR FIRST INSTINCT SHOULD BE TO TRUST NEW PEOPLE, BUT REMEMBER THIS ISN'T ALWAYS THE NORM, THERE ARE HIGH AND LOW TRUST CULTURES



A GOOD LEADER DEMONSTRATES COMPETENCY, ASKS OTHERS FOR OPINIONS, RECOGNISES TALENT AND GIVES PEOPLE GOOD ROLES



THE COST OF LOSING TRUST CAN BE CATASTROPHIC FOR A COMPANY. REBUILDING TRUST TAKES 3 STEPS: APOLOGISE, TAKE ACCOUNTABILITY AND LASTLY FIX THE PROBLEM



COMPANIES NEED TO BE TRANSPARENT ABOUT HOW THEY INTEND TO USE ARTIFICIAL INTELLIGENCE AND THE IMPACT IT WILL HAVE FOR EMPLOYEES AND CUSTOMERS



CUSTOMERS WANT COMPANIES TO HAVE AN ETHICAL STANCE, BUT DON'T GET INVOLVED WITH EVERY HOT BUTTON ISSUE. FOCUS ON ISSUES YOU REALLY NEED TO IMPACT



TRUST IS BUILT FROM THE INSIDE OUT... BUILD IT WITH YOUR EMPLOYEES FIRST... AND THEN IT WILL BE EASIER TO BUILD IT WITH THE PUBLIC

In the latest event, Anjali Raval, the FT management editor, spoke to Sandra Sucher, professor of management practice at Harvard Business School and author of *The Power of Trust*. They discussed how trust can be built and sustained, how it can be shattered in an instant in a way that destroys a company's reputation and its share price, and how it can be won back.

Here are the highlights.

Four ways to define trust

Sandra Sucher defined trust as “a willingness to be vulnerable to others’ actions and intentions” and a “leap of faith that ‘I’m going to count on you to do well by me, and to be well intentioned towards me’”.

She identified four questions we ask when deciding whether to trust an individual or organisation: What is their competency? What are their motives? Will they treat me fairly? Will their actions be positive?

Uber: a study in corporate trust

Sucher illustrated this by looking at Uber, the ride-hailing service. The company transformed the taxi sector because it was deemed competent. “They created an industry that allowed you to go to places that taxis often wouldn’t want to take you,” she said. “They changed the nature of security because every Uber taxi was tracked. It was a marvel of competence.”

But Uber failed on the three other dimensions:

- **Motive:** “You can’t get inside the head of a company,” Sucher said, but “you can see by their actions whose interests they prioritise.” On New Year’s Eve 2013 an Uber driver hit a family, killing a six-year-old girl. In court the company said “the driver didn’t have a passenger in the car and hadn’t accepted their next ride”. By trying to disclaim responsibility Uber clearly ranked itself over the interests of the family and this “did not feel right”.
- **Fairness:** In 2016 Uber began to charge passengers who took longer than two minutes to get into a car. Given that such people could be physically or mentally impaired, observers decided this was “unfair to people who through no desire of their own actually just take longer”.
- **Impact of actions:** Sucher said this was the most important dimension. She pointed to the case of Susan Fowler, a former Uber worker who in 2017 began a blog about her experience at the company. When she started at the group, women accounted for 25 per cent of the developers in her unit. When she left two years later, the proportion was 6 per cent. “Uber did not intend to create an environment that was inhospitable to women but the effect of its actions did that,” Sucher said.

Appreciation, affiliation, autonomy: the qualities of every trustworthy leader

Leaders who want to build a culture of trust should learn to appreciate their employees, affiliate with them and empower them by giving them autonomy.

Sucher highlighted the case of Sarah Al-Suhaimi, the first female head of an investment bank in Saudi Arabia. She began to meet people even before her first day in the job. She found what made them tick and what they thought about the business.

Sucher said Al-Suhaimi asked open-ended questions. She held “no blame workshops” so that employees could tell her what was good or bad about the bank. “People were impressed by her humility, the fact she was asking for their opinions.”

The way to earn trust is to “appreciate other people’s talents, recognise their ‘deserve’ status, give them roles where they can flourish and give them autonomy”.

What a deficit of trust looks like: the case of Boeing

Sucher used the story of Boeing to flag up a deficit of trust. She said it was “a fascinating and terrible story about lack of oversight by the board”. In 2018 a Boeing 737 Max crashed in Indonesia killing 189 people. Five months later a second Max crashed in Ethiopia killing 157. “We were trusting them to be competent,” Sucher said, “but they weren’t.” Boeing suffered colossal reputational damage and lost billions of dollars: “The cost of not being trusted can be catastrophic.”

Three steps to take to rebuild trust after a scandal

The way to rebuild trust is outlined in *Management 101* by Stephen Soundering. While his list is short, the points can be hard to accomplish. The three steps are: apologise and acknowledge responsibility for what you've done; take accountability and commission an investigation to establish the facts; fix the problem.

If you use artificial intelligence, disclose it

Given the newness of some technology, ChatGPT for instance, Sucher said companies should disclose how they use AI. "We're several years away from not needing that disclosure," she said. "At some point the technology will be ubiquitous and we'll have figured out how to engage with it, we'll have figured out the problem of hallucinations and we'll make sure that we're not promoting misinformation."

We are not there yet however. "It is striking that we have a technology, that we promote, that we know creates untruth. That shifts the burden from the organisation that makes the claim to the individual, who has to try to ferret out whether a claim is true," Sucher said. "I don't know how sustainable that is as a position."

A key question

According to Sucher, every leader should pose this question before they make a consequential decision in a group: "Will this action cause us to build trust or to lose trust? And with whom?"

Questions from the audience

What is your advice for leaders who want to maintain trust in a corporate crisis?

"The first line of defence" is to communicate with your employees, Sucher said. "Trust is built from the inside out and it is almost impossible to be trusted by people outside your organisation if the people inside do not trust it."

Helping employees to understand what is going on, and explaining the steps you take, will help. In effect you will be "giving people a kind of lifeline to understand that their interest in the fate of the company is being taken seriously by leaders".

How did the pandemic affect trust?

"It was a worldwide introduction to trust as vulnerability," Sucher said. "All of a sudden, everyone everywhere knew they were vulnerable to decisions being made by people who have power."

How is trust seen in different regions? How do global companies deal with it?

"There are low-trust cultures where the assumption 'I'm going to trust the other party' is a risky thing to do," Sucher said. "Then there are high-trust cultures where everyone assumes we should be trusting with each other."

In companies the question often asked is: what is global and what is local? "The part that's global is your values, what you stand for and how you expect people to behave; the part that's local is how you behave in a particular culture."

Sucher has looked at diversity and inclusion at Royal Dutch Shell, the oil group that operates in more than 100 countries. In a conversation with a manager in the Middle East, she found that diversity there is viewed as the capacity to work across different clan allegiances which can divide employees within the same country.

How can you build and maintain trust in a virtual work environment?

Sucher recommended one best practice: scheduling one-on-one time “just to get to know each other”. “It’s like having a coffee on Zoom for half an hour. Some people have these every two weeks.”

How would you limit the effect of poor CEO behaviour on corporate culture?

“In a weird way,” responded Sucher, “the easiest kind of scandal to survive is the one where you can pin it on a single person.” She told the story of a Japanese company where in the 1980s the chief executive’s actions led to a shares-for-favours scandal. The issue brought down the government and the CEO went to prison, but the company survived because it was able to say “it was just one guy”.

Do consultancies that conduct audits and reviews provide a useful service?

Sucher did not want to generalise but said consultancies could add value: “There can be value in outside perspectives, largely because the people are free of the political considerations that make truth-telling inside organisations hard to do.”

Do boards and executive teams think about trust more nowadays?

Yes, said Sucher. “In many boards they understand that trust is or could be a problem. That was not true five years ago. Back then you couldn’t ask: ‘Are you worried about being trusted by your customers or your employees?’”