

Trust in organisations. Where did it go? Can it be found?

On the 26 May we put to the Foundation Forum an argument that trust in organisations is seriously threatened and may be irrecoverable, at least until they are set up so their purpose more closely matches the interests of those they serve

This affects big business, government, the media, our legal system and sometimes all of the above, as Rupert Murdoch and friends have demonstrated so adeptly.

In line with The Foundation's view that difficult issues are best understood by looking at them from a range of perspectives, we explored this area with the help of three people; Ed Smith, someone who has 11 jobs (all of them impressive) and formally at PWC for 30 years, most recently as Global COO and Strategy Chairman, Anthony Hilton, Financial Editor of The Standard and a sharp and articulate business journalist, and John O'Farrell, a comedy writer who started a school.

The discussion was further enhanced by 60 or so of our closest friends – clients, associates, and warm contacts of various kinds. One attendee was Simon Caulkin, a writer and editor who for 16 years was the Observer's management columnist and a contributor to the Economist, the Financial Times, and many national and international business magazines. His role was to reflect on and then summarise the discussion, and what follows are his thoughts followed by our own summary from the evening.

A Summary from Simon Caulkin

'It is happier to be sometimes cheated than not to trust.' So said Samuel Johnson. He was right, even in his day. But the sentiment is not just a bien-pensant jest. Although Johnson couldn't foresee it, in the age of organisation trust is as essential to the functioning of the global economy as it is to family or friendship.

Simple at first sight, trust is one of those things that gets more complicated and slippery the more you look at it. The Foundation, an inquisitive young consultancy, specialises in forums teasing out the meanings of difficult concepts like trust, and at a fascinating discussion recently some of its complexities and contradictions were entertainingly laid bare.

The starting point is that trust is important, is diminishing, and ought to be restored. It's important, said Ed Smith, a former consultant who among other things is now chairman of WWF-UK, Pro-Chancellor of Birmingham University and chair of the Student Loans Company, because it is 'like oxygen: vital to human flourishing and unnoticed until it goes missing'. It is a kind of social intelligence, a means by which humans can coexist without having recourse to contracts or rulebooks to govern every situation. Trust is a factor at every level, from the personal to the institutional, even in the most inhospitable contexts. Any journalist will nod with recognition at the observations of Tony Hilton, the Evening Standard's penetrating and often caustic City editor, who admitted to not thinking about the concept

much, yet being aware that it was critical to his practice. For every one exclusive he published, there were perhaps nine others that he didn't, because they would have wrecked a trust relationship built up by experience bit by bit over the decades of a career. Note that trust is not the same as liking. Hilton is one City journalist who notably hasn't been captured by his constituency, yet he retains the respectful ear of even those he roundly criticises.

Similarly in politics. Author, political activist and chair of school governors John O'Farrell recalled that on the doorstep, Labour's policies in the 1980s resonated strongly with voters – yet they voted for Margaret Thatcher three times in a row, not because she was loved but because she was trusted to do what it said on the tin. Narrative integrity is vital. As a writer, O'Farrell pointed out that while readers will happily accept a storyline incorporating elves, orcs and talking beavers, woe betide the novelist who situates Ealing Broadway on the Victoria Line. Woe betide also the politician who tries to overwrite his narrative. While brand Cameron was unscathed by the student-fees rumpus, brand Clegg has still not recovered from his glaring loss of the plot. Perhaps it never will.

Or take life in organisations. The story that 'we are all in this together' may be technically true. But all too often the narrative is doubly undercut by escalating CEO pay for which, as Hilton notes, there is absolutely no objective justification. In the first place, when behaviour and official narrative collide, it's the narrative that comes off worse. Second, it offends the sense of fairness that is an important component of trust – the feeling that the organisation is committed to meeting you at least half way, whether as customer or employee. As Smith observed, lack of this kind of trust helps explain the phenomenon of organisations running at perhaps 50 per cent capacity, full of people so unengaged that they find ways of surreptitiously cutting short the contracted mile, let alone going the extra one. Who are the criminals who stole trust from society, and what do we do about it? While distrusting the notion that there was ever a golden age, Hilton pointed the finger at the breakdown of previous certainties and solidarities in the 1980s. One part was Thatcherism, loosely comprising privatisation, the denial of society and the rise of the 'me generation'; another the advent of shareholder capitalism based on an extreme version of self interest which explicitly absolved management from ethical concerns; yet another the end of the Cold War as a binding factor. Previously we had been part of tribes and communities which, although often restrictive, provided identity and reassurance. Suddenly we were on our own.

The bonfire of the certainties set off a chain reaction which, ironically, may have made matters worse. In a Work Foundation report on trust that he co-wrote in 2006, Smith posited a four-stage taxonomy of regulation, graded according to capacity for generating trust: self-regulation, peer pressure, markets, and government regulation. Unfortunately, rule-based, government-sponsored regulation, the one we most rely on, is the least trust-generative: as Baroness Onora O'Neill remarked in her 2002 Reith Lectures on trust, 'Currently fashionable methods of accountability [targets and inspection] damage rather than repair trust'. Much as extrinsic motivation (money, bonuses) has been shown to crowd out intrinsic (job satisfaction), the regulatory state dispenses with the need for individuals and organisations to internalise it, with the paradoxical result that people mistrust them more.

Calls for a Big Society unconsciously reflect how much we have lost with the steady erosion of all kinds of trust. Yet the bind is actually worse than it first appears. Trust is self-fulfilling. 'If you want people to be trustworthy, you have to trust them', the Tao rightly says. But the opposite is true too. And unfortunately, it is institutionalised distrust that most of our organisations are built on, which all too often has the reverse effect of making people *untrustworthy*, setting off an arms race known as 'the supervisor's dilemma': the more tightly people are controlled the more 'untrustworthy' they become, thus confirming the supervisor's suspicions and justifying another turn of the regulatory screw.

We saw in 2008 the near-catastrophic consequence of the drying up of trust on the global financial system. It seized up. It turns out that even in a hard-bitten capitalist world, trust is not a fluffy, nice-to-have option but as critical as oil to a physical machine. It is thus not 'happier', in Johnson's phrase, that we allow for the possibility of sometimes being cheated: it is the urgent and essential price we pay for continuing to function as human beings.

A Summary from The Foundation – Charlie Dawson

The first challenge with this debate was getting clear on what version of trust was the important one in danger of being lost. There is plenty that we are happy to trust today as much as we did in the past, but the area where it is draining away is in believing that an organisation will act in 'my interest' ahead of, or in some kind of balance with, its own. As a customer or a dependant of an organisation, if you trust that its people will make their honest best efforts to help you, then you feel secure and willing to have a relationship with human qualities of sharing, relying on and believing in to some degree. The problem is that instead, we feel we need to be on our guard because our experience suggests we should not automatically expect this to be the case.

This leads to the second point to emerge, that because trust comes from experience, and because proof of institutional trust takes many experiences but proof of not being able to rely on it takes just one, it only takes a small proportion of bad experiences to change the climate. Bad experiences might include being misled (believing someone was doing x when they secretly did y), being unfairly treated (salaries and bonuses becoming out of proportion to the relative value of different people) or seeing narrow self-interest (a doctor not apologising for a mistake because there may be financial consequences if they do).

The third point that stood out was the unintended consequence of responding to each breach in trust with a well intentioned rule to prevent it happening again. As the number of rules increase, the sense of cultural responsibility to do the right thing diminishes. A specific list of rules can always be circumvented whereas a less precise duty to do the right thing leads to more thought and discussion around what that means.

The final conclusion that I drew is what do about it in practice. Rather than being a big thing that can be manipulated from a distance, trust emerges as the product of many small actions providing evidence

that the behaviour is the sustained result of an attitude or culture. Getting this sustained result cannot be achieved by setting rules or making lists of how to do things. And a culture can't just be created at will. The most powerful thing we can do in this case, I believe, is to each lead by example – a do it yourself response to the challenge. Self regulation is something we can control, and if people do it together then a culture emerges. It is this culture of trusting and being trusted that is the outcome that we all seemed to be looking to achieve.

The Speakers' Biographies

- **Ed Smith. For 30 years at PWC and ultimately Global COO and Strategy Chairman. In 2006 he co-wrote an excellent report for the Work Foundation titled 'Trust – papering over the cracks'?** This looked especially at the effect of rules and regulation on the relationship between businesses and society, arguing that perversely, more rules can mean less trust as the letter becomes more important than the spirit. Ed is now, frankly, over-employed. He is Pro-Chancellor of the University of Birmingham, Chairman of WWF-UK, Deputy Chairman of the Higher Education Funding Council for England, Chair of British Universities & Colleges Sport, a Member of Council & Treasurer of Chatham House, Deputy Chair of the Managing Partners Forum, on the Board of Opportunity Now and the Commission for the Future of Women's Sport, on the Board of the Department for Transport, a member of the UK Competition Commission and, most recently, was appointed non-executive Chair of the Student Loans Company. Far from being frantic and breathless he is also annoyingly serene, thoughtful and friendly, something that many of us with just one job would do well to emulate.
- **Anthony Hilton. Financial Editor of The Standard with a keen eye for hypocrisy, in business, Government and the City.** He joined Fleet Street in 1968 as a Trainee on the Guardian. He was City Editor of the Times, 1981 to 1983 and City Editor of the Evening Standard from 1984 to 1989 and in November 1989 became Managing Director of the Evening Standard, a post he held for six years before returning to the City Office as Editor in 1996. In 2003 he became Financial Editor and economics leader writer for the paper. He has worked in television and radio, has written books on understanding finance and the City, and is a frequent conference and after dinner speaker and moderator on City and media matters. He is a member of the Advisory Board of the Foundation, and was previously a non-executive director of a Lloyd's insurance company. He is a trustee director and member of the investment advisory board of the Daily Mail pension schemes which has responsibility for funds in excess of £1.9 billion. I know from experience he is an entertaining contributor to these kinds of events, likely to be challenging, self deprecating, witty and rude, including to fellow speakers.
- **John O'Farrell. Author, broadcaster, comedy scriptwriter and founder of a school (Lambeth Academy).** He started in stand-up comedy but swiftly moved to comedy writing, first for radio and then for television as well, with notable contributions to Spitting Image, Have I Got News For You

and Clive Anderson Talks Back. He then moved into books, first writing the autobiographical *Things Can Only Get Better (18 Miserable Years In The Life Of A Labour Supporter)* in 1998, before the novels *The Best A Man Can Get*, *This Is Your Life* and *May Contain Nuts*. He then went back to fact (sort of) with *An Utterly Impartial History of Britain (or 2000 Years of Upper Class Idiots in Charge)* followed by *An Utterly Exasperated History of Modern Britain (or Sixty Years of Making the Same Stupid Mistakes as Always)*. His pan-media assault is further bolstered by TV appearances on shows as diverse as *Grumpy Old Men* and *Newsnight* (maybe not that diverse actually) and establishing the comedy news website www.News biscuit.com (the news before it happens). In parallel he had been an active member of the Labour party and in 2004 after much work over many years, he helped establish a new state secondary school in Clapham, Lambeth Academy, where he has been Chair of Governors ever since. He is a supporter of Fulham and a dangerous five-a-side striker (more because he might crash into you at high speed than any threat to the scoreline).