Making Trust a Competitive Asset: Breaking Out of Narrow Frameworks

EXECUTIVE SUMMARY

Report of the Special Meeting of Senior Executives on
The Deeper Crisis of Trust
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Steven Rosell
Daniel Yankelovich

Note

This report draws on several presentations made to the Special Meeting of Senior Executives: the keynote presentation by Daniel Yankelovich, Chairman of Viewpoint Learning; subsequent presentations by Kate Fish (former Vice President for Policy at Monsanto), Pat Meredith (former Executive Vice President for Strategy at CIBC), and Alyson Warhurst (Professor of Strategy and International Development at the University of Warwick Business School [U.K.]); as well as the extensive contributions made by the participating senior executives.

The executives attending were from Altria, The Coca-Cola Company, DHL, Ford, Hewlett-Packard, KPMG, Shell, Swiss Re, and Toyota. Executives from Kodak and Procter and Gamble also participated in this process but were unable to attend the meeting. The views expressed were those of the participants, not necessarily those of their companies or organizations.

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The business community finds itself at the early stages of the third major wave of mistrust we have seen since the 1930s.

Each of the earlier periods lasted about ten to twelve years (see Report), and we expect this one to last equally long. In each, huge changes transformed the nature of the business enterprise.

This time the changes we face will require companies to break out of narrow frameworks that reinforce mistrust and create critical blind spots. Companies must learn to understand the viewpoints of others who see the world differently and use that understanding to inform actions and develop "trust equity".

In this new context, a company's trust equity can become a major competitive asset. Corporations that understand the depth of change and the level of mistrust we are facing and know how to strengthen their trust equity will have a significant advantage.

Participants in the special executive meeting used strategic dialogue to wrestle with the questions raised by this important change in the business environment and to look for ways their companies might make trust a competitive asset. Following a keynote presentation by Viewpoint Learning Chairman Daniel Yankelovich, they examined the need to reframe four basic, interrelated ideas that underlie much of the way we do business today. Change at this deeper level can open up new possibilities both for addressing the current wave of mistrust and for creating competitive advantage. These changes involve moving:

1. **FROM IMAGE TO TRUST EQUITY.** Trust equity goes deeper than either brand equity or corporate image: it refers to the quality and quantity of trust that an organization or group enjoys. Both concrete and measurable, it is also critical to business success. In the words of a recent article in *The Economist*: "The real economic value of a corporation increasingly comes not from the assets that it owns, or the employees that it supervises, but from the domain of trust that it has established."
2. **FROM SHAREHOLDER VALUE TO REAL VALUE CREATION.** Many recent abuses have been committed in the name of maximizing shareholder value (which too often meant managing and gaming the short term fluctuations of stock values). Moving away from this short term focus towards more enlightened or longer-term shareholder value can provide an essential foundation not only for creating better metrics to guide business activity, but also for rebuilding public trust and developing a better understanding of the value-creating role of business in society.
3. **FROM CARROT/STICK TO COMMITMENT.** We live in a more knowledge-based global economy, with a growing reliance on changing alliances and partnerships and a diverse workforce of specialists. In this new environment, effective leadership requires the ability to understand and take into account very

different viewpoints. Even more, using that ability to work together quickly across boundaries and to improve performance through building commitment and trust – the most powerful incentive – is becoming a critical leadership skill.

4. **FROM SPIN TO DIALOGUE.** "Spin" is essentially tactical – the outcome you want is given and your challenge is finding the best way to manage the information to support it. Over time spin depletes rather than builds trust equity. Dialogue does the reverse: it builds trust and is especially valuable in resolving "framework problems." While frameworks are usually tacit and taken for granted by those who hold them, dialogue brings them to the surface and deals with them in a productive way. And when specialized forms of dialogue are used (dialogue structured in a special way and coupled with special provisions such as the use of scenarios or prior identification of key pros and cons and tradeoffs), the insights that emerge can be translated quickly to effective action.

What practical steps can companies take now to put these four building blocks in place? While each company will need to determine its own way forward, participants at the senior executive meeting developed three initial recommendations companies might consider. These steps can be taken either by companies acting alone, or by companies working together:

i. **Developing new metrics for the financial community**. An important question examined at the meeting was the disparity between those factors that Wall Street takes into account in valuing a company and the intangible factors that enhance a company's long-term value. It would be useful to engage some of the more thoughtful Wall Street analysts and fund managers in dialogue on how to develop new metrics that would quantify the most important of these intangibles, (especially those relating to trust equity) and shift the focus from short-term expectations to longer-term value-creation.

   This kind of effort is particularly timely in light of the controversies that have arisen in relation to the framework of "maximizing shareholder value." Abuses committed in the name of maximizing shareholder value have raised troubling questions about the concept itself as well as some of the ways it has been implemented. By starting with metrics, the intent is to move beyond the problems created by the ways in which the shareholder value framework has been narrowed and used, while maintaining the important benefits and discipline provided by using clear metrics to set goals and evaluate results.

   If a number of companies, acting individually or in concert, move in this direction, others will follow, but those that lead will have an important advantage in making trust a competitive asset.

ii. **Improving the development of leaders**. Participants at our meeting focused on how the latest wave of mistrust, combined with fundamental social and economic changes, has transformed the challenges facing top executives. New requirements for corporate leadership in the emerging business environment include the ability to:

- Quickly understand and take into account the viewpoints of key stakeholders who may see the world differently.
- Know how to challenge, broaden and update existing frameworks to incorporate new knowledge, challenging perspectives and to prepare for surprising possibilities. Without this continuing process of strategic dialogue and learning, shared frameworks risk becoming shared blinders.
- Build and maintain trust equity both within the organization and with outside stakeholders.
- Create external coalitions to manage new problems, all the while navigating their business in risky environments and ensuring the continuing financial health of their company.
- Engage in effective action learning – to navigate complexity, turbulence and uncertainty and to maintain a critical balance between broader exploration and practical application.
- Learn from peers – in a world of rapid change all leaders are working at the frontiers, breaking new trails.

To develop these skills and dramatically improve, even revolutionize, the development of future corporate leaders will require significant changes in individual companies' executive development programs, as well as in external programs that serve many companies. Initial steps in this direction are detailed in the report.

iii. **Using strategic dialogue to make trust a competitive asset.** The dialogue begun at this meeting needs to be continued and deepened, especially within companies, since each company must find its own way to build trust equity and use it for competitive advantage. To succeed, companies will need to systematically engage key employees and stakeholders in developing innovations that break out of narrow frameworks. They will need to challenge normal ways of operating, basic assumptions and culture – developing responses to changes outside the usual comfort zone. This will require a process of strategic dialogue.

Strategic Dialogue is a powerful, customized method that companies can use to:

1) Understand the change and its full consequences for the company (it is relatively easy to identify a trend or change, much harder to work through its consequences)
2) Question familiar and comfortable responses
3) Expand the range of available options
4) Weigh the potential intensity of emotional reaction to the company's decisions on the part of a wide range of stakeholders
5) Bring a wide diversity of points of view to bear
6) Create a strong sense of ownership for the decisions the company adopts
7) Do all of this quickly.

Such work within individual companies can be complemented and enriched by periodic dialogues that bring together different companies to share experiences and lessons learned in addressing this challenge. Given sufficient interest these could be organized as a continuing roundtable, using a tested dialogue format, to provide more intensive learning.

However it is done, it is important, particularly within companies, to continue and deepen this dialogue, begun at the senior executive meeting, to find better ways to break out of narrower frameworks, to learn to understand and take into account the viewpoints of others who see the world differently, and to make trust a competitive asset.