A Matter of Trust

Daniel Yankelovich (dany@viewpointlearning.com) and Steve Rosell (rosell@viewpointlearning.com), "Making Trust a Competitive Asset: Breaking Out of Narrow Frameworks," report of the special meeting of senior executives on *The Deeper Crisis of Trust*, New York, May 15–17, 2003. Click here. For a copy of the report, e-mail info@viewpointlearning.com

Businesspeople may attribute recent corporate scandals to "a few bad apples," but the public isn't buying it. A 2002 Gallup Poll found that almost 80 percent of the public believes corruption is endemic in the corporate world and that executive greed and immorality are the top causes of current economic woes.

This is the third major crisis of confidence that corporate America has faced since the 1930s, say Daniel Yankelovich and Steve Rosell, principals of Viewpoint Learning, in a report that grew out of a May 2003 discussion on the loss of trust in the business world. The discussion was attended by executives from Hewlett-Packard, Coca-Cola, Royal Dutch/Shell, Monsanto, and Toyota, among other major corporations, and academics from the University of Warwick Business School.

The first two crises of confidence — the Great Depression of the 1930s and the "stagflation" of the late 1960s through 1980 — were marked by a weakening of confidence in the free-market economy and public disillusionment in big business, respectively. But this third crisis is different, the authors say, because senior executives, not just corporations, are viewed as being directly responsible for the scandals. Their over-the-top compensation; excessive management perks; and perceived willingness to trade jobs, environmental standards, and labor rights for profits squeezed out of globalization have fanned mistrust in the individuals who run companies and, secondarily, in the companies themselves. The impact so far has been new laws such as the Sarbanes-Oxley Act; demands that executives be punished; and the emergence of corporate integrity as an important competitive factor.

Reversing the current wave of mistrust, the authors argue, requires profound changes in both corporate and management attitudes and behavior. Companies must move away from jealously managing corporate image or spinning the truth to influence public opinion and, instead, practice open and honest dialogue to build "trust equity" with the public. In addition, they must get beyond a singular focus on maximizing near-term shareholder value no matter the cost to society. Companies need to accept the idea that creating social capital boosts shareholder value in the long run. Companies should recognize that they are increasingly reliant on the goodwill and commitment of their most talented workers. In this environment, command-and-control leadership is ineffective, and listening to different viewpoints from every level of the corporation is required.

The report recommends three practical steps companies can take to begin to build their social capital, to help restore public confidence in business, and to use integrity as a competitive weapon:

- Work with Wall Street analysts to develop new performance metrics that quantify a company's trust equity.
- Overhaul leadership development programs to reflect the new skills needed by top executives, including the ability to quickly understand the interests of diverse stakeholders — among them, employees, investors, the media, suppliers, communities, nongovernmental organizations, and regulators.
- Systematically engage key employees and stakeholders in strategic dialogues that push people outside their "comfort zones" and encourage them to challenge standard ways of operating.

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