SoL UK

Society for Organisational Learning

Trust: What do Organisations Really Learn?

Café Conversation
- April 25th, 2013.
- One Alfred Place at 5.30 p.m.

At this café style event we explored our understanding of trust with, and within, organisations. The conversations were guided by questions provided by:

- Professor Reinhard Bachman, Professor of Strategy at the University of Surrey (since 2008), Director of the Centre of Trust Research, Editor of the 'Handbook of Trust Research' (2006) (with Akbar Zaheer), and published widely in top tier journals. Reinhard's questions were focused primarily on 'trust between organisations'.

- Sally Bibb, author of 'Trust Matters' and 'The Right Thing: An Everyday Guide to Ethics in Business'; is the founder of Engaging Minds and was the co-founder of talentsmoothie. She has spent twenty years immersed in organisational change and is a member of SoL-UK. Sally's questions were focused primarily on 'trust within organisations'.

This summary is divided into four main sections. They include:

- Section 1 captures the thoughts of Sally and Reinhard about the session.
- Section 2 is a summary of the attempts to integrate the discussion themes
- Section 3 pulls together the detailed list of the questions and the notes captured at the group discussions. A big thank you to Mary Moore, Shaun Orpen and Tessa Peteete for taking notes in each group and transcribing them for circulation.
- Section 4 outlines some possible next steps

1. Thoughts on the Session

Sally – It was a good discussion and excellent to hear other perspectives, experience and ideas. The discussions touched on so many issues that could be (and are) subjects of a whole course in themselves eg governance, structure, regulation, contracts, hubris. It struck me that we need to draw on robust research from the field (ie from organisations) into why breakdown in organisational and leadership trust occurs. The link to the Daedalus Trust and hubris syndrome is an obvious one to make in terms of leadership and their behaviour. It is a subject that most people have at least some experience of and there is much written about it. However, I was left thinking that it's not easy for people running organisations to know what to actually <u>do,</u> in a very practical sense, to build and maintain trust.

Reinhard - I very much enjoyed the event because it was a real exchange of academic and practical views. Quite a few people had an industry background and a wealth of experiences which are so important when digging into a real world issue such as trust. I wish we would have had more time to explore what a difference trust can make in an organization and why trust is such an important source of strategic advantage. At the same time, trust can also reveal its dark sides if it is misunderstood and poorly managed. This would also have needed more time to debate. As many concepts and methods of trust research have enormous practical value, I really think that we should study this together in the context of today's business world with all its pressures and opportunities that only practitioners can know first hand.

2. Summary of discussion themes

The tables (1. and 2.) below are an attempt to integrate our discussions for further reference. For a better understanding of the conversations please see the notes and questions in Section 3.

Table 1.

Consideration	Trusting an organisation and/or an individual
Definitions of trust	Trust is built. It's a cumulative thing. It helps manage risk by using past behaviour as a guide to future behaviour. It's a by-product of transparency, reliability and competence. It's not a black and white thing. You can't dictate trust. It's an emergent property of any relationship. Trust is a combination of uncertainty and risk/ incomplete knowledge. People act in their own self- interest, as they should, but you trust the other person to let you know if their self- interest interferes with your own interests.
Importance of trust	Trust leads to loyalty when dealing with complexity. Trust allows us to do business in the face of complexity and ambiguity. As budgets are cut we have to replace control with trust. In the absence of trust we need the budget to allow control. Your reputation depends on upholding your trust, especially within certain communities. Trust is difficult to repair.

Table 2.

Considerations	Trust: Organisational Level	Trust: Individual Level
Alternatives to trust	Can you replace trust with a contract? What is a contract? • Rules by which you negotiate your next deal. • Process for allowing you to get all your concerns on the table. • Terms for an agreed exchange of value. Contracts as combative vs collaborative.	Can trust be replaced by accepting the consequences, by being ok with uncertainty, by choosing to believe that it will all work out in the end? Can you replace trust with constant questioning? Can you replace trust with control?
Different perspectives on trust	Different communities and cultures have different definitions and levels of trust that are required when doing business (for example). There is an inherent conflict in business between the needs of different stake-holders e.g. customer and shareholder, staff and customer etc Different corporate governance codes drive very different behaviours e.g. UK code is a comply or explain code whereas the US code is a legal requirement.	People approach trust in different ways. Some choose to trust you until it becomes obvious that their trust is misplaced. Others choose not to trust you until you prove you can be trusted.
Implications of introducing regulations	Regulation does not necessarily drive the 'right thing 'to do and may drive the reverse. Greater amounts of regulations lead to inefficiencies, which then leads to loopholes which people take advantage of. Innovation is greatly restricted with increased regulation. Bureaucrats should not come into the business environment because they don't understand the different levels and types of trust required in a business environment. It is impossible to write laws that predict the problems that will occur in the future, and therefore regulations are lagging indicators.	Regulations set a standard of ethics which are necessary. Should regulators act as judges or aid people in doing business properly? Is their role to improve the nature of business or be there with a stick once someone disobeys? Instead of ascribing fault to a party, wouldn't it be more effective to ask: how can we learn from this mistake? Has regulation externalised morality? We had a debate about whether regulation is a help or a hindrance with clear arguments on both sides. Does regulation result in individuals not taking personal responsibility but just following the rules? Does regulation distance personal and corporate responsibility?

Considerations	Trust: Organisational Level	Trust: Individual Level
What has changed?	Loyalty and trust are related. When buying insurance loyalty used to be a good thing. If you stayed with the same company for a long time you could rely on them to look after you if you had a claim. Now it isn't. New customers are often offered better deals, and the length of time you've been a customer counts for little when things go wrong. Banks have not been held accountable for consequences before- they are now starting to be, but is the accountability strong enough? We/ media have focussed a lot on 'banks' but what about other sectors e.g. consequences in the care sector for poor performance can be very severe. Isn't the issue across the board? Are we hiding behind the bank question?	TripAdvisor and Ebay reputation scores allow strangers to decide whether to trust each other when making a transaction. Mechanised reputation (e.g. computerised credit scoring) is less reliable than real reputation (e.g. microfinance lending networks) in the real world.
Important to remember	There is some research and some experience(within the group) that business' are taking more than the economic bottom line into account e.g. 'triple bottom line' reporting. And that this is driving improved performance.	Most people don't have a negative intent as leaders: easy to vilify but majority are trying to do a hard job under difficult circumstances Why don't we measure happiness of people working in companies. Happy people are more productive. Happiness results from multiple small acts of kindness.

3. Detailed Discussion Notes – 3 Groups

Group A: Trust Between Organisations

Guidance questions by Reinhard Bachmann

- What is it that makes trust so important and valuable in business relationships?
- Uncertainty, trust and risk: What is the relationship between these concepts?
- What role does the business environment play with regard to building trust in relationships between individuals and/or organizations?

Notes by Tessa Peteete

- Why is trust valuable/ important:

Your reputation depends on upholding your trust, especially within certain communities. For example, in Antwerp, diamond jewelers ask each other to value their pieces, trusting that the jewel will be returned to them the next day. If it is not, the person who betrays the trust will be shunned and lose business. In addition, different communities and cultures have different definitions and levels of trust that are required when doing business (for example).

Trust is difficult to repair. If trust is broken, most of us would like the guilty party to admit their mistakes and apologize. However, contrary to our assumptions, a study concluded that if trust is broken the only way to regain that trust is to deny that you were responsible for the trust being broken- the guilty party was ignorant of the mistakes they were making.

- Definition of Trust

  Trust is a combination of uncertainty and risk/ incomplete knowledge. People act in their own self- interest, as they should, but you trust the other person to let you know if their self- interest interferes with your own interests.

- Regulations

  Greater amounts of regulations lead to inefficiencies, which then leads to loopholes which people take advantage of. Bureaucrats should not come into the business environment because they don't understand the different levels and types of trust required in a business environment. It is impossible to write laws that predict the problems that will occur in the future, and therefore regulations are lagging indicators. In addition, innovation is greatly restricted with increased regulation. On the contrary: regulations set a standard of ethics which are necessary. Should regulators act as judges or aid people in doing business properly? Is their role to improve the nature of business or be there with a stick once someone disobeys? Instead of ascribing fault to a party, wouldn't it be more effective to ask: how can we learn from this mistake?

Group B - Trust Within Organisations

Guidance questions by Sally Bibb.

- Antony Jenkins, Barclays new Chief Executive has vowed to clean up the bank and adopt a new set of values where staff are judged on their integrity and respect for others. Before becoming CEO he ran Barclays Retail and Barclaycard which mis-sold payment protection insurance partly under his watch. The PPI scandal has, so far, cost Barclays £2.6bn. How do you think Mr Jenkins needs to tackle the challenge of rebuilding trust within Barclays given his own and his predecessor's track records?
- The reaction to the 2008 banking crisis and subsequent scandals has been responded to in part by introducing new regulations. This is includes scrapping the FSA and creating The Financial Conduct Authority. How do you think regulations and regulatory bodies help and hinder the building of trust within organisations?
- Which organisations do you think have high trust cultures and what can others learn from them?

Notes by Mary Moore. The themes below were generated in response to the three questions:

- There is an inherent conflict in business between the needs of different stake-holders e.g. customer and shareholder, staff and customer etc

- Most people don't have a negative intent as leaders: easy to vilify but majority are trying to do a hard job under difficult circumstances

- Different corporate governance codes drive very different behaviours e.g. UK code is a comply or explain code whereas the US code is a legal requirement.

- Has regulation externalised morality? We had a debate about whether regulation is a help or a hindrance with clear arguments on both sides. Does regulation result in

individuals not taking personal responsibility but just following the rules? Does regulation distance personal and corporate responsibility?

- Banks have not been held accountable for consequences before- they are now starting to be, but is the accountability strong enough?

- We/ media have focussed a lot on 'banks' but what about other sectors e.g. consequences in the care sector for poor performance can be very severe. Isn't the issue across the board? Are we hiding behind the bank question?

- There is some research and some experience(within the group) that business' are taking more than the economic bottom line into account e.g. 'triple bottom line' reporting. And that this is driving improved performance.

- Why don't we measure happiness of people working in companies. Happy people are more productive. Happiness results from multiple small acts of kindness.

- Regulation does not necessarily drive the 'right thing 'to do and may drive the reverse e.g. in ice/snow a council is liable under insurance for any injuries resulting from people falling in their car parks after they have cleared them but not before they have cleared them. This may drive councils to not clear car parks.

Group C. Are There Alternatives to Trust?

Guidance question by Reinhard Bachmann.
Notes by Shaun Orpen
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Thoughts on trust:

- Trust is built. It's a cumulative thing. It helps manage risk by using past behaviour as a guide to future behaviour. It's a by-product of transparency, reliability and competence.

- Loyalty and trust are related. In insurance loyalty used to be a good thing. If you stayed with the same company for a long time you could rely on them to look after you if you had a claim. Now it isn't. New customers are often offered better deals, and the length of time you've been a customer counts for little when things go wrong.

- TripAdvisor and Ebay reputation scores allow strangers to decide whether to trust each other when making a transaction. Mechanised reputation (e.g. computerised credit scoring) is less reliable than real reputation (e.g. microfinance lending networks) in the real world.

- You either believe that people can't be trusted, that you have to control them, or the opposite.

- People approach trust in different ways. Some choose to trust you until it becomes obvious that their trust is misplaced. Others choose not to trust you until you prove you can be trusted.

- Trust leads to loyalty when dealing with complexity.

- Trust is hard to define. It's easier to explain what things like honesty and integrity are in comparison to trying to define 'trust'. It's not a black and white thing. Trust is not possible in the absence of transparency, consistency and competence.

- Trust allows us to do business in the face of complexity and ambiguity.

- You can't dictate trust. It's an emergent property of any relationship.

- As budgets are cut we have to replace control with trust. In the absence of trust we need the budget to allow control.

Alternatives to trust

- Can you replace trust with a contract? What is a contract?
    - It's the rules by which you negotiate your next deal.
    - It's the process for allowing you to get all your concerns on the table.
    - It's the terms for an agreed exchange of value.
- Contracts are combative. Trust is collaborative.
- Can replace trust by accepting the consequences, by being ok with uncertainty, by choosing to believe that it will all work out in the end?
- Can you replace trust with constant questioning?
- Can you replace trust with control?

4. Some possible next steps

In order to ensure that we make use of the session and conversations, please consider how you might want to follow up. For example, we might utilise the new SoL-UK Wiki to continue the conversations and develop practical applications that support trust with and within organisations. (Please let Rick Trask know if this is something you would be interested in.) (rick@workingintrust.org)

There are also a variety of other initiatives where you might be able to get involved. For example:

- Centre of Trust Research (http://ctr.som.surrey.ac.uk/) Contact Reinhard for more details.

- Daedalus Trust (http://www.daedalustrust.org.uk/) Contact Sally or daedalustrust@gmail.com

- Society for Organisational Learning in the UK (SoL-UK) (www.sol-uk.org) Please contact Jane Hill at jane@sol-uk.org.

- Working in Trust (www.workingintrust.org) has a number of projects under way. Please contact Rick if you would like more information.

    - Developing a diagnostic questionnaire that helps organisations assess and address their levels of openness and transparency, mutual support, consistency and reliability. This will not be considered a survey but rather a tool to enable organisation members to analyse their, and their organisation's, present situation in a structured way. As the diagnostic evolves and becomes more robust it will be circulated more widely and additional performance improvement tools and materials will be developed.

    - Beginning the process of creating a trade association or network of 'trust-based' organisations. The intention is to identify and articulate the benefits and pitfalls of a trust-based approach and to share this knowledge widely amongst the community.

    - Investigating and developing new legal models and governance processes that support trust with and within organisations. This will particularly focus on the success and well-being of organisations and their multi-stakeholder communities in our fast-changing, complex and interdependent world.