How trust and shareholder value are incompatible

It is widely accepted among psychologists that the more regulation you pile on the worse you can expect people to behave.

It is something to do with people obeying the spirit rather than the letter of the rules or perhaps that could be better put as reflecting the fact that regulation allows people no longer to accept moral responsibility for their own behaviour in delivering a service or carrying out an activity. They instead abdicate it to the outside rule maker, which then leads to the belief that if some action is not specifically forbidden then it is acceptable.

> ***It is an important finding that imposing external standards can undermine rather than engender trust.***

There is nothing new in this. The philosopher Baroness Onora O'Neill referred in the Reith lectures more than a decade ago to how targets and inspections destroyed rather than created trust – which is another slant on the same issue. Seven years ago, The Work Foundation undertook a study which concluded that the most effective regulation, in terms of making organisations trustworthy, was self-regulation followed by peer pressure, then market forces and finally, least effective of all, government regulation.

It is an important finding that imposing external standards can undermine rather than engender trust but on another level it simply reflects what happens when someone says "trust me." The fact that they feel the need to say it raises suspicions.

> ***Trust is incompatible with shareholder value as it has been taught by business schools over the past two decades.***

This shows in fact that you cannot build trust – it is something given to you voluntarily not under compulsion and not to order. It is rarely given wholeheartedly – and it is rarely given by everybody. The most an individual or company can do is to try to make it trustworthy but it is entirely up to other people to decide whether or not they will respond by trusting it.

Creating a trustworthy organisation requires it to deliver the best possible customer outcome but this in turn requires a revolution in management techniques. There are two essentials in a trustworthy organisation. The first is that employees are empowered to put the customer first and the second is that the customers feel they have power over the organisation.

The current top down system of targeting destroys work satisfaction and therefore the desire and ability to satisfy customers. The focus is entirely on discrete individual targets, so that the reason the business is there in the first place – in the case of the NHS, caring for sick people – gets lost. It is why targets in organisations like the NHS have been a disaster, and why outsourcing companies like G4s and Serco are unravelling. A by product is that as employees are dis-empowered and no longer allowed to do their job the way they think it should be done, work becomes less and less satisfying, morale and team spirit erodes and outcomes become even worse.

The other side of this is that you never really get trust until you empower customers. People trust Marks & Spencer because they know they can take those socks back and exchange them with no questions asked.

The organisation has ceded real power to its customers but that is something most businesses never do.

The bigger truth which people will eventually have to confront is that trust is incompatible with shareholder value as it has been taught by business schools over the past two decades. Its mantra is that the interests of everyone – customers, employees, communities, governments, and suppliers - have to be subordinated to the interests of shareholders.

So that being the case, why would you trust a business to treat you fairly?

Anthony Hilton, City Editor, Evening Standard

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