

Trust After the Global Financial Meltdown

Since the Enron disaster in 2001 and culminating in the 2008 global financial meltdown, we have seen an erosion of trust and a rise of distrust in domestic companies, multinational enterprises, and political economies. Trust is essential to any viable political economy, and while our society faces several major obstacles to restoring trust, doing so is viable.

Fukuyama explains trust as, "A set of relationships between individuals, organizations, or political economies, a commonality on some level or mutual reliance or expectations that one's word and agreements will be honored. The good will of each party is assumed usually without written contracts or legal documents." Trust allows efficient economic interactions, and is the basis of most cooperation.

Distrust is not simply the absence of trust, but rather a relationship where one party assumes the other will act opportunistically or malevolently. Trustworthiness is gauged by both perceived competence and the understanding that certain key values are shared with the other party. The absence of the former leads to lower levels of trust, where the absence of the latter leads to distrust. Trust is built over repeated interactions, while distrust can take only one— it is always easier to burn a bridge than build one.

The first challenge to trust is that since a dollar price cannot be put on trust as we would other commodities, it loses value in the eye of organizations concerned almost exclusively with profitability. The second challenge is the persistence of hierarchical leadership models, wherein the leadership-follower model prevails, and blind trust is encouraged while questioning authority is not. A third challenge is that, due to the scale of most businesses and transactions, there is widespread anonymity. People are not faces and individuals, but rather numbers with which relationships are not fostered. Also corrosive to trust is the public's skepticism of information sources, which has risen almost in proportion to the advent of new communication technologies. Due to the increased channels, competitiveness, and other factors, there has been a rise in 'infotainment' and a decline in perceived credibility. A final issue is companies placing themselves at the center of their stakeholder model, when they are not in the center, but rather embedded in a complex network of political, cultural and economic relationships, many of which entail mutual trust.

The adoption of several cultural changes by firms has the potential to repair the trust deficit and overcome the climate of distrust. First, shifting the leadership model from hierarchical to cooperative opens new lines of communication within the firm and promotes shared values. A second change is a "names and places" approach, wherein a company personalizes its relationships with employees and stakeholders. While it is impossible for everyone to be acknowledged in even a medium-sized company, using narratives and other tools to understand individuals can allow these relationships to move from reciprocal transactions to a mutual recognition wherein both parties act beyond mere obligation. Third, the growing number of information communication technology platforms must be used well. Corporations no longer have control of information, and information they send

through the traditional channels may not be trusted. But, these ICT platforms can be used to host “strategic conversations” with stakeholders from all groups, where external input can be acknowledged and incorporated into the development of corporate strategies. Finally, firms must remove themselves from the center of their stakeholder map. Being in the center encourages egocentric thinking, and furthers the perception that stakeholders are less valued than the firm, which can cause a loss of trust.

Trust is of undeniable importance to any society. Though we currently face several obstacles to restoring it, the aforementioned are strong steps towards reestablishment.

Full citation:

Werhane, Patricia H., Laura Hartman, Crina Archer, David Bevan, Kim Clark. “Trust after the Global Financial Meltdown” *Business and Society Review* Vol. 116, Issue 4 (2011): 403-433.

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