Rebuilding Trust in Business

CENTRE FOR
CORPORATE
REPUTATION

SAID
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UNIVERSITY OF
OXFORD

Rebuilding Trust in Business

A collaborative research project between DLA Piper;
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Executive summary

Our research is based on interviews with elite respondents in business, politics and the media. It therefore provides insights into how the elite views the problem of declining public trust in business, and provides a forum in which we can test academic insights on senior practitioners.

Drawing on the latest insights from management and social science, we developed a model of trust that suggests three core reasons for the decline in public trust in business in recent years.

First, business tends to operate in networks that are too closed.

Second, business is the victim of negative narratives, particularly about its character, which are fueled by media and exacerbated by the attitude towards business often adopted by government.

Third, business is not responding sufficiently quickly to rapidly changing norms, particularly around issues such as tax and executive pay.

Our last report in 2015 recommended that business open up its networks to make them more socially diverse, address negative narratives and embrace emerging social norms. We tested these ideas on our elite respondents, and this paper reports on the results.

Trust matters more than ever

Trust is critical to maintaining a licence to trade. When public trust in a particular company falters, it can lead to an immediate and short-term loss in customers or a dip in the share price. More seriously still, it can lead to changes in regulation as governments rush to respond to public outrage.

Companies that have healthy trusting relationships with the public and regulators are at an enormous advantage. Their goods are valued more highly, their customers more loyal, and they are much more easily forgiven – or able to avert harsh sanctions – if a crisis does strike. Regulators are also less likely to change rules that affect them, creating a more certain environment.

Political and social tensions shape emerging norms

The breakdown in trust between business, government and the public is evident on issues of taxation and executive remuneration – classic examples of our point that businesses need to keep on top of changing norms. These topics have emerged as major public concerns over a period of five to seven years, becoming a touchstone for wider anxieties about inequality and injustice as well as anti-elite sentiment, and yet this has largely taken business by surprise.

Build authentic ties with local communities

Businesses undertake a considerable amount of pro-social work but they do not perceive that they benefit from this. We suggest that this reflects a media and public perception that much 'corporate social responsibility' is little more than a public relations exercise – it is perceived as inauthentic, because it does not align with a company's core purpose.

If the public is primed to regard business actions as self-interested rather than pro-social, then pro-social activities might fail to increase trust. The slightest hint that an action in not intrinsically motivated is likely to be noticed and the public will label the action inauthentic.

Open networks spread positive narratives

Employees are the prime audience with which businesses should engage to achieve reputational benefit. A company's best ambassadors, loyal employees spread positive stories about a company widely over the course of their careers.

Similarly, the work that businesses do in local communities is important not just because it builds wider networks, but also because members of those networks have positive experiences of a company which they naturally share. Schoolchildren who engage with companies early on develop positive views not just of one company but of business as a whole. The importance of these 'meso networks' should not be underestimated.

Another network-related strategy is to seek validation from third parties, but third parties which are 'not the usual suspects', so as to surprise the public and dislodge prejudices.

Understand and embrace emerging norms

Business needs better social and political intelligence so that it can distinguish between durable new norms and passing fads. Research suggests that it is possible to trace the diffusion of social norms by paying careful attention to which 'norm entrepreneurs' promote them and how quickly organisations and individuals seek to associate themselves with new ideas.

Where norms are promoted by highly respected individuals and where they resonate with other frames that are already established, they quickly gain momentum. Understanding these dynamics can help a business to think ahead to how its actions will be perceived, bearing in mind social concerns and tensions.

Individual companies play a role in building trust in the wider business community

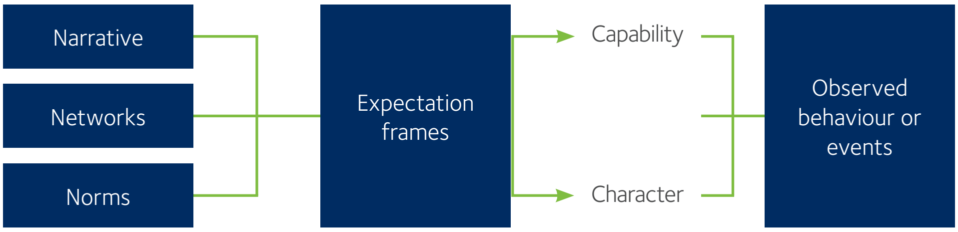
We recommend that companies engage with these themes to understand how they can contribute to building trust in the wider business community. In our section on recommendations, we suggest some starting points for internal discussions.

Methodology:
Analytical Framework for Studying Trust

For the past five years, DLA Piper has been investigating issues of trust in and among business elites. This research, based on semi-structured interviews conducted by Populus, has yielded insights into how business, media, and political elites believe they are viewed by the public, how they perceive themselves, and how they view proposed solutions for rebuilding trust in the marketplace.

When the Oxford University Centre for Corporate Reputation, based at the Saïd Business School, joined the project in 2014 we began to apply our own academic models to analyse the findings to date. In particular, we introduced a model of how trust is formed, illustrated in figure 1 below. This model is based on the latest academic research in sociology, management and political science, on trust, corporate reputation and the social context in which business operates.

Figure 1: A model of trust formation



Our model proposes that trust in business operates through the public's disposition of trustworthiness towards a company or group. Similar to reputation, trustworthiness can vary in intensity and have multiple dimensions depending on what the trustee is being trusted to do. Judgments of trustworthiness occur when there is alignment between expectations and observed behaviour, which are formed by the social context in which the truster and trustee operate.

In our model, public expectations for trustworthy business are shaped by three channels:

- Narratives about how business behaves and why are provided by intermediary organisations, such as the media.
- Networks are the social structures in which individuals are embedded, which channel information and gossip.
- Norms are social rules or guidelines about the appropriate way for certain groups or individuals to behave.

Our model further distinguishes between expectations relating to the capability and character of business. Capability refers to the public's trust in a firm's ability to deliver its product to satisfaction, e.g. "I trust Apple to make a user-friendly phone" Meanwhile, character is associated with an organisation's values and intentions, e.g. "I trust Apple to pay its workers a fair wage." Research on trust suggests that people are more forgiving of lapses in capability than they are of evidence of bad character. Moreover, organisations help to shape expectations by making claims about their capability and character.

Using this analytical framework to study the first two waves of Populus research in 2012 and 2014, we arrived at three core reasons for the decline of trust in business:

1. Business tends to operate in networks that are too closed.
2. Business is the victim of negative narratives, particularly about its character, which are fueled by media and exacerbated by the attitude towards business often adopted by government.
3. Business is not responding sufficiently quickly to rapidly changing norms, particularly around issues such as tax and executive pay.

From these findings we formulated a series of hypotheses about how business might re-build and restore public trust - building more open networks, more actively challenging narratives, and being more agile in responding to and embracing changing norms, even where they impose short-term costs.

This report reviews our third and final phase of research, which tested the reactions of business, political and media elites to these hypotheses and recommendations. Opinions were gauged through a third set of semi-structured interviews, conducted by Populus in the spring and early summer of 2016, on the basis of a questionnaire designed in collaboration with the Oxford University Centre for Corporate Reputation. The timing of these interviews, during the campaigning period ahead of the UK referendum on EU membership and around the time that the Panama Papers were published, provided an opportunity also to test elite opinions on some broader issues relevant to the political context.

Introduction

Trust in and among elites is one of the most hotly debated and problematic issues of our times. Big business has become the enemy of the people while a widespread backlash against globalisation continues to shake the governance of modern societies. This has changed the dynamics within business, political and media elites: eroding trust, replacing it with combat and accusations.

We challenge business to take the lead in restoring trust in and among elites. We call on business leaders to reflect on what we have learned in the last five years and to anticipate how the definition of responsible business will change in the future, particularly in relation to social purpose. Finally, through a series of recommendations, we aim to equip the business community with the tools it needs to halt the decline in trust, regain control of the agenda and restore confidence in business's positive contributions to society.

Why trust matters more than ever

Few of the business leaders, politicians and media elites that we interviewed questioned why trust matters to business. Trust is critical to maintaining a licence to trade. When public trust in a particular company falters, it can lead to an immediate and short-term loss in customers or a dip in the share price. Those effects are damaging but might only be temporary. The much more serious threat is that such exposure leads to a longer-term response from government.

"My view is that there is benefit in being trustworthy. I massively prefer to deal with people who I believe are speaking the truth and will do what they say."

In the current highly charged political environment, public outrage can be quickly transformed into radical changes in government policy, as governments seek to demonstrate to their voters that they are taking charge. Banks worldwide have been fined more than US$300bn since 2010. Successful retailers are being publicly outed and shamed for tax arrangements that were negotiated legally, as in the case of Starbucks and Google.

Trust is critical to a business's character reputation. The business leaders we spoke to largely take the view that companies that have healthy trusting relationships with the public and regulators are at an enormous advantage in the current environment. Their goods are valued more highly, their customers more loyal, and they are much more easily forgiven – or able to avert harsh sanctions – if a crisis does strike. Regulators are also less likely to change rules that affect them, creating a more certain environment.

Anti-elite sentiment feeds distrust of big business

However, trust plays out differently depending on the sector. Many respondents mentioned banks as a source of mistrust and argued that what is new about the current environment is that other kinds of big business are increasingly tarred with the same brush, tainted by association with a widely discredited and distrusted financial sector.

What has changed, in this third wave of interviews, is the propensity to see all 'big business' as the same. This is arguably part of a wider anti-elite sentiment that has grown in recent years: it is not only big business that faces a crisis of trust, but also politicians and others of high status and wealth.

"There's a growing and palpable sense of mistrust of what you might call all elites."

Just as success in politics increasingly depends on distancing oneself from 'the establishment', many of the business leaders we interviewed sought to distance themselves from "that kind of elite", creating symbolic boundaries between their own 'in group' and the ostracised and distrusted 'out group' of bankers. Another strategy that our business leaders used was to label the behaviour of some companies as "bad apples", again seeking to suggest that the problem is one of good companies being infected or spoiled by the behaviour of a few.

Good business is sometimes equated with size and entrepreneurial spirit. Leaders of multinationals often envy smaller businesses and start-ups; they see them as benefiting from perceptions of small businesses as brave entrepreneurs and risk-takers, who deserve credit for their successes and are not held to such high standards. More broadly, this means that individual companies' strategies for building trust need to take into account the sector in which they operate and the size of company, as both are critical to public and intra-elite expectations. When small companies and start-ups make mistakes, these are much more likely to be interpreted as accidents reflecting weak capability, rather than examples of bad character.

"Where there is a demarcation, I would say, is still between the big business multi-nationals and perhaps smaller businesses and start-ups, which are still seen to be untouched by and untainted by broad business scandals."

Business-government relations are tense

Business leaders clearly have an increasingly fraught relationship with government. They are quick to blame government for being overly critical, failing to stand up for business against a hostile public. At the same time, they are deeply skeptical about government taking on a more interventionist role, suggesting that government efforts to intervene tend to be clumsy and contrived. Our interviews with the political elite highlight the discord: most political respondents would welcome more business input and a greater sense of joint effort.

The breakdown in trust between business, government and the public is nowhere more evident than on the issue of taxation – a classic example of our point that businesses need to keep on top of changing norms. Tax has emerged as an issue of major public concern over a period of five to seven years, becoming a touchstone for wider anxieties about inequality and injustice, and yet this has largely taken business by surprise.

"Business is... 'appearing to exploit rules that ordinary people can't take advantage of like tax avoidance or you know, large pay offs for this, that and the other.'"

Many business leaders continue to behave defensively against emerging norms, arguing that nothing more should be expected of them than to operate within the law. The public increasingly insists that this leads to practices that are unjust and which exacerbate inequality, calling on businesses to accept a broader definition of social responsibility.

Under attack, business leaders accuse government of allowing them to become a scapegoat for unpopular tax policies that are, on their reading, the responsibility of government. They lament the fact that government often seems quite happy for business to be blamed for tax practices that are within the law, ignoring government's responsibility to reform policies that lack legitimacy. This risks leaving the impression that business is shirking its own responsibilities – in terms of our model, that business decisions about tax reflect character flaws.

"People just want something very simple. They just want to feel that what the corporates ... don't say one thing and do another. But I think by and large, most businesses still don't really do that. However much they talk about trust and however much they put these programmes in place, a lot of the business lines and the money making bits of the business don't necessarily align with those objectives as a whole."

Demonstrating good character

Some of our respondents embrace a perceived need to go beyond minimum expectations and enthusiastically behave pro-socially. These individuals spoke about needing to convince the public and government of an organisation's broader purpose, to ensure that claims about doing good are backed up with actions (i.e., in terms of our model, that expectations align with observed behaviour), and to go beyond the letter of the law and think about its spirit (i.e., to show good character). Organisations can benefit from embedding themselves in local communities.

The subsequent sections of this paper report on elite responses to our three hypotheses about how businesses can help to restore trust – by building more open networks, presenting bolder and more positive narratives, and being willing to embrace emerging norms.

"They need to show that their general purpose in life is not just to make profits so that they can take more money out but actually to make certain profits so that they can have a sustainable business, give more employment to people longer term and do some social public good."

Reactions to our hypotheses

Networks

Our proposition: Business should build more open networks

One of the findings of our previous work was that hostility to big business and the contagion effect – whereby 'big business' in general is tainted by the bad behaviour of a few - are exacerbated by the perception that business elites are distant and closed. We recommended that business should engage more widely and with multiple stakeholders to construct more open networks. This means greater engagement with employees and the wider community in which they operate, as well as demonstrating their commitment to openness through more ethnic and gender diversity on corporate boards.

There was considerable pushback on this from the business leaders that we spoke to. Most were convinced that their businesses are already opening up and engaging with broader networks, but blamed the media for not noticing or covering this work. This suggests a slight misunderstanding about the importance of open networks: if businesses truly engage with wide and open networks, then they will not be reliant on media coverage – positive perceptions of the business will diffuse along those very networks.

Many businesses are active in local communities

Indeed, our research suggests that many 'big' businesses are actively engaged in the local communities in which they operate. They work with women to help them get small businesses off the ground. They cooperate with schools to mentor teachers and students or help set up Academies. They feed local homeless communities and help them into work. They help prisons to reduce recidivism by providing training and jobs to prisoners before release, or by employing ex-prisoners.

"Businesses do a huge amount in their local communities, a massive amount and it never gets reported. They do a huge amount for charities, but forget it, they're not interested."

However, businesses do not feel that they reap reputational benefits or a trust divided from this work. Our model suggests that this reflects two problems: first, there is widespread cynicism about the authenticity of these initiatives; second, business is failing to keep pace with growing expectations of business in terms of pro-social activity.

The term 'corporate social responsibility' has been discredited by a proliferation of short-lived initiatives that seemed to have little merit beyond public relations exercises. Our prior research has shown that CSR is rewarded most where it is seen as innovative, i.e., where it exceeds expectations. Moreover, research on confirmatory bias – on character reputations – suggests that we regard positive actions designed to improve perceptions of character as less valuable indicators of true character because we suspect that business is just seeking to conform.

"You want some degree of independence saying these businesses are doing good things. Don't be shy about what you're doing, but I just don't think it works to overly advertise what you're doing either."

Business thinks its networks are open, but are they?

Other business respondents questioned the validity of our proposition, disputing in particular our suggestion that trust would be boosted by more ethnically diverse or gender-balanced boards. It is also typical for business leaders to argue that, because they use social media, they are already engaging more with diverse networks.

This view is dangerous. Businesses often use social media to transmit messages but are less adept at listening to what network members tell them. Those members of the public who receive messages from companies do not always experience the interaction as a dialogue, and do not feel that companies are hearing or listening to their views and concerns.

This is not helped when business makes a show of consulting on issues but ignores the advice it receives, as for example with advisory committees on executive remuneration. Such committees are too often prime examples of companies seeking advice from narrow and closed networks; the endeavour looks even more superficial if that advice is ignored.

Is business engagement with communities authentic?

Some respondents raised the issue that businesses that engage in socially responsible activities do not always do so in an authentic way. This might also explain why such activities do not always help to build trust, particularly given that the public is often primed to regard business actions as self-interested rather than pro-social. The slightest hint that an action in not intrinsically motivated is likely to be noticed and the public will label the action inauthentic. This suggests that it might take a long-term sustained effort to overcome suspicion of business intentions.

"There's loads of great examples of business that has CSR not as an add on, but as almost like a line running through their business. When it's done like that, it's an incredibly effective, powerful tool."

Companies that operate globally often face very real tensions between global and local expectations. What it takes to build trust in a local community might conflict with what it takes to build trust with a global regulator. Reconciling the two requires more than seeking legal advice; it demands careful attention to understanding political and social contexts.

Narratives

Our proposition: Address negative narratives

Previous reports – in 2012 and 2014 - have noted that business leaders feel misunderstood by governments and the public and that they blame much of this on the negative narratives of business that dominate the media. We suggested that business leaders should be more present in the media, openly rebut attacks on the character of business as a whole, celebrate individuals and companies that behave according to high standards, and shame misconduct where it occurs.

Responses here were quite mixed and once again revealed deep disappointment and frustration from business leaders about their treatment by the media.

There was general support for the proposal to celebrate trustworthy conduct, but few suggestions as to how to do that. We interpret this finding as a networks problem: where businesses have broad and open networks, they already have the infrastructure along which to spread positive narratives and praise exemplary behaviour.

Open networks spread positive narratives

Research on corporate reputation suggests that employees are the prime audience with which businesses should engage to achieve reputational benefit. In addition, employees are a company's best ambassadors, tending to spread positive stories through boasting and bragging about their employer. Employees also tend to stay in the same industry over their lifetime, so can over time extend the network of a former employer through their own careers.

Similarly, the work that businesses do in local communities is important not just because it builds wider networks, but also because members of those networks have positive experiences of a company which they naturally share. Indeed, prisoners who have received support or jobs from a company tend to become and remain extremely loyal fans. Schoolchildren who engage with companies early on develop positive views not just of one company but of business as a whole. The importance of influencing perceptions in what sociologist Gary Alan Fine terms 'meso networks' should not be underestimated.

Another network-related strategy is to seek validation from third parties, but third parties which are 'not the usual suspects'. Endorsements from trades unions, for example, might help to surprise the public and dislodge prejudices. Signing up to voluntary standards such as those supported by the B Corporation, whereby companies volunteer for a tough, independent assessment of whether their activities delivers social and environmental benefits, can also help to signal credible commitment to adopting more pro-social behaviour.

Naming and shaming is regarded as too risky

Our proposal to rebut negative stories and shame bad behaviour was widely rejected. The most common reason was fear of contagion, or 'guilt by association'. Most companies are risk averse in this area and would prefer to keep their heads down.

While it is understandable that companies do not wish to put their heads above the parapet and invite criticism of their own behaviour, failing to speak out against the misconduct of others inevitably makes business as a whole look complicit in any bad behaviour. Politicians must grapple daily with collective responsibility; business could perhaps accept that, if it is seen as a collective, then it needs to engage at least somewhat with that view.

Striving for authenticity

Our research also found that business leaders were themselves quite skeptical of the 'socially responsible' behaviour of their peers. They regard 'corporate social responsibility' as a whitewash or a mere communications strategy, just as the public tends to imagine that the real motivations of such activities are self-interest.

There was a very strong message from respondents that actions speak louder than words, and that companies need to change their behaviour, not just their communications strategies. Respondent after respondent spoke of the need to "practice what you preach" or "live out your values". Again and again, the message was one of needing to be authentic – in the language of our model, to ensure that stakeholders' experiences align with their expectations.

"You shouldn't need to go and project yourself, it is what other people think of you that it's important and that means that they see what you do rather than see what you say you do."

The language of 'corporate social responsibility' is discredited, as is that of successor fads labelled corporate responsibility and sustainability. The very labelling of such programmes undermines the activities and makes them appear inauthentic. Such activity needs instead to be mainstreamed into the core of a business, not regarded as an optional extra that may or may not conflict with other aspects of the business model.

This raises a problem for companies, however, in that they need to find a way to prioritise behaviour that reflects their values and their commitment to society, without falling into the trap of belittling it through labelling. Our model suggests that the best way to achieve this is to design pro-social activities that to an extent align with public expectations about what constitutes the company's self-interest. In such cases, activities appear more genuine and authentic: the public does not expect companies to do things that are entirely at odds with their core business or with the profit motive, and is more likely to trust business if such activities fit their prior perceptions and frames of a company's core interests.

"At the end of the day it comes down to personal behaviours and that's a real key in it, I mean, personal behaviours by the leadership in the various companies and living out what they say are their values. I think that's the basic glue blocks."

Globalisation once again raises problems for addressing narratives, however. If our conclusion is that companies should behave in line with their responsibilities to society, the next question is, which society? Given vast differences in expectations among societies, business needs to continuously 'go local' to respond adequately.

Norms

Our proposition: Embrace emerging norms

We suggested that business could do more to get ahead of changes in social norms, and to be prepared to regulate themselves in new areas of concern to the public rather than waiting for legislation to compel them to behave differently. Business should think more in terms of a 'social contract' with the public, we suggested, in which it is necessary to comply with emerging norms as well as laws in order to maintain legitimacy.

A surprising number of the business leaders that we interviewed responded to this suggestion by paraphrasing Milton Friedman's 1970s assertion that the only responsibility of business is to make a profit for its shareholders. This reveals a gaping distance between the views of the elite and the views of the public, who now expect much more of business.

A common complaint was a perceived need to serve too many masters, seeking to please consumers and broader society as well as shareholders. Notably, many respondents seemed to have great confidence that they understood their shareholders' wishes and were trusted by their shareholders. Few countenanced the idea that their shareholders might also be interested in getting ahead of emerging social norms, or indeed that they might also be distrustful of business.

We question whether business is really so in tune with its shareholders, and whether shareholders are really so uninterested in social concerns. There are many different types of shareholders, with greatly differing approaches to social concerns. This adds to the complexity for managers.

It seems possible that businesses lack channels for real dialogue with shareholders. Their conversations with shareholders tend mainly to focus on risk and how to mitigate it, much less on what advantages might be gained by pro-social behaviour. Breaches of trust, such as the VW or Tesco scandals, tend to focus attention on reputational repair and crisis recovery. However, the emerging trend among business leaders is to recognize that trust and trustworthiness drive positive performance as well and should be seen as 'business generators'. Companies that are trusted find it easier to recruit good employees, are invited to pitch for business, and attract investors.

The fairly narrow lens on shareholder trust evident among our respondents may explain why these business leaders are less interested in understanding and adopting emerging norms, which rather focus on the concerns of the public. Rather, they suggested that public trust in business could be built by ensuring wider share ownership.

Companies still have a lot to learn about how to identify and respond to changes in social norms. They need to work more on understanding the different norms that are important to different audiences, rather than focusing narrowly on pleasing shareholders. Such an approach is not revolutionary – the idea that companies have legal duties beyond their shareholders is even set out in UK law, albeit with a fairly light touch.

"If you're running a business in a number of locations you need to be conscious of building your franchise in each of those locations, building, you know, public support, public acceptance, public trust in your brand, and if that means paying more tax than you legally might need to, you know, that's the investment you make in creating public trust and support for your business and your brand."

Changing norms, or passing fads?

Some respondents were more open to our suggestion in principle, but were unsure how to distinguish between durable new norms and passing fads and cautious of the financial and reputational risk that could come with adopting a fad too quickly. This can indeed be a tough call. However, research suggests that it is possible to trace the diffusion of social norms by paying careful attention to which 'norm entrepreneurs' promote them and how quickly organisations and individuals seek to associate themselves with new ideas. Where norms are promoted by highly respected individuals and where they resonate with other frames that are already established, they quickly gain momentum. As such, businesses need to be aware of wider social concerns, such as the current anxiety about inequality, and analyse how these will affect expectations about business activity.

Political touchpoints

Just as social norms about tax have changed rather quickly in recent years, another issue that companies need to grapple with in this area is public attitudes towards executive remuneration. With greater transparency about how much individuals are paid, and in the context of a social and political backlash against elites, views about what constitutes an appropriate level of executive pay have become politically salient.

Once again, our respondents often highlighted the role of the media in stoking public discontent about executive pay. They also noted that, in some cases, an apparent disconnect between performance and pay damaged public perceptions.

However, this is another area where business inaction over a sensitive political issue has eroded trust in business's ability to regulate itself. This arguably invites government intervention, leading to a situation where business is forced to change its behaviour but cannot reap any reward from doing so. In terms of building trust, acting sooner to self regulate seems a much smarter option than waiting to be forced to change.

"Do you work hard for your bonus or do you cling on to your bonus when you should be doing something else? So I think there is a danger to trust and perhaps it exists that we do things because of the money, not because they're the right thing to do. And the more the public can see the money, the more it becomes easier for them to assume that that's how we would behave."

Recommendations

We have interrogated the research results and identified particular aspects which elites should think through and engage with. The following emerge strongly as discussion themes.

Networks

Members of the UK business elite often interact only in closed networks, while those holding them to account in the media and politics operate in much broader open networks. This is the principal network cause behind the erosion of trust. Norms taken for granted in business conflict with norms in wider society, to which the media and political elites are more exposed (in more open networks). To address this, we recommend that:

- Business accelerate and improve its dialogue with the general public. By dialogue, we mean that business must find ways to be more open to a discourse with the general public rather than simply engaging in the transmission of opinions or messages. Key to this is more work to build on the positive reputations that businesses generate locally.

- Boards consider ways to open up the networks that surround them through innovative governance. Ideas that should be considered include inviting different stakeholder representatives to sit on key committees, better employee mobility among and between different departments, and the setting up of wider stakeholder forums such as Marks & Spencer's Plan A initiative.

- Business leaders need to actively step up their engagement with stakeholders in different networks – NGOs, consumer advocacy groups - in order to create an environment where they can both explain (transmit) their views and listen to (receive) feedback. Internal organisational networks need to be created to make sure that the right views can be captured internally and that the relevant feedback can be acted upon. Such engagement will bring greater insight and openness, leading to more organic and authentic change.

In thinking about how to respond to these themes, companies should ask themselves:

- Who are our networks?
- How are they interlinked?
- How can we improve our ability to listen to a diverse set of views?

Narratives

It is clear that business feels that the narratives that it uses to communicate trustworthiness are not effective. The media and political audiences who are the intended recipients are sceptical of positive claims made by business, but hyper-sensitive to negative narratives that emerge from other stakeholders. To address this we recommend that:

- Business regularly reviews its values and purpose statements with a view to making sure that they are fit for purpose and can meet rapidly changing expectations about the role of business in society. Such reviews should be carried out at Board level, and should result from a detailed understanding of the core capabilities and character of the organisation they lead. These statements need to be living documents.

- Management should seek to embed its pro-social activity into the fabric of the its day to day activities. If the pro-social activity does not directly benefit the organisation in some way, then it should be ceased. Not only are such 'unlinked' initiatives a waste of shareholder funds, but they also create an environment where business is regarded as inauthentic (lacking in moral character). Where commitments are seen as credible, this should help to build trust.

- Management should adopt a continuous improvement strategy when it comes to transparency. Businesses are subject to increased scrutiny by a wide array of increasingly connected stakeholders. The only way to make sure that a corporate narrative is authentic and powerful is to recognise the need for greater transparency around all activities and decisions that are taken. This is now possible at very low cost due to the widespread availability of broadband and reductions in the cost of data storage.

Companies should ask themselves:

- Are our values and purpose in line with social expectations?
- Do our pro-social activities align with our core purpose?
- Are we as transparent as we could be?

Norms

Rapidly changing public expectations coupled with a reduction of government spending in key areas has created a very difficult environment for Boards. Add to this the difficulty of working in a variety of international contexts and you have an environment where boards find it difficult to keep pace with what society expects of their actions. To help with this we recommend that:

- Boards actively commission intelligence on changing norms and societal expectations. While much of this work is necessarily subjective, it can provide important inputs to boards deciding where to focus activity and can help them to get involved in shaping norms and expectations, as well as identifying actions that they should take to prepare for changing norms. Businesses already use political and social intelligence at brand level but need to extend this to the level of the corporation.

- Boards should discuss the signalling power of their actions and how they will be perceived in the wider social and political context, in addition to the financial or operational considerations that routinely inform such decisions. These discussions should focus on how their actions will affect perceptions of the company's capability and character. This will lead to a greater understanding of and responsiveness to changing norms that are important to the future success of the business.

- Political and media elites need to take responsibility for and recognise their key role in the evolution of societal norms as they relate to the behaviour of business. These are responsibilities that should be seen to go beyond the search for ratings or readers, and beyond the requirements of a five-year electoral cycle. The media should seek to achieve greater balance in its coverage of business stories. Government and regulators need to make decisions and communicate them in ways that take account of the pressures that business face.

Companies should ask themselves:

- Are we adequately informed about how social norms are changing?
- Have we considered how our decisions will be perceived by the public and by regulators, in the light of what we know about norms?

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