



DIRECT FROM THE C-SUITE

Why Inspiring Trust Is a Leadership Imperative Today

by Kathy Bloomgarden, CEO of Ruder Finn

Trust in corporate leaders is in short supply these days. According to a recent Gallup poll, only 20% of the American public rate business executives as “high” or “very high” in honesty.

Does it matter if a company’s leaders are not perceived as trustworthy, as long as no one is breaking any laws? Yes, it does. And here’s why.

Companies and their leaders are constantly being judged in the court of public opinion. Twenty-four-hour news cycles and an always-on world can be pitiless. The media, investors, boards, customers, employees, policy makers, and NGOs need to be informed, communicated with regularly, and respected. If they see reason to distrust a company and its leaders, they have the power to mar the company’s reputation and, ultimately, its performance. We’ve all seen many instances of negative news instantly affecting not only a company’s stock price but also its sales and profit margins.

Just as customers either will be attracted or repelled by a company’s ethical behavior, so will employees and potential employees. At most levels of a company, nothing makes people work harder than believing that their place of employment is doing good for the world. And a positive reputation attracts a greater number of candidates, increasing the quality of the potential labor pool. A 2003 study of undergraduates in 20 of the world’s largest economies found that roughly 60% would choose to work for an organization that they viewed as acting according to ethical values and making a positive impact on the world.

For all these reasons, inspiring trust in stakeholders has become imperative for leaders at every level in an organization. As CEO of New York City-based Ruder Finn, one of the world’s largest public relations firms, I have worked with many corporate leaders who excel in this role. They share these three characteristics:

1. THEIR ACTIONS SPEAK LOUDER THAN WORDS

Particularly during a crisis, leaders need to take strong action to assure every stakeholder that the factors that caused the crisis in the first place are being corrected. When Ed Breen became chairman and CEO of Tyco

International (Princeton, N.J.) after Dennis Kozlowski left under a cloud of suspicion, investors exhaled a collective sigh of relief. After the Tyco scandal broke, the company’s stock price had plummeted from almost \$60 per share in December 2001 to an all-time low of \$8.25 per share in July of the following year, when Breen took over. On Breen’s second day on the job, the share price rose 46%, to just over \$12 per share.

Breen stepped forward almost immediately with a solid 100-day plan, and the stock price continued to climb steadily. That’s because he convinced investors he was committed to cultivating corporate integrity and implementing strong corporate governance, and his behavior demonstrated the sincerity of his words. During his first 100 days, he fired the board, hired a senior vice president of corporate governance, rebuilt every senior corporate direct report, devised a new operating blueprint, and put everything under a Six Sigma umbrella. The result was an entirely new

ABOUT RUDER FINN

- Privately held integrated communications firm serving more than 250 corporations, governments, and nonprofit organizations worldwide.
- Based in New York City, with 12 additional offices in the United States, Asia, and Europe.

corporate culture and rebuilt trust among all the company’s stakeholders. That’s the kind of affirmative action Wall Street recognizes and usually rewards.

2. THEY LISTEN TO THEIR CRITICS AND ENGAGE IN A DIALOGUE WITH THEM

To excel in a top corporate position, you can no longer delegate responding to criticism to lower levels of management. The way to gain critics’ respect is to listen to them, preferably in face-to-face meetings. Not only is this the best way to find common ground, but it also will inform your understanding of societal pressures and customer needs that affect your business.

One of the most prominent examples of a corporate executive engaging with his company's critics occurred in 1997, when Sir John Browne, group chief executive at London-based BP (formerly British Petroleum), publicly pledged to cut carbon dioxide emissions by 10% in five years to combat global warming. At the time, most of the business world—and certainly other oil-industry leaders—weren't even admitting that global warming was a serious problem. During the years leading up to the introduction of BP's "beyond petroleum" concept in 2000, Browne began to meet regularly with

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environmental groups to get their take on industry practices. When BP launched its new green sunburst logo with an ad campaign aimed at signaling that the oil business as usual was a thing of the past at BP, Browne began taking a leadership role in the global climate debate, not just reacting to criticism from environmentalists. Its recent safety problems at some of its refineries notwithstanding, BP clearly has the best reputation of any of the major oil companies, giving it the credibility to continue to engage its critics.

3. THEY ARE HONEST AND FACE PROBLEMS

When something goes wrong, trusted leaders don't hide in their offices, take cover behind euphemisms, blame others, or allow mistakes to snowball into catastrophes. Taking a visible, strong position when a problem is discovered—even if doing so is difficult, even painful—will almost always minimize its impact.

After reporter Jayson Blair was discovered to have fabricated or plagiarized stories that appeared under his byline in the *New York Times*, publisher Arthur Sulzberger Jr. assigned investigative reporters to expose the newspaper's shortcomings. Sulzberger was adamant that disclosure was vital to win back the trust of *Times* readers. The paper weathered the storm, and readership actually increased after the internal exposé of the Blair saga.

The last thing leaders facing a crisis should do is lie. A "no comment" is the appropriate response to questions leaders would rather not answer. Stakeholders are much

more upset when confronted with subterfuge about bad news than they are about the news itself.

Leaders must not lie to themselves. To do so is to hide from the problem rather than to embrace the possibilities it presents. Leaders who carve bold and creative leadership moments out of problems not only tend to weather crises but actually become stronger. Take Anne Mulcahy, chairman and CEO of Xerox.

When Mulcahy became president of Xerox in 2000, the company was facing a looming liquidity crisis. Citing what she called Xerox's "unsustainable business model," Mulcahy boldly announced that the company had to undergo a dramatic transformation. The stock price almost immediately plunged 26%. But she realized that as the top executive driving a sharp turn, her most critical job was to be brutally honest to those outside and inside the company about Xerox's near-term future. In 12 months she traveled 100,000 miles, talking to employees and others about the new direction she wanted the company to take. By doing so, she built up valuable leadership capital that allowed her to push through aggressive changes: a more intense focus on new-product development, tighter cost controls, and a revamping of Xerox's capital structure. Her strategy was vindicated by Wall Street; between December 2000 and February 2006, Xerox's stock price tripled.

Implementing trust-building strategies will not prevent an executive from running into difficulties. It doesn't mean he will never be removed from office. It certainly doesn't mean he will be immune from criticism from any and all corners. Every business goes through highs and lows, and every human makes mistakes. That's why leaders who concentrate on building and sustaining the trust of their stakeholders, with consistent and frank communications, have a greater chance to gain the flexibility they need to achieve their strategic, performance, and personal goals.♦

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