STOP TALKING ABOUT TRUST. FOCUS ON TRANSPARENCY.

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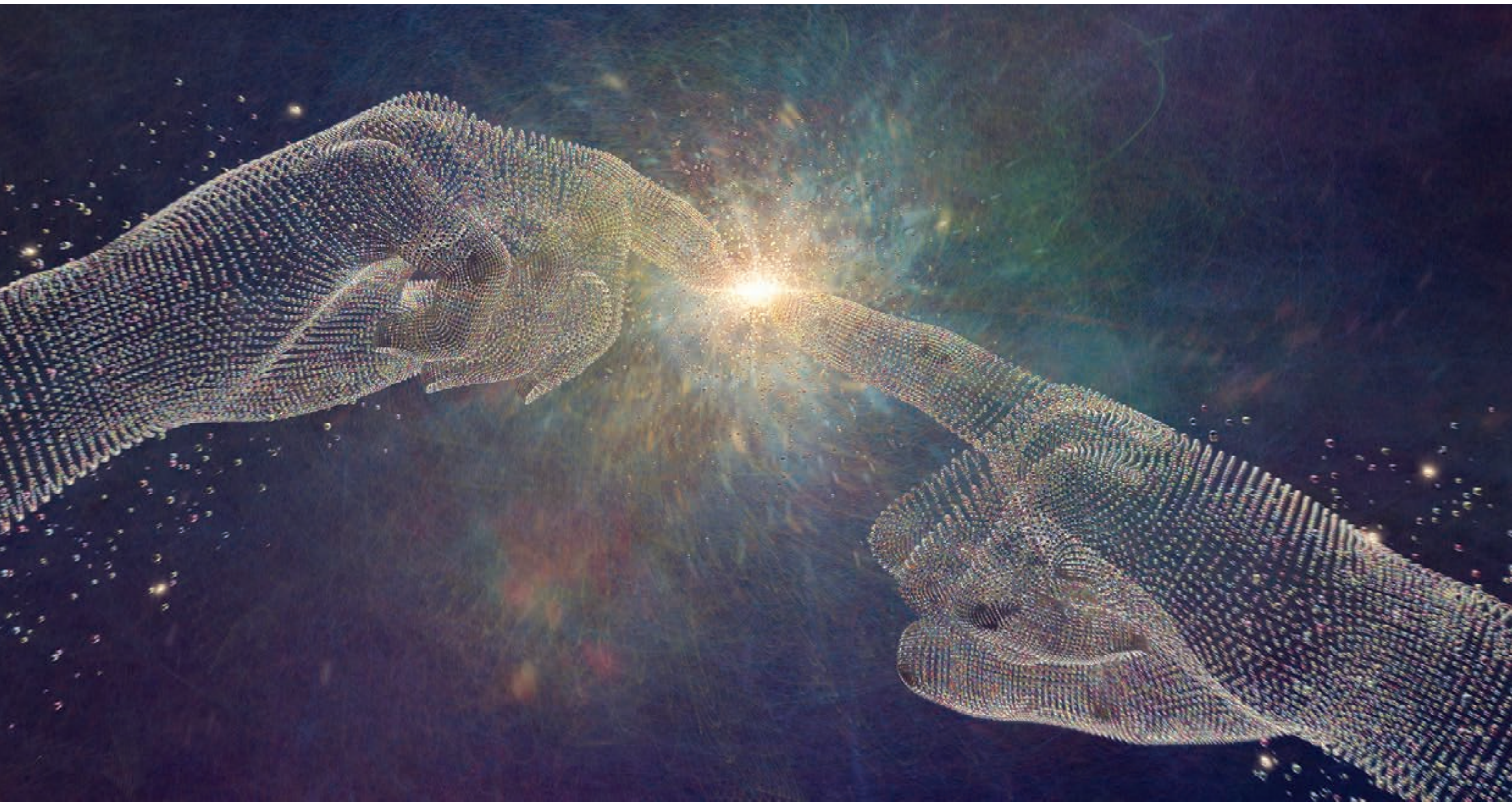

Trust. That five-letter, highly-loaded, difficult-to-define and even more difficult-to-get-back word has managed to paralyse our businesses and institutions for the better part of the last decade.

From our banking sector to our religious institutions; our judiciary system to political parties; our health and aged care providers to our national sporting codes; not one of these sectors has escaped the erosion of public trust. Perhaps it's the good quality reporting of our journalists. But is there something greater going on?

Trust as Currency

The oft-quoted Edelman barometer tells us that trust is declining across all sectors, year on year. Even the NGOs are withstanding scandals of late. A cynical shrug of the shoulders and we all carry on, right? Or is it time to step back and ask whether we are trapped in some sort of biased feedback loop, asking the same 20th century questions of the same 20th century institutions? Is trustworthiness a realistic goal for institutions in the 21st century? In an era where information transparency has never been greater, our eyes have finally opened to the fact that institutions mostly consist of people who want to do the right thing but, like the rest of society, they also include people who do *not* always act in the best interest of 'the other.'

'Institutional trust' as it turns out, is little more than a 19th and 20th century social construct, partially created to drive trading opportunities between entities and individuals but also to ascertain value and garner institutional growth. Shaped by brand marketing strategies, regulatory guidelines, mission and purpose statements and customer service charters, the notion of institutional trust has permeated every sector. Think: "Experience you can trust", "Your trusted choice," or "Trust your car to the man wearing a star."

A Virtual Village

Today, technology has equipped us with the means to move away from this outmoded social construct and toward a *distributed, peer-to-peer platform of trust*. Consider Uber, Airbnb, Airtasker and peer-2-peer lending. We are now more likely to do business with individuals we've never met before. And these people represent themselves. How can we trust people we've never met or done business with? As it turns out, it's pretty easy – and far more transparent.

Prior to 1850, most people traded locally at their village market or local high street with people whom they knew and considered reliable. Seemingly, we've travelled back in time to 1850, albeit with a virtual village of individuals, each of whom comes equipped with a five star rating to drive us, clean our house, fix our house and even lend us money. The list goes on. Enabling this leap of faith is the transparency spawned by 21st century technologies.

In terms of institutions, the question we need to ask is: can the trust paradigm continue to serve these entities in the 21st century? Judging by the number of Australian CEOs and chairs devoted to 'regaining consumer trust', many want it to.

Let's challenge this mindset and ask ourselves, is there another way forward? Is the future of business all about transparency – where institutions are open, decentralised and more inclusive? Research shows there is a link between operational transparency and customers' perceived value of a service. So how can we apply this insight to help resolve our institutional trust deficit?

Doing Business Transparently

Without doubt, embedding transparency across institutions will involve more than ratings; it will require more than third party endorsements and evangelistic employees; it will need more than a board that sets the cultural 'tone from the top'. For transparency to take hold, these three factors need to be present in high volume:

1. **Transparent Processes**
2. **Collaborative Business Models**
3. **Cognitive Diversity**

Transparent Processes

Your organisation can bypass the trust narrative (and its inertia) by rolling out transparent processes. On the consumer side, consider introducing peer-to-peer ratings for all consumer interactions; promote consumers to 'accountability agent' roles – replete with rotating seats at the (advisory board) table. From a tech standpoint, ensure your consumer-facing algorithms remain transparent and explainable to the lay person, with any known biases acknowledged. On the employee side, have all your people undergo governance and AI ethics training to enable ethical decision-making en masse, which can lead to further transparent processes. On the investor side, cultivate relationships with proxy advisors to increase their comprehension of otherwise 'opaque' corporate viewpoints.

Collaborative Business Models

To build transparency via collaborative business models, harness the power of strategies such as 'Creating Shared Value.' By virtue of design, the shared value model encourages institutions to partner with non-profits, resulting in positive social impacts alongside transparent, longer-term economic gains. Likewise, social enterprises can be incubated within organisations to distribute transparent profits; and for those institutions wanting to take it to the next level, try becoming a certified benefit corporation or B-Corp, where all your stakeholders stand to benefit. Further collaboration could also include securing a broad cross-section of stakeholders to sit on 'active' advisory boards, with the aim of improving institutional transparency.

Cognitive Diversity

Diversity plays a vital part in enabling transparency. Without the diversity of thought to challenge strategic directives, institutions not only run the risk of bias in their innovation pipeline, they run this risk across their executive decision-making. A lack of cognitive diversity can ultimately lead to institutions being disrupted by nimble competitors who thrive on being challenged – and challenging others. Be confident to hire people with diverse expertise who can offer fresh observations; and use the L&D budget to educate non-STEM employees in STEM subjects and vice versa. The same principles apply to boards of directors, where active board renewal programs and board composition matrices need to be as cognitively diverse as possible.

These three areas – transparent processes, collaborative business models and cognitive diversity – must be considered for institutions to move towards transparency. Likewise, the above scenarios will require an urgent shift in mindset by boards and executives, due to the ongoing disruption in our tech-enabled, virtual village. For those institutions that hesitate, the message is clear: start doing business transparently, or risk being left behind.

Q Social Impact is a consultancy that delivers shared value strategies, sustainability frameworks and social impact evaluations for organisations across the Asia-Pac region.

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