INTERVIEW

A conversation on organizational trust with Punit Renjen

Insights on building trust in an organization

Punit Renjen, Sandra Sucher, and Shalene Gupta

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How do leading organizations harness the power of trust? A conversation between Deloitte Global CEO Punit Renjen and Harvard Business School researchers Sandra Sucher and Shalene Gupta.

PROFESSOR SANDRA SUCHER and research associate Shalene Gupta study trust at Harvard Business School and are the authors of the upcoming book *The Power of Trust: How Companies Build It, Lose It, Regain It*. They sat down with Punit Renjen, Deloitte Global CEO, to have a candid conversation on the power of trust and how leading organizations build, measure, and nurture trust.

Sandra Sucher: We so appreciate your time to sit down and have this honest conversation. To start, what was a personal moment in your life when you recognized the importance of trust?

Punit Renjen: Thank you, Sandra. Trust is a topic with deep resonance for me on both a personal and professional level. We often take trust for granted until it's shaken or even lost, and then we quickly come to understand its critical role in any relationship. One experience that stands out for me is from 1994, the year I was being considered for partnership in Deloitte. I'd been with the firm in the United States for eight or nine years, but I needed to take a break. In the 1990s, the concept of sabbaticals and work/life balance were not as widely accepted as they are today. I made my case to the managing partner for the region.

He agreed to do it. I trusted him; we didn't set it down in writing. But it was both a professional and personal risk in the sense that I trusted him that I could come back and pick up where I left off. And he trusted me to come back. Trust needs to be mutual for effective relationships. Many people said that I was out of my mind to do it. But I returned refreshed and refocused and was accepted into the partnership in 1996.

Sucher: Why did you decide to make trust a major initiative at Deloitte?

Renjen: In recent years, the concept of trust has been strained. The challenges facing society—a global pandemic, the climate crisis, social and political upheaval, and inequality—are happening at a time when there is a significant trust deficit, and in large part because of it. The implicit social contract between institutions and individuals has frayed. And we've seen the results firsthand. If we don't have a reliable way of calibrating and measuring trust, we will be further adrift.

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Deloitte saw the need for a tangible and pragmatic approach to assessing and improving levels of trust for organizations. We developed a way to measure and manage trust across a wide range of stakeholders, including customers, employees, shareholders, and regulators, among others. What really started to crystallize our thinking was that trust is something very tangible, and we and other organizations need to be explicit and proactive in managing trust. So we researched and analyzed this topic deeply and came up with a comprehensive approach, methodology, and, most importantly, a trust measurement and insights platform, to help our own organization and clients quantify and understand where they stand in terms of trust across all stakeholders.

Shalene Gupta: In our research, we have certainly seen that play out. In the book, we examine some high-profile cases such as Uber and Boeing, as well as some lesser-known cases, where organizational leadership were not made aware of the early indicators [that] they were on the path to losing trust. There is a paragraph in our book where we assert that "a breach of trust involves much more than the risk of bad publicity. It can be an open invitation for clients to switch to another brand, employees to leave, investors to pull their funds, and governments to slap down sanctions, and it can lead to your company's demise." And while it says trust once lost can be recovered, the consequences during the time it takes to recover can be enormous—up to 56% of market capital loss.[1]

Sucher: I agree. In addition, we have learned a lot in our research to demonstrate that trust is not a vague feeling that needs to be guarded, but one that spurs performance and can make an organization better: Teams that trust their leaders perform better. In a study of a global hotel chain, 6,500 employees rated their trust in their managers from 1 to 5. A one-eighth point increase in trust on this rating scale was correlated with a 2.5% increase in revenue. One study found that trustworthy companies outperform low-trust companies by 2.5 times;[2] meanwhile, 85% of stakeholders report they are more likely to sever their relationship with a company that suffers a negative trust event.

Gupta: Deloitte is a huge organization spread over multiple countries with multiple initiatives. How do you scale trust across the organization?

Renjen: We have principles based on accountability and responsibility. If there's no clear accountability, then everybody's responsible, which means nobody's responsible. It's a simple but effective management principle.

The second element is clarity. In terms of what needs to be accomplished, how, by when, and with specific measures of impact.

The third element is communication, frequently and transparently. Communicating with stakeholders isn't always easy; in fact, it can be very challenging at times. But frequent and transparent communications is a tool for building trust. Organizations must be accessible and transparent with their customers, employees, investors, and other important stakeholders. If something uncomfortable needs to be addressed, move with speed, call it out, and lean into it with courage. Wishing away the issues or deflecting them are surefire ways of losing trust. This is business, and it's imperfect—people understand that, but when you are evasive, trust is lost.

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I also believe organizations need to pay attention to their incentive and reward structure and what they measure. The wrong construct can lead to the wrong behavior.

Ultimately, however, it always ties back to our purpose of creating tangible impact for clients, for our people, and for the communities in which we live and work. We are centered on intent and competence as our core trust enablers. Our purpose and values are embedded in everything we do.

Sucher: What ingredients does Deloitte have that help it become a trusted organization?

Renjen: Our recipe isn't complex, but it requires you to always use all the ingredients. First, we hire the right type of individuals—those who share our values. Next, we enculturate them. Deloitte operates in many countries with different customs and traditions. However, our people are governed in their professional lives by a common purpose and shared values around the world, centered on integrity and high ethical standards. Do we get it right 100% of the time? No, but when we do make a mistake, we respond quickly. We think our recipe has worked well—our 175-year heritage as an organization attests to that.

As we have discussed, trust for an organization can and should be measured and managed. But it's one thing to measure trust; it's another to actually act on what you measure. Clients who have used metrics indicate that leaders respond to results differently. Some shy away from them, while others embrace them as cues for course correction. Deloitte has developed a process that includes taking clients to unique collaboration spaces to creatively brainstorm solutions. This helps clients understand trust measures and creates a clear path from insights to actions.

Sucher: How do you think about yourself as a leader? A lot of the research we're doing shows that who a leader is shapes how they build trust.

Renjen: I think the framework that you and Shalene laid out in your book is a great way to define trust. We have also defined trust in a way that allows organizations to act on it. Fundamentally, people's trust in an organization is based on their assessment of that organization's competence and intent. We have been using this to think about our programs at Deloitte—from impacting climate change, to helping communities rebuild in the wake of COVID-19, to our own purpose-driven initiatives around diversity, equity, and inclusion. It's critical that we marshal the full impact of these investments in a way that authentically conveys what we stand for and what we have accomplished.

Gupta: Thank you, Punit. Let me briefly expand on the thinking that went into our framework.

First is *competence*. Competence is an organization's ability to deliver a product or a service that fills a need. This is the basic requirement for building other types of trust. According to a University of Notre Dame study on trust between vendors and buyers, trust in a vendor's expertise and reliability—their competence—was essential for building the more affective parts of trust, such as trust in a vendor's motives. However, competence can only take a company so far.

Customers also care about an organization's *motives*: a belief that organizations will do what is good for their stakeholders, or at the very least try to minimize any potential harm. We expect when we buy a product or a service that it will live up to its promise, and that the company that sold it to us will not actively try to harm us and will take a reasonable amount of care to ensure our well-being. We cannot police each and everything a company does, so in order to engage with a company, we have to generally trust that they have good motives and do not intend to hurt us.

The next element of trust is *means*: our assessment of how fairly an organization acts to accomplish its goals. Companies that are trusted to act fairly are given more leeway, while companies that aren't are scrutinized. In 2008, senior managers at Nokia were celebrating 67% increase in profits, yet they knew, thanks to increasing labor costs and competition, they would need to close their Bochum plant in Germany, laying off 2,300 employees. The move was widely perceived as unfair, and the outrage was so great the public boycotted Nokia products. Yet, in 2011 to 2012, Nokia created an innovative approach to managing a vast restructuring. As a result, employees stayed on their jobs until the end, and 60% of 18,000 employees across 13 countries knew their next step the day they left the firm. The program was recognized by the Finnish government as a best practice in restructuring.

Finally, *impact*. If we don't believe a company's actions will have a positive effect on our lives, we will work to limit its power. Consider the case studies we have cited. If an organization doesn't make good on its stated purpose or mission, then that's a case of lost trust, which can often be a major misstep for an organization that has the right intent but fails to follow through on impact.

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Renjen: That's a great way of thinking about building trust for an organization. Certainly, there are several parallels between your thinking and how we have defined trust in the context of the enterprise. I also have a few observations from my personal experience. I believe that what we do in our professional lives defines a lot of who we are. I've spent 35 years with Deloitte and will finish my career here. I am proud of the organization that has been built on a foundation of trust, purpose, diversity, and inclusion. I want to look at myself in the mirror and say, I had a hand in creating that. That's guided the way I have approached my career and the person I am today.

Sucher: Where should organizations begin now to strengthen trust within their stakeholders and build that trust equity?

Renjen: Trust begins with communication. Companies can take steps to get ahead of a trust crisis through transparency, understanding, and listening. Most companies do a pretty good job of articulating the things they're doing, and why, but they don't always do a good job of sharing what they *aren't* doing, and why. This communication void can raise questions and concerns for investors and other stakeholders.

Should a crisis occur, CEOs often get mired in issues of potential legal liability, sometimes losing sight of reputational exposure; there needs to be a balance between the two. To be certain, a CEO has fiduciary responsibility to protect the financial health of an organization, but he or she also needs to foster an atmosphere of integrity, truthfulness, and realism. They need to hold firm on the issues that define them and the organization.

Sucher and Gupta: Thank you for your candid insights. As trust researchers, we are so glad to collaborate with an organization that has this kind of commitment to trust. During the past year, we've dealt with a pandemic, social and political unrest, and widespread economic crisis. At heart lies a deeper question: Who can we trust? Trust is a relationship in which we are vulnerable to others' actions—a relationship in which we are not just relying on the other party to do what we want; we are trusting them to do what we want and not hurt us in the process.

We are excited to continue this collaboration as our book *The Power of Trust: How Companies Build It, Lose It, Regain It* comes to market this July, and we look forward to many more conversations.

Endnotes

1. Sandra J. Sucher and Shalene Gupta, *The Power of Trust: How Companies Build It, Lose It, and Regain It* (New York: PublicAffairs, forthcoming), p. 158.
2. Deloitte, *The chemistry of trust—Part 1: The future of trust*, accessed June 11, 2021.
3. Tony Simons, "The high cost of lost trust," *Harvard Business Review*, September 2002.
4. High-trust companies "are more than 2½ times more likely to be high-performing revenue organizations" than low-trust companies. Source: Andy Atkins, *Building workplace trust: Trends and high performance 2014/15*, Interaction Associates, Inc. 2014.
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About Future of Trust

As we recover, reopen, and rebuild, it's time to rethink the **importance of trust**. At no time has it been more tested or more valued in our leaders and each other. Trust is the basis for connection. Trust is all-encompassing. **Physical**. **Emotional**. **Digital**. **Financial**. **Ethical**. A nice-to-have is now a must-have; a principle is now a catalyst; a value is now invaluable. Trust distinguishes and elevates your business, connecting you with the common good. **Put trust at the forefront of your planning, strategy, and purpose, and your customers will put trust in you**. Deloitte can help you measure, enhance, and amplify trust in your organization.

About the authors

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Punit Renjen became Deloitte Global CEO in June 2015. He was reelected in 2019. As Deloitte Global CEO, Renjen set in motion a global strategy to achieve undisputed leadership in professional services. In his first term, he led efforts that resulted in double-digit aggregate revenue growth globally, with Deloitte becoming the largest of the Big Four professional services organizations.

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Sandra Sucher, coauthor of *The Power of Trust: How Companies Build It, Lose It, Regain It*, is an internationally recognized trust researcher, author, and professor of management practice at Harvard Business School. She is a member of the Edelman Trust Institute advisory board and collaborated with Deloitte Global on TrustIQ™, a proprietary tool that measures key elements of trust.

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Shalene Gupta is currently a research associate at Harvard Business School and is coauthor of *The Power of Trust: How Companies Build It, Lose It, Regain It* with Professor Sandra J. Sucher. Gupta served as an editor for MIT Horizon, writing about big data and technology, and was a journalist at *Fortune* covering technology and diversity.

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