As part of an ongoing joint programme on ethical culture, this paper explores the subject of trust within an organisation: what creates blocks to internal trust, the implications of such blocks and how best to create structures that encourage stronger working relationships and alliances.

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The views expressed in this paper do not necessarily represent the views of any particular organisation or the individuals listed above.

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About St Paul’s Institute

St Paul’s Institute exists to engage the financial world with questions of morality and ethics and how they relate to finance, business and the economy. In doing this, the Institute seeks to recapture the Cathedral’s ancient role as a centre for public debate and considers these issues in the wider context of the common good and human flourishing. By exploring themes of equality, stewardship and the meaning of the common good, we bring the distinctive wisdom of the Christian tradition to bear on our understanding of the role of the economy in modern society.

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The objective was to consider how to create more open and resilient corporate cultures, better inform decision making and in turn add value for long term success. While there has been a heightened focus on, and increased recognition of the importance of corporate culture in recent years, there remain significant weaknesses in the embedding and in the “living” of the stated ethos and values that many companies espouse as part of their corporate culture.

Recent CGMA research highlighted that companies globally are struggling to improve levels of trust and build collaboration both within the organisation as well as with customers, suppliers and other stakeholders. Leaders recognise the need for more employee input into decision making. 70% admit there is moderate or significant room for improving active collaboration between leaders and employees; 65% say the same about trust. Even more concerning, 43% of those surveyed stated that improvement in levels of trust amongst executive peers was needed.

Accurate information is critical to good decision making, nowhere more so than when issues of trust that can directly underpin levels of performance and innovation are under consideration. A recent CIMA study found that companies’ use of the word ‘trust’ has risen by a factor of eight in the past decade. There is however, no identifiable correlation between the use of the word and the trustworthiness of the enterprise. CGMA designation holders, who represent professional management accountants globally, have a duty under their professional Code to act with integrity – in a straightforward and honest manner. This is a key influencing role in furthering trust both within and between their own organisations and in relations with other organisations.

Drawing on the expertise and insight of the participants representing different sectors and viewpoints, the roundtable explored:

- What is trust?
- What are the warning signs of a breakdown in trust?
- What creates the disconnect between what is said and what is done and what are the implications?
- What needs to be in place in order to enable and embed trust?
- What role can accountants play in building and cultivating trust in business?

**What is Trust?**

Trust is the ability to rely on actions or statements of a person or institution, often likened to a belief in the honesty, fairness or reliability of a person, company or action. The perception of trust is as important as the reality though the two are very clearly linked. If there is a perception that information has been hidden, or that you cannot be open and transparent yourself, levels of trust decrease. People place trust based on a track record of evidence and experience. To say what you mean and mean what you say is the core way to build trust. Trust needs to be evident and felt among all levels of an organisation.

However, trust is also perceived very differently in different cultures around the world. For companies that work and have employees in multiple jurisdictions, creating a unique corporate culture can be very difficult. Understanding what is meant by trust and how ethical conduct is defined, and where vocabulary may need to change to convey the same meaning will be critical to getting the same outcomes in different jurisdictions.

**Work undertaken for the Chartered Institute of Personnel and Development (CIPD) identified 5 types of trust: trust in each other; trust in leaders; trust in the organisation; trust in external relations and trust in the line manager.**

While all of them were recognised to have strengths and weaknesses, ‘trust in each other’ is acknowledged as the most effective in enabling organisations to maintain high trust relations in adverse times.

*Hope-Hailey V, Building trust in organisations, CIPD 2012*
What are the warning signs of a breakdown in trust?

Employees are more engaged, more productive and tend to remain loyal to trustworthy employers. Breakdowns in the trust relationship will lead to issues with unfavourable repercussions. Data and metrics can be helpful to highlight trust issues. Metrics that track absenteeism, employee turnover, grievances or falls in productivity and effectiveness are some examples of data points that can give an insight into potential problems. By looking at such indicators across different divisions or markets and over time, depending on how an organisation is structured, issues can be pinpointed. Also helpful are compliance data, reports on customer complaints or quality failings. Non-verbal cues are also good indicators of mistrust. An attitude of indifference, unengaged posture or gesture, or lack of eye contact can sometimes be an indication of underlying issues.

Employee surveys can also help, particularly if they exhibit either a trend or sudden changes. They can provide ‘heat maps’ in certain teams and divisions. Managers should be held to task about how to analyse the scores and what it tells them about a team, department or function. In turn, management performance should be reviewed based on improvements to score results. For such surveys to be effective, however, they need to be understood in the context of the wider culture and need careful analysis. They are no substitute for the leadership, at different levels, facilitating two-way communication with staff.

It is also important to remain mindful of what is not captured in surveys, either because issues were not raised or because distrust may inhibit answers. Fortunately other tools exist to assist employers in collecting insight from employees and consequently identify certain symptoms of mistrust. Anonymised data from employee assistance programmes can provide indications of issues. Employee absenteeism, a sign of stress or burnout can also be a potential signal. Speak Up lines are an important source of information and issues raised should be understood and addressed as a priority.

Lack of employee engagement is a strong warning sign. Staff that are not forthcoming or open highlight that there is potentially a problem with trust. It can become difficult for leaders to know what is going on in the organisation if voices cannot be heard or, more critically, if voicing concerns or dissatisfaction are actively discouraged.

Following the 2008 financial crisis, analysis of the banking sector identified clear indicators of trust failure at a leadership level. This is often illustrated by whether or not the Chief Executive is open to criticism or challenge, either from below or from the Board, particularly from the Chairman and non-executive directors. “Don’t bring me bad news” culture should always be a warning sign. Perception of competence and alignment of corporate objectives are two other key indicators. However, problems in these areas often aren’t readily visible to stakeholders until a situation is near crisis, so finding early warning signals for these issues can be critical.

An open culture in which subordinates can reach out for help with business issues – where failure is accepted in a constructive way – demonstrates a positive and trusting work culture.

“Any part of the fish can rot. The head is very important but is by no means the only issue because there are all sorts of social behaviours at every level, including words versus actions, not sanctioning people, unrealistic targets, conflicts of interests etc. that can cause internal trust issues.”

– Roundtable Respondent
What creates disconnect and what are the implications?

Once trust has broken down with a line manager, within the wider team, or even in the overall leadership, staff are less likely to bring their whole selves to work. This disengagement can affect other teams and ultimately customers and external relationships. Senior leaders and influencers within an organisation must model authentic contact and open communication with employees to build trust. Any mismatch between stated policy and action begins to destroy trust. Negative behaviours by those with influence in the organisation, evidence of not upholding stated values, or breaching accepted codes of conduct can destroy trust very quickly.

**Warning Signs of disconnect**

1. Managing internal processes to avoid workers councils’ interests for either commercial or cost reasons.
2. Delays in sharing information so as to intentionally avoid or inhibit discussion.
3. Failure to share critical information with teams members or peers.
4. Selecting membership designed to identify people who will agree with management.
5. Choosing only specific individuals to contribute to the decision making process.
6. Avoiding or refusing to follow through with decisions that are collectively agreed upon by the team.

All of these signals raise questions amongst staff about transparency and can break down internal trust.

**Fear and its consequences**

Fear, which can take many forms, is strongly identified as one of the causes of a disconnection in an organisation. It can manifest itself in many ways: staff may fear speaking up, mindful of losing their position or being sidelined. Such speaking up need not be limited to highlighting ethical transgressions, which can have high reputational cost, but can relate to any aspect of work which will undermine an organisation’s success.

Fear can also limit opportunities to innovate if there is on-going experience of ideas going unheard or taken by others as their own; can limit opportunities to improve processes if simple fixes aren’t listened to by managers; or it can avert eyes from poor behaviours by individuals within teams, if it is perceived that no action will be taken.

Fear can also drive negative behaviours. A fear of not being successful may lead people to use methods and management styles that run contrary to accepted or stated values in order to succeed. Problems associated with blame culture are central to this. People choose not to share information if they fear blame, punishment or career impairment might be the consequence. Ultimately, an environment that enables open communication, even around difficult issues and failures, needs to be nurtured in order to harness the ability of people to work together most effectively.
What to put in place and how to embed it?

There are many companies that work hard to create and sustain a positive work environment where trust amongst staff can thrive. These companies need to be promoted and recognised more widely for their cultural successes. Platforms such as Glassdoor, as well as the steady advancement of non-financial reporting, global indexes and integrated reporting that identify 'good' companies will make positive behaviours more evident.

Some of the companies that lead on this are those where senior level management and boards use what is termed 'values-based decision-making'. The habit of considering impact on stated values and ethos of organisation – 'how' things are done alongside the commercial reasons – needs to be cascaded throughout the organisation. As an example, a company that values integrity would be ill-placed to buy a company implicated in money laundering.

These decisions ultimately influence views of external stakeholders. However, on a day to day basis your own staff will also be considering and judging actions taken up the line. Sharing issues, discussing problems and collaborative decision-making would help prevent inappropriate decisions.

This is why effective leaders and those in the C-Suite see a key part of their role as building that trust with employees and giving simple, clear, consistent messages and engaging with employees in various ways on a regular basis. What is equally important – and successful leaders need to develop this skill – is to listen to what employees have got to say and to understand their concerns. If concerns are voiced consistently, leadership needs to respond to them appropriately.

Case Study: Civil Aviation Authority

The Civil Aviation Authority and heads of safety in airlines have a clear rationale around incident reporting.

They all say you need to have an open and just culture, throughout the organisation, that enables sought behaviours and enhances trust. Even though the number of national regulators can complicate airline-regulator relations, trust is central to each of these relationships.

“With fear breaks down trust, purpose can be a strong and constructive driver for building alliances and enhancing positive culture. Strong corporate cultures have an evident consistency between stated purpose or mission and how the company embodies it. When clear and strong, staff themselves will help safeguard it, as it reflects how they feel about their working lives and connection to their employer. However, brand values that are not authentic – often evidenced by scandal, such as identifying use of child labour in a supply chain – could be ‘game over’ for many employees, and customers. Companies with clear purpose make a strategic and competitive choice to do so. Successful companies recognise this and put resources into ensuring it permeates the organisation.

Alignment between purpose, an organisation’s Code of Conduct and a broader sense of ethics, is fundamental to successful implementation. Organisations need to operate on the fundamental belief that being ethical will help achieve their stated purpose. This belief, running throughout the fabric of an organisation’s structure and operational processes, frames behaviours by linking the ethical code and the values espoused to people’s roles, functions and targets.
Behaviour-based recruitment plays a critical role in successful companies. Leading employers will explore whether candidates accomplishments were ethically achieved as well as the impact of their actions on team members and the larger organisation. The choice of leadership candidates and how they are promoted not only sends strong signals, but also affirms an organisation’s values.

All organisations will face challenging times, such as redundancies or mergers. Initiatives are more likely to succeed if leadership is transparent with every level of the organisation in explaining the reasons behind any significant changes, communicating the benefits and the impact on staff. They also need to listen to views in return, because having an open attitude can enable finding solutions that people may embrace. Mergers often fail due to cultural clashes. A key component of culture is trust and honest communication. In many ways what a line manager does has a far greater impact on staff perception and understanding of their organisation than public pronouncements by the Chief Executive.

What is the role of accountants in business?

With their duty to uphold a professional code of ethics, professional accountants have a stewardship role to play. From day one those in finance are trained to ask the right questions. They also have a particular role in being alert to conflicts of interest and independence issues, not least in relation to their own work and control systems.

Some of the finance professional’s skill would be to spot where there is an information gap which can be filled with sensible, credible business information that would enable a board to spot inconsistencies. As such, they have great potential to influence and model behaviour. Ensuring the appropriate management information is provided and to the appropriate people, as well as being sure that the Board and other influential decision-makers have the right data and insight is a core competence. In accordance with their Code and training, professional accountants also have the skills and requirements to challenge internal attempts to restrict management information.

A finance professional’s role in analysing and gaining insight from data and information should both support and challenge management. Management accountants should be able to identify warning signs and issues from internal information, as well as seeing where good practice has a positive impact on the organisation. Management information should ultimately be aligned to behaviours and values, yet few organisations have mastered this. There is evidence, however, that demand for such analysis and data is growing not only from the Board, but externally from investors and regulators. It is here that the role of management accountants can be further utilised, drawing on corporate data already available and creating baseline data together with tracking mechanisms.

“For any issue the board should be asking three questions: why are we doing it? What is going to happen as a result and what risks are we running? How are we delivering it? It is the ‘how’ that firms are not always good at.”
— Roundtable Respondent

“Trust in senior leaders can disappear overnight, but if you still have trust across the organisation it will help compensate.”
— Roundtable Respondent

“Most of the best companies that one sees are those where the culture is such that the CEO is almost anonymous -- someone that people can talk to and is helpful--but not the centre of power but will empower other people and just keep the wheels turning.”
— Dr Christopher Hodges, University of Oxford

“Applying the professionals skills and insight used in analysing financial data to non-financial data would support the framework of the organisational picture.”
— Roundtable Respondent
Conclusion

Internal trust is reliant upon the establishment of a corporate culture that promotes ethical and responsible behaviour. Creating, maintaining and adapting such corporate culture remains a challenge. The larger and more complex the organisation, with multiple partners and suppliers, the bigger a challenge such work can be, particularly in hyper-competitive, fast changing sectors. The role of incentives (not necessarily financial) versus sanctions in creating a constructive culture within an organisation is critical. Why people work and why they want to do well at work, including the respect of their peers and a sense of purpose, needs to be integrated into the culture. Examples of good practice and best practice should be highlighted and publicly praised.

Trust, culture and leadership at all levels in the organisation are inextricably linked. They rely on openness, honesty and straightforward speaking and action measured by a clear sense of accountability that places learning above blame. Trust is reliant on what employees see played out each day in their workplace. More than any other stakeholder, staff can see the division between corporate rhetoric and corporate action and will respond accordingly. For people to truly be an organisation’s most important asset, management teams and the Board need to align more honestly what they say with what they do.

This is why embedding values, purpose and acting in accordance with ethical codes has to be seen throughout different levels of leadership, enabled by the Board and the C-Suite. The company’s Code of Conduct should be reinstated on a frequent basis and analysed for effectiveness by relevant Board committees, under the guidance of a named individual responsible for the Code (i.e. Chief Compliance Officer). The articulation of the values themselves, alongside related codes and policies, needs to be clear and shared; with the understanding that a lack of consistency about the interpretation of values, and particularly how they are lived out by senior staff, can lead to problems. Failures and damage caused in the short term can be weathered when there is a strong culture anchored to purpose, values and the application of ethical working.

Endnotes

1. Joining the Dots, CGMA, 2016
Further reading and resources

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Building and restoring Organisational Trust, IBE 2011

Building Public Trust, PWC

Building trust in organisations, Prof Veronica Hope-Hailey, CIPD 2012

Business and human rights: evolution and acceptance, CGMA 2016

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Ethical Business Regulation: Understanding the evidence, Department for Business Innovation and Skills

Ethics, Chartered Institute of Personnel Development

Global Management Accounting Principles, CGMA 2014

Good people seminar, CIMA and St Paul’s 2013

Governing Culture: Risk and Opportunity, Tomorrow’s Company 2016

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Managing Responsible Business, CGMA 2015

Measuring Employee Trust, Helen Tuddenham, CGMA 2016

Performance Measurement, CIMA

Perspectives on ethical workplace decision-making, Chartered Institute of Personnel and Development 2015

The Conference Board Review, Alison Maitland,


Where has all the trust gone? Chartered Institute of Personnel and Development 2012

Who can you trust? Breaking the spell, how to build trust today, CGMA 2015