Institute of Corporate Directors

Podcast Transcript: Be It Resolved that trust is a zero-sum game.

Rahul Bhardwaj (00:02): Welcome to Be It Resolved, the podcast where bold ideas meet courageous leadership. I'm Rahul Bhardwaj, President and CEO of the Institute of Corporate Directors in Canada. In each episode, I speak with experts to delve into pressing issues, impacting directors and decision making in the boardroom.

And today I have two guests with me, Bruce McClellan and Kathleen McGinn. Bruce is the founding president of the Communications Consultancy Proof Strategies and has served as Chair since 2023. In 2016, he pioneered the Can Trust Index, the largest annual study of trust in Canada. And joining us is Kathleen. She's a governance, ethics, and trust researcher in business and in academia, specifically at the University of Toronto and Humber College. She's also the current Chair of Rugby Canada and a session member of the Canadian Olympic Committee. Kathleen co-founded Trust Lab, a member of Proof Strategies' family of companies, that focuses on developing strategies for companies and boards that build organizational trust.

So, our guests today know a lot about trust and that's a good thing because our resolution today is, "Be it resolved: trust is a zero-sum game."

To our listeners. I'm gonna ask which way will you vote? Let's see what you think after our conversation today.

Welcome, Bruce and Kathleen, and what a time to be talking about it. Whether it's the geopolitics of the time, technology, AI, the context just keeps on shifting. And we've had a long history together, the three of us in terms of the trust journey — The last couple of years, as they relate to boardrooms, as we co-developed the board trust tool for board directors — that's actually on the ICD website, so please go have a look at it.

But that was a really interesting journey together to try to understand how to help boards figure out what the drivers of trust are. And I think that that turned out quite well. But even that journey started with the absolute starting point question, which is, we're talking about trust, what do we mean by it? So how about this? We're gonna come back to trust. I've got a feeling more than just today, but an important starting point is to get the definition. So Kathleen, what's a good working definition of trust?

Kathleen McGinn (02:26): Yeah, it's a great question. It's interesting because on a personal level, we equate trust with reliability, right? So I never have to, on boards, worry about Jim on the finance and audit committee because he always delivers. And reliability is important, but it doesn't really get to the crux of why trust is so vital and what the actual definition is trust. So trust fundamentally, truly means making yourself vulnerable to the actions of others. So we trust people because we believe they ought to do right by us. And so generally speaking, academia has largely converged on this definition.

And so, if we go back to Jim, from the difference of reliability and vulnerability, if you have a board presentation tomorrow, and you've asked him to do some last minute analysis, there's always a chance actually that Jim's gonna drop the ball and the presentation fails, and you're vulnerable because you placed this faith in Jim, you've placed this belief that he can deliver. And so, it's intuitive interpersonal relationships, but it becomes really much more complex when we talk about trust in organizations overall.

Rahul Bhardwaj (03:30): And Bruce, if I bring you in on this a little bit. So a vulnerability kind of implicit in that is you're comfortable being vulnerable because you don't believe they're gonna take advantage of you. And we're gonna come back to this in an environment of competition in a minute. But Bruce, what would you add to that at this point?

Bruce McClellan (03:47): Well, I'm here as somebody who sponsors a study into trust in Canada, but I'm also an entrepreneur and business founder.

And for me, when I think back to those early days when we first opened the company, I was trying to recruit people and these are people who would become dependent upon me and the company for their mortgage, for making the rent payments, for helping earn money to pay off student debt, whatever the case. And they had to trust me.

And you know, I could see in their eyes and and sometimes in their questions, a young company, a new company, how do you trust it? Is that a really a reliable place to go to work? So I had to build trust from day one in how I launched a business. And for people listening today who are on boards or in business themselves, trust to me is fundamental to the relationship with your employees, the relationship with your clients or customers. I can't imagine operating a business without having a high trust consciousness.

Rahul Bhardwaj (04:49): So let's work out it from the converse for a second because I doubt anybody's going to say it's a bad idea to have trust. But let's look at it from the opposite, which is to say what happens if you don't have trust? I mean, we've talked about trust being the lifeblood of corporate governance. We've talked about the fact that trust is right in the very purpose of the Institute of Corporate Directors. So we take this very seriously. But Bruce, I think, you've talked about what happens if you don't have trust, maybe I'll start with you and then come to Kathleen.

Bruce McClellan (05:19): Well, I love your point about how everybody says they want trust. Like I've never met anybody in an audience about who stands up and says, “Bruce, I don't want trust.” However, I rarely meet people who will tell me they have a deliberate plan to build trust. It's something that people talk about is important, but which they don't really focus on as a deliberate act, and they take it for granted.

I like the analogy that trust should be treated like a battery where you're constantly charging it up, doing things that help to build up the charge in that battery of trust. And then there'll be times when you need to draw down on it.

What I would say is for boards for CEOs is have an understanding internally about what is the definition of trust and how it affects our business. Look at the audiences that matter for us with trust. Do we do surveys to understand our employee trust, our customer trust? There are questions that you can ask in a survey to get at the drivers of trust. The academics have studied these, they're well known. You can design a survey and track trust with your audiences if you really care enough about it.

Rahul Bhardwaj (06:24): So Kathleen, great segue to you. Trust, nice to have or need to have?

Kathleen McGinn (06:29): Trust is an absolute need to have. And I think the right way to kinda look at this from an economic perspective is a bit through like the prisoner's dilemma, right? So we're probably all pretty familiar with the dilemma, but it's a thought experiment. It basically means, you know, two prisoners, they have to cooperate. When they cooperate, they end up better off. And in game theory, it dictates that unless they can communicate ahead of time and have a reason to trust each other, then they won't cooperate and they'll be selfish and they'll wind up collectively worse off, right?

And so from an economics perspective, you know, when you have a loss of trust, it's essentially like a dead weight loss, right? You can imagine even sort of in neighborhoods and when things are frequently stolen, there's a lot of measures and expense that you have to go to to prevent that. And the same with organizations, you know, in terms of contracts and managing risk in the lack of cooperation that happens.

So when you have this lack of trust, it essentially creates this sort of downward spiral overall economically for the organization. That's a very, very sort of 20,000 feet sort of look at it. But if you look at market economies, I'm gonna throw a few pieces of data at you to ground this. If we look at market economies, there was a study that was conducted and a decent percent rise in trust, which is around 10% or so correlated with an 0.8% rise in economic growth. But that is across the entire nation.

And then there's also this impact where there's a decrease in trust, it also results in a correlated decrease in economic growth as well. And so writ large is very, very important. And then we can go into like what the different mechanics are inside that relationship where there's growth, contraction, and growth overall.

Rahul Bhardwaj (08:18): So would it be fair to say then, so big picture, we're in a time of trade and tariffs and incredible disruption. So we're seeing in some respects, diminished trust, increased friction, both geopolitically and definitely economics. So maybe there's a connection between, you know, more trust, less friction in business. And where I'm going with this a little bit is, I think the prisoner's dilemma is really great, and I'm not sure how many directors are familiar with that. So why should directors actually be concerned about any form of diminishing trust? Because everybody's surveying their customers, they're surveying their employees, and if they see trust going in the wrong direction, why should they be concerned? And Kathleen, maybe I'll start with you there, and then I'll go to Bruce from the entrepreneurial lens.

Kathleen McGinn (09:01): To me, it hits a fiduciary duty in that regard that if you're going to operate in an environment of low trust, that you need to be prepared and evaluate and have a strategy on how you might operate within those things. You have to be very, very intentional about it. And so, when an environment of trade tensions and we have tariff tensions and all sorts of different things, there's a lack of certainty. And we know now that some of our trade partners aren't reliable, right? And so we're going to have some problems with that.

How do boards of directors knowing that environment and that an environment full of fixtures, how do they think about how they're gonna conduct business in other ways that actually still gets to the goals of the organization?

Rahul Bhardwaj (09:47): And Bruce, what are you hearing about this in boardrooms then?

Bruce McClellan (09:50): Well, one of the benefits of trust is your employees will be more forthcoming; they'll be more collaborative, they'll be more willing to raise concerns and make suggestions. So, the classic example is where trust was completely lost in the workplace was at Boeing, and employees decided nobody cared. When they would raise concerns about a quality control matter, they'd be chastised. So that reached the horrible outcome of planes falling out of the sky.

So as an entrepreneur, I want employees who bring forward suggestions. You know, if I'm launching a business and we're moving really quickly and pioneering new initiatives or launching new products, I want to hear feedback. Here's what the customer said, here's where I think we could do it better. I count on that candid comfort that allows them to be candid and share ideas. And if they're sitting back and afraid to raise their hand, I'm in trouble as the leader.

Rahul Bhardwaj (10:47): And so Bruce, you kind of highlighted Boeing and I'll come to you Kathleen, with the same question that Boeing an example of what not to do. What companies have you seen that are good at engendering trust so employees, for example, would not feel so vulnerable?

Bruce McClellan (11:02): There's various trust reports out there. Forbes magazine has a annual list of most trusted companies in the world. Companies like Apple are on that list — Boston Scientific; Costco. Costco I think is a underappreciated trust story. People may like or dislike that company, but they treat their employees well. They are widely reported for having great benefits and reasonable compensation, including to part-time staff.

I think that you can build trust, but you should start from the inside out and with your employees first. Costco to me, is an example of a company that treats its employees well, is seen as a great employer. People are excited to try to apply and get a job there and that then starts to exude out into the wider market of clients and customers and trade partners, I'm sure.

Rahul Bhardwaj (11:52): Right, Kathleen? I know you've got some thoughts on this.

Kathleen McGinn (11:54): Yeah, definitely. You know what I wanna say, Patagonia. And I'm gonna say Patagonia because one, they've proven that they're really competent. They're very, very confident in what they do, they're very, very good. They're a very principled organization. So the organization itself, they walk the talk, they've really, really doubled down on sustainability. They've developed an innovative practice to do that and they really demonstrate care and concern for the way in which their organizations are impacting all their stakeholders writ large.

Rahul Bhardwaj (12:25): So let me play the skeptic for just a second then. So we've got Patagonia, which is a highly successful B-Corp, I think the first one to go public. We've got Costco and Apple, which are enormously successful companies. What do we say to companies that are in hyper competitive markets and industries and are perhaps not as you know on sure footing as, let's say, a Patagonia, Costco or Apple. And where I'm going there, is how can you be trusting in an environment that's defined by competition?

Kathleen McGinn (12:57): That's a really interesting question to me because I feel like the economist side of me is always saying competition is such a good thing, it's such a good thing for markets, we know it's a really good thing. And the piece around competition, the part that's really important about it is innovation. If you have a more trusting environment, internal/external with organizations, your capacity to innovate actually is much greater. And in that way, organizations can further drive competition in their environment, regardless. It's really about how are you gonna use your scarce resources in order to develop a good strategy.

Rahul Bhardwaj (13:35): Okay, so from the economist to the entrepreneur.

Bruce McClellan (13:37): So you know, I'm in marketing communications, and I would consider it a, maybe if not hyper-competitive, it's highly competitive. You know, most of our clients have 30-day cancellation clauses. It's a “what have you done for me lately,” kind of business. We're scrutinized regularly for value and return on their spending investment with us.

We haven't talked yet about the ABI, the Ability, Benevolence and Integrity Trust Trifecta. This is what academic research has identified is the three cornerstones of trust, and particularly in a business relationship ability. Is my business doing great work for our clients? Are we delivering innovative ideas and impactful communication solutions to them? Benevolence, empathy, are we making the extra effort to understand?

Empathy is an interesting concept because it's not just kindness, it's also insight and understanding. And that can be applied to our clients' audiences and helping our clients understand their audiences, but also to how we care for our employees and our understanding and supportive as an employer and making them feel loyal and trusting.

And then lastly, integrity. We go out of our way to make sure that, you know, we walk the talk. If we say we're gonna just do something, we do it. Everybody can probably think of a business situation where they have lost faith and trust in that supplier's integrity. The bill was higher than they were told it would be. Workers did poor work. All kinds of reasons where integrity gets lost. ABI - don't forget to operate your business without ability, benevolence and integrity.

Rahul Bhardwaj (15:08): So Kathleen, where's ABI on the sort of strategic landscape for companies?

Kathleen McGinn (15:13): So ABI, just to revisit really quickly, like it's how people perceive the decision to trust is always done from a perception of trustworthiness, right? And so when we're talking about ABI, we're like, how are people perceiving others in that regard? We have, or especially in Canada, we have some very, very highly able, competent, highly skilled organizations.

We actually for the most part have organizations that are quite high in integrity. So both things tend to be table stakes where we sometimes fall down, which then again, also plays into this sort of challenge of balancing responsibilities to multiple stakeholders. Sometimes we fall down in demonstrating care and concern.

Like a common cause of corporate trust failures overall is really developing the strategy that focuses almost exclusively on serving the interests of certain stakeholders over others. Sometimes that's investors, sometimes that's executives. And we do that, it's where the zero sum comes from a little bit. Corporations do that with a sense that's basically indifferent or even detrimental to some of the other stakeholders that the organization serves.

Rahul Bhardwaj (16:22): So how does a company and particularly a board think their way through that? You said multi-stakeholder environment a number of times and we know that that's the era that we're in and we know that they're often competing interests amongst those stakeholders and that's what makes a lot of this economy hum, is that competition amongst those as well. But how do we evaluate that from a trust perspective? Is it a zero-sum game?

Kathleen McGinn (16:47): That's a great question. I think a lot of organizations are looking at that. I would say no. However, in this environment, within that distinct box of a question, I think [one] boards of directors experience a lot of tension in managing and reconciling what some of these differences are. Part of that is getting the right information in the boardroom about what those stakeholder needs are. Quality of information and information flows are a very, very important piece of that inside the boardroom. And you have to just be aware of what some of those stakeholder trade-offs are. So it starts with being aware of what those things are.

And then second of all, you have to take an approach from a board level and from an executive level of managing some of the latent effects of putting trust issues that happen as a result of the trust that fails as a result of putting one stakeholder over another. You can't be all things to everyone. I think that's very clear, and I think that's where communication comes in.

I mean, that's the good work that Bruce and his organization do is teaching leaders how to communicate, teaching boards how to communicate in a way that creates much more trust and creating these environments where trust can emerge. But as long as boards are taking a principled approach and still maintain the responsibilities associated with the duty of care to all, we're on the right path.

Rahul Bhardwaj (18:12): So Bruce, from a pragmatic standpoint though, are boards forced to kind of have a hierarchy of trust among stakeholders?

Bruce McClellan (18:19): I will take the position as an entrepreneur and as a trust researcher that you can build trust simultaneously with multiple stakeholders. And in fact, I would encourage companies to consider, you know, look at it like a trust ecosystem. I talked about starting from the inside out.

My view is if your employees trust you because of how you've interacted and treated them, that will trickle out to your customer and your customers will feel more likely to trust you if they think you treat your employees well. We know that's a driver of trust.

And then your business partners and suppliers who interact with those employees as well, that they're more likely, I think to trust you if they see that you're building an internal culture of trust. Some businesses have to care about regulators. I'm yet to find a regulator who likes you more because you treat your employees badly. We all know that. So, to me, you can be reinforcing trust with all your stakeholder audiences at the same time if you're acting in a way that builds trust with them.

So, I don't see this competition. I know for a private company maybe there's a tension between employees and shareholders. I'd like to think there's a pathway to compromise and accommodate both of those. And I would argue that most successful companies have found that path.

Rahul Bhardwaj (19:35): A couple of thoughts. One is that we're going to have to have this conversation again. And in particular, I wanted to have a conversation around trust and AI, and that's gonna be a longer one, and I'm just gonna cede it here. The utilize zero trust model that's emerging. This notion that assume untrustworthiness until proven otherwise. I'd call that trust but verify on steroids in this new technological environment. So hopefully, you'll come back and have a conversation with me around that in particular.

So I think today was a great primer on trust to begin with; connecting it with, I would say, less frictionless business and a lens that boards can bring to it. So, I think that's fantastic. Now, I am going to move a motion and that is: Be it resolved trust is a zero-sum game. Let's go to Kathleen on this one first.

Kathleen McGinn (20:26): I'm gonna vote with comment. First thing I have to say, trust is an emergent phenomenon. So, actually, we can create trust out of nothing just by that very fact alone. It's not a zero-sum game. However, we do have to be very, very careful in not careening towards an era where it does become that. So I do, I wanna asterisk this by saying there is a risk in the future that it does. And so that's my position.

Rahul Bhardwaj (20:56): Well stated. Bruce?

Bruce McClellan (20:59): I am firmly in the no camp on this resolution and my experience and my practice and my belief is that an organization can build trust simultaneously with multiple stakeholders. I think that an organization can grow trust for its business in its market and maybe its competitors will be growing their trust too, or maybe not. Zero-sum means whatever is gained by one is lost by another, and I do not believe that that is the case here.

Rahul Bhardwaj (21:26): Kathleen, Bruce, thank you both so much for joining me today. A great conversation. As I said, I think we're gonna come back and revisit this more than just once.

And to our listeners, I hope you enjoy today's episode of Be It Resolved and that you've deepened your boardroom insights to stay ahead of emerging trends. Now, if you enjoyed the episode, please subscribe, rate, and leave a review on your favorite streaming platform. From the Institute of Corporate Directors in Canada, I'm Rahul Bhardwaj. Until next time.