SUMMER 2008 VOL. 49 NO. 4
SMR286

MITSloan
Management Review

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Unconventional Insights for Managing Stakeholder Trust

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REPRINT NUMBER 49413

Unconventional Insights for Managing Stakeholder Trust

Initiatives to build and maintain trust with various stakeholders — customers, employees, suppliers and investors — have risen to the top of the executive agenda at many organizations. We continually hear about "transparency" initiatives, open-door policies and 360-degree evaluations, customer-retention programs, voluntary product recalls, initiatives for corporate social responsibility, rethinking of "customers as partners" and other trust-building moves. But the problem is that most companies don't really understand how to manage stakeholder trust effectively. In fact, our research suggests that many of the trust-building initiatives and approaches that organizations invest in may be of questionable value. Others might actually destroy trust.

One of the reasons managing stakeholder trust is difficult is because there are many different stakeholder groups, each with its own particular needs and perspective. That is, trust is multidimensional, and it's not obvious which dimension executives need to focus on when dealing with any particular constituency. Consider the following: An employee might trust his supervisor because he believes that she expresses genuine concern for his well-being, or because she is a very competent manager, or for both reasons. In turn, the supervisor might trust the employee because she perceives that his values are congruent with hers, or because she can rely on him to get work done efficiently, or for both reasons. In a different context, the investment community might trust a company because top executives are perceived as having integrity, or because they possess superior management skills, or because they have taken steps to increase transparency, or because of some other reason entirely. And so on.

So which dimension of trust should companies target? Specifically, what's more important for building trust: a reputation for kind-hearted benevolence or for fair-minded integrity? Which is more critical: managerial proficiency or technical competence? When does value congruence matter? And are initiatives aimed at increasing transparency worth the effort?

Many companies invest considerable time and energy trying to build trust with customers, employees, suppliers and investors. Why are some of those efforts doomed to fail?

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To investigate such issues, we conducted a study of stakeholder trust in four different organizations. (See "About the Research," p. 47.) The research analyzed the relevance (if any) of various factors (benevolence, integrity, managerial competence, technical competence, transparency and value congruence) to different stakeholders (customers, suppliers, employees and investors). In essence, we asked what matters — and to whom. Some of the results were unsurprising. Customers, for instance, stated that a company's level of technical competence strongly influences the degree to which they trust the company. Other findings were unexpected, and a few were even counterintuitive, leading us to the following key insights: Transparency is overrated; integrity is not enough; the right kind of competence matters; building trust with one group can destroy it with another; and value congruence matters across the board. (See "The Truth About Stakeholder Trust.") A closer look at each insight provides important lessons for companies trying to build and sustain trusting relationships with stakeholders.

Transparency Is Overrated

The 2001 collapse of Enron Corp. and a slew of other corporate scandals in the United States helped usher in an era of general distrust of big business. Most observers, including many public policymakers, concluded quickly that a lack of transparency was the problem. As a consequence, most of the proposed remedies have focused on increasing the availability of information to stakeholders who might be vulnerable. Thus, the Sarbanes-Oxley Act of 2002 requires companies to follow better reporting standards; the U.S. Securities and Exchange Commission's Regulation Fair Disclosure regulates against the selective disclosure of information to analysts and influential stockholders; and corporate governance codes call for the publication of executive compensation packages. These remedies presumably increase transparency, making it difficult for executives to engage in illicit activities. If this is so, they serve a very important purpose.

We have found, however, that transparency seems to have little relevance in terms of building stakeholder trust. That is, whether

The Truth About Stakeholder Trust

Conventional Wisdom	Reality
To increase stakeholder trust, companies need to make their operations more transparent.	Transparency actually can diminish trust depending on *what* is disclosed. Transparency with respect to executive compensation, for example, might easily decrease trust if it reveals no apparent link between pay and performance.
Integrity is crucial for building trust.	Integrity is important, but stakeholders who engage with the company on a regular basis (many employees and customers, for example) must also feel that the organization cares about their personal well-being. Even well-meaning, ethical organizations can destroy trust if they are perceived as being fair but callous.
To engender trust, businesses must continually display competency in what they do.	Nobody trusts the incompetent, but people don't all demand the same kind of know-how. Employees and investors look most for managerial competence, whereas customers and suppliers are more concerned about technical proficiency.
When trust is compromised, a company should act quickly to remedy the situation with the stakeholder group that's been affected.	Managers first need to determine who all the relevant stakeholder groups are. Only then can they deploy a *balanced* approach to managing trust that takes into account the various concerns and interests of the different parties. Otherwise, an organization might find itself exacerbating one problem even as it solves another.
The desire to identify with the values of an organization is an important factor in building trust only for employees, regular customers and others who have a close relationship with the company.	Identification (or value congruence) is important for *all* stakeholders. That is, not only employees and customers, but also suppliers, investors and stakeholders of all types are interested in associating with organizations that they can identify with — and that they perceive match their values.

companies disclose information may have little effect on their perceived trustworthiness. In fact, of the various factors we studied, transparency was the only one that did not affect trust for any stakeholder group. What explains this?

First, consider that forced disclosure might actually reduce the quality of what is disclosed. Although fair-disclosure procedures ensure that every investor is provided with the same information at the same time, there is some evidence that the quality of information shared has diminished since Regulation Fair Disclosure went into effect.[1] Some Wall Street observers complain that companies that used to share sensitive information willingly (with at least a subset of stakeholders) are now delaying or withholding important information. In addition, past research suggests that career concerns among executives can create perverse incentives in the face of financial disclosure: Executives might focus more on managing the visible numbers (the stock price, market share and so on) than on strategic initiatives that could improve the long-term survival and profitability prospects of the company but that are not rewarded in the short run.[2]

Second, *whether* information is disclosed might matter less than *what* is disclosed. For example, transparency regarding executive compensation might do little to build trust if it reveals vast disparities between the pay of people on the front lines versus those in the corner offices. Fairness perceptions are crucial to building trust within organizations, and seemingly oversized executive pay packages make it difficult for employees to identify with management.[3] Especially when there is no apparent link between executive compensation and performance, perceptions of fairness are damaged and trust diminishes. In such cases, attempts to build trust through transparency can easily backfire.

Finally, some empirical evidence suggests that disclosure, far from being a remedy, can in fact exacerbate the problems it is supposed to fix. In a fascinating experiment inspired by recent accounting scandals, participants playing the role of "adviser" had to tell their "clients" that they had a vested stake in overstating the value of a particular asset. Theoretically, the disclosure of a potential conflict of interest should result in a more honest interaction, eventually leading to a more trusting relationship. But what really happened? Advisers who were required to disclose their bias felt more comfortable exaggerating information. After all, they reasoned, "I already told them I was biased." Worse still, clients perceived these advisers as *more* trustworthy because they had disclosed their conflict of interest. In other words, advisers would have been more truthful, and clients would have been more careful, if there had been no disclosure at all.[4]

For a real-life example of the disconnect between transparency and trust, consider Porsche Automobil Holding SE, the German luxury-car manufacturer. Ever since Deutsche Börse AG, the German stock exchange, implemented new reporting standards in 2001, Porsche has refused to submit the required quarterly reports. The company contends that quarterly numbers can be misleading because of its highly cyclical business, and it has criticized Deutsche Börse for placing more value on formal rules than on the quality of information disclosed.[5] As a result of its stand, Porsche has been excluded from the mid-cap index and has faced threats of being delisted, but the company still refuses to comply and continues to publish only six-month and full-year results.

The result of the standoff? Following its exclusion from the mid-cap index in 2001, Porsche share prices plummeted by 40% in six weeks. But the stock then rebounded, returning to its pre-exclusion level within four months, and it has steadily advanced to new heights each year since. Not only do investors continue to trust the company, but prospective employees do as well: Porsche remains among the most popular potential employers in Europe. In one study, graduating engineers placed the company on the top of their employer wish list.[6] Other stakeholders concur. The general public consistently lists Porsche as one of the most reputable businesses in Germany, and customers worldwide have rewarded the company with continuously rising profits at a time when many other car manufacturers around the world have seen their profits decline.[7]

Integrity Is Not Enough

Not surprisingly, perceptions of honesty and integrity are crucial to trust for all stakeholders. However, for people who engage with an organization on a regular basis, integrity is not enough. These "high-intensity" stakeholders also must perceive that the organization cares about their well-being. In other words, benevolence toward the individual, not just good character and fair dealing, is critical.

Product recalls are a case in point. In 2007 alone, hundreds of products were recalled for reasons ranging from *Salmonella* bacteria in spinach to exploding batteries in computers. Companies that recall defective products early and proactively are likely to be perceived as having greater integrity than those that deny or ignore the problem until action is forced on them by public or governmental pressure. But even some high-integrity companies that issue voluntary recalls find that they have irrevocably damaged consumer trust, whereas others walk away from the experience unscathed — or in some cases with *enhanced* consumer trust. The difference is in the degree to which a company is able to signal concern for the well-being of individual consumers.

Consider what happened to The Coca-Cola Co. in Europe. In early June 1999, more than 240 people in Belgium and France reported intestinal problems after drinking Coke, prompting the Belgian government to ban Coke products for 10 days. Even though there was no clear evidence that Coke products were the culprit, the company decided to recall beverages from five European countries, 17 million cases in total, making it the biggest recall in the company's history. CEO M. Douglas Ivester publicly stated that ensuring the quality of its products was Coca-Cola's highest priority. "For 113 years our success has been based on the trust that consumers have in that quality," he said. "That trust is sacred to us."[8] Coca-Cola quickly apologized and assumed responsibility, citing two quality-control issues (impure carbon dioxide and contaminated wooden pallets) as potential causes. Although it was later found that Coke products were *not* responsible for the reported health problems, the company had proactively demonstrated benevolence not just in word but also in deed by offering to cover health care costs for anyone who had been affected by the incident. Moreover, as a gesture of goodwill, Coca-Cola also offered free products to each of Belgium's 4.4 million homes. Less than two months after the initial incidents, research indicated that core consumers of Coke products reported the same levels of intent to purchase as before the crisis had hit.[9] Three years later, sales in Belgium were reportedly better than ever.[10]

Contrast that with Coca-Cola's experience in India. In August 2003, a report by the Centre for Science and Environment, a New Delhi, India-based environmental advocacy group, argued that Coca-Cola and other producers of soft drinks were selling beverages containing high levels of pesticides. Here, Coke decided to approach the problem differently. Along with other soft-drink producers, Coca-Cola quickly refuted CSE's claims, presented its own data to the public, accused the CSE of attacking it to further CSE's own cause and announced it would sue the organization. Those actions might have bolstered the public's perceptions of Coca-Cola's integrity, but they displayed a conspicuous lack of concern for the well-being of individual consumers. The result: Sales dropped by 30% to 40% in only two weeks, leading to a yearly sales decline of 15% in 2003 (compared with prior annual growth rates of 25% to 30%).[11] Moreover, even after India's health minister had questioned the validity of CSE's methods[12] and governmental as well as independent research labs had cleared Coca-Cola of the allegations, the company still paid for a loss of consumer trust. In 2006, it reported continuously declining sales volumes and losses that far exceeded the investments made.[13]

Other companies have also learned the importance of demonstrating concern for the well-being of customers. In July 2007, Apple Inc. introduced the iPhone, a much anticipated product, and priced it at $599. But only two months later — sooner than anyone had anticipated — the price dropped to $399. People who had already purchased the product felt mistreated and sent angry e-mails to the company. In response, CEO Steve Jobs issued an open letter to Apple customers. He first defended the price cut as the right strategic move for Apple and justified the decision by stating that substantive drops in price were standard in the technology industry — in other words, that Apple had not acted unethically. But Jobs then acknowledged that Apple needed "to do a better job taking care of our early iPhone customers. … Our early customers trusted us, and we must live up to that trust with our actions in moments like these." He then offered $100 in store credit for Apple products to anyone who had purchased the iPhone at the higher price. In doing so, he helped maintain a sense of trust among the company's most ardent fans and customers.[14] Without that gesture of benevolence, Apple might have faced a huge consumer backlash.

The Right Kind of Competence Matters

Nobody trusts the incompetent, but people don't all demand the same kind of know-how. Internal stakeholders, such as employees and investors, look most for evidence of managerial competence: executives' ability to control costs and lead the work force in the organization's efforts to be competitive and create value. External stakeholders, such as customers and suppliers, typically care less about managerial competence and much more about technical know-how: the organization's ability to produce goods and services of high quality and deal effectively with supply-chain issues. Even high levels of competence in one area can't offset insufficient competence in the other, sometimes leading to stakeholder distrust and organizational failure.

Delta Air Lines Inc. provides a vivid example. Hailed widely for its operational excellence, Delta has been credited with the invention of the hub-and-spoke model for airlines and for being at the forefront of state-of-the-art technology, including internal management software, ticket kiosks and online travel agencies. Delta has also been touted as a pioneer in travel comforts, being among the first to offer iPod plug-ins and airline seats that allow passengers to lie flat. Such technical accomplishments helped Delta gain the trust of its external stakeholders, especially customers.[15]

Unfortunately, Delta failed to demonstrate similar levels of managerial competence. Among its various missteps were a highly publicized executive compensation scandal that destroyed trust between management and workers, massive layoffs in 2004 that continued through 2006 and a delay in pursuing cost-cutting strategies even in the face of rising fuel costs and increased competition from low-fare carriers.[16] Not only did such episodes of managerial incompetence eventually force the airline to declare bankruptcy in September 2005 (it later emerged from bankruptcy and announced its intention to merge with Northwest Airlines), they also severely shook the trust of internal stakeholders — both employees and investors.

On the other hand, managerial proficiency without technical competency can be equally damaging. In early 2004, Sprint was the third largest wireless phone company in the United States, serving about 20 million customers. Its primary competitors had each managed to acquire twice as many customers due to a series

About the Research

We have studied trust in organizations across four major categories of stakeholders: customers, employees, suppliers and investors. (Note: We define trust as the psychological willingness of a party to be vulnerable to the actions of another individual or organization based on positive expectations regarding the other party's motivation and/or behavior.) To aid in our analysis, we developed a framework that differentiated across stakeholder groups along two dimensions. The first measures the intensity of a relationship, based on length and frequency of interactions. The second relates to whether a stakeholder is inside or outside the organization.

The two dimensions — intensity and locus — create four archetypes of stakeholders. (See "Categorization of Stakeholders," p. 48.) It should be noted that actual stakeholder groups will not necessarily be perfectly aligned with any of the four archetypes. For example, a stakeholder's relationship with an organization can be of "moderate" intensity (instead of "high" or "low"), and some stakeholders will have multiple affiliations (for example, as an employee and a customer). As such, the four quadrants of stakeholders should be viewed more as a general "map" rather than as a table of four clearly demarcated cells. As an example that approximates the model case in reality, each stakeholder group in our study can be associated with one of the archetypes: customers (high-intensity, external), suppliers (low-intensity, external), employees (high-intensity, internal) or investors (low-intensity, internal).

We investigated trust across the different categories of stakeholders at four differently structured organizations: a small- to medium-sized manufacturer in Switzerland, a large logistical company in Germany, a Western European branch of an international consulting firm and a public university in Switzerland. In particular, we studied the importance of six factors — integrity, managerial competence, technical competence, benevolence, transparency and identification (or value congruence) — to the different stakeholders.

Nearly 1,300 stakeholders — employees, customers, investors and suppliers — from the four organizations participated in the study. People who reported more than 100 interactions and more than three years of contact with the organization were classified as having a high-intensity relationship. Those with fewer than 100 interactions or less than three years of contact were classified as low-intensity stakeholders. In addition, by definition people were classified as either internal (employees and investors) or external (customers and suppliers). (Note: Investors are classified as internal because they are, in effect, owners of the organization.)

From the data, we were able to determine what factors were important to which stakeholders. (See "What Matters to Whom," p. 49.) For instance, we found that people in low-intensity relationships did not base their trust on benevolence (the perceived concern of the organization toward the stakeholder), but people in high-intensity relationships did. And integrity was significantly more relevant for people in low-intensity relationships than in high-intensity ones. Some of the findings were surprising and a few were even counterintuitive. Those results are discussed in detail in this article.

of mergers (Cingular Wireless, which acquired AT&T Wireless Systems, had approximately 46 million customers, and Verizon Wireless served about 41 million people). Sprint responded by acquiring Nextel Communications, the fifth largest wireless phone provider, which had 15 million customers, becoming Sprint Nextel Corp. Sprint's management was determined to boost investor confidence by building market share with a deal that was expected to create synergies and reduce costs. Analysts applauded the merger, and the company's stock rose by almost 30% over the next 15 months.

But others weren't so enthusiastic. Motorola Inc., one of Nextel's key suppliers, soon discovered that its proprietary network would be phased out within two years of the merger in favor of a system run by Sprint. This reduced Motorola's commitment to the relationship, and the transition was beset with technical problems.[17] In 2006, 300,000 customers canceled their service, mostly blaming the poor quality of the former Nextel network, and Sprint's reputation for customer service took a huge hit.[18] In an April 2007 poll by Zogby International Inc., Sprint ranked lowest in a customer service satisfaction rating of all industry players in the United States. Customer complaints became so frequent that in an unprecedented move, Sprint itself decided to terminate at least 1,000 service contracts with people who had called customer service "too often."

In the case of Delta, no amount of technical competence and innovation could have salvaged the trust lost with employees and investors due to perceived managerial incompetence. With Sprint, a focus on long-term viability and competitiveness (managerial competence) did little to offset the distrust of customers who had suffered from a lack of technical competence.

Building Trust With One Group Can Destroy It With Another

Managing trust is a complex process because stakeholder groups have different needs, and efforts aimed at solving one trust problem can exacerbate others. Consider the case of Deutsche Bundesbahn, the German railway, which was once a state-owned organization known for its technical excellence. Customers trusted its service and reliability so much that they used the compliment, "You are as punctual as the Deutsche Bundesbahn." Unfortunately, though, the organization was not being run as efficiently as it could be, suffering high operating losses. In an effort to boost managerial competence, the railway was privatized as Deutsche Bahn Aktiengesellschaft in 1994. The result? The organization is now earning substantial profits and is preparing for an initial public offering. According to almost any standard, it is a successfully managed operation. But there's a problem: Customer trust has plummeted. Poor service and constant delays have led to consistently poor reputation ratings even as profits have increased. The lesson is that unless a company takes a balanced approach to managing stakeholder trust, it can find itself exacerbating one problem even as it solves another.

Consider toymaker Mattel Inc.'s painful saga. In August 2007, consumers learned that several of Mattel's toy products were defective and that others were contaminated with lead paint. In the following weeks, the company issued three major product recalls involving more than 20 million items.[19] In an effort to rebuild customer trust, CEO Robert A. Eckert publicly declared that Mattel itself had been "betrayed" by its Chinese suppliers. He asserted that these subcontractors had violated the company's standards and had used unauthorized lead-based paint. To avoid future problems, Mattel management promised to implement a strict system that would include pre- and post-production controls aimed at suppliers and products.[20] In addition, Mattel terminated its relationship with several suppliers.

The aggressive response might have helped salvage customer goodwill, but the consequences for trust with other important stakeholders were devastating. The Chinese government was outraged by Mattel's attack on Chinese businesses and institutions, and the owner of one Chinese toy factory reportedly committed suicide. Later, after it was found that most of the recalled items (17.4 million) had nothing to do with lead paint but rather with malfunctioning magnets, Chinese governmental officials demanded an apology.[21] On September 21, Thomas Debrowski, Mattel's executive vice president for worldwide operations, flew to Beijing and publicly issued the following mea culpa: "Mattel takes full responsibility … and apologizes personally to you, the Chinese people. ... it's important for everyone to understand that the vast majority of these products that we recalled were the result of a flaw in Mattel's design, not through a manufacturing flaw by Chinese manufacturers."[22] This time, Mattel's strategy was aimed at rebuilding trust with the Chinese government and the Chinese suppliers, but this too led to its share of backlash. Sen. Charles Schumer echoed the reaction of consumer advocates across the United States when he likened Debrowski's words to a "bank robber apologizing to his accomplice rather than the person who was robbed."

Although trust trade-offs are sometimes unavoidable, they can often be anticipated and their negative consequences mitigated. The key is to avoid defining the set of relevant stakeholders too narrowly. If Mattel had, from the outset, identified the multiple stakeholder groups that were affected by the recalls — and which would thus be affected by the company's response — it might have taken a more balanced approach that considered the various concerns and interests of all those parties.

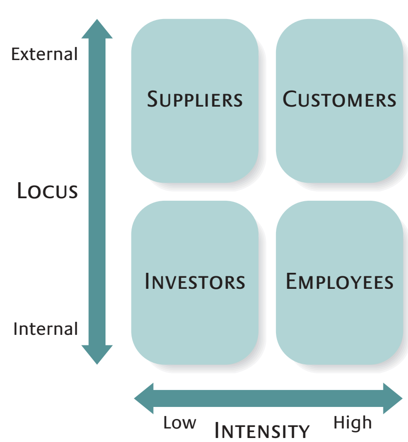
Value Congruence Matters Across the Board

One of the most underestimated determinants of trust is the desire of stakeholders to identify with the values of an organization. Many people believe that value congruence is important only in relatively few, close relationships, for example, between spouses, friends or close business partners. But we have found that although value congruence matters most to employees (that is, to individuals who are indeed closest to the organization), it is also an important factor for every other stakeholder group we studied. In other words, stakeholders of all types are interested in associating with organizations with whom they can identify — and with whom they perceive a match in values.

Google Inc. illustrates the critical role that value congruence can play — both positively and negatively. When Sergey Brin and Larry Page took Google public in 2004, they created two share classes: Class A (for outside investors) would have just one-tenth the voting rights of Class B (for insiders). This sent a signal that Google insiders would remain in charge and that no outsiders could impose their values.[23]

Categorization of Stakeholders

Stakeholders can be categorized according to the intensity of their relationship with the company (based on length and frequency of interactions) and their locus (that is, whether they are inside or outside the organization). Those two dimensions — intensity and locus — can be plotted to create four archetypes. It should be noted that actual stakeholder groups will not necessarily be perfectly aligned with any of the four archetypes. For example, a stakeholder's relationship with an organization can be of "moderate" depth, instead of "high" or "low." But as a rough simplification that approximates the modal case in reality, the major categories of stakeholders — customers, suppliers, employees and investors — can be loosely associated with one of the archetypes.



"[We] intend to operate Google differently, applying the values it has developed as a private company to its future as a public company," Page explained. "We will live up to our 'don't be evil' principle by keeping user trust and not accepting payment for search results. … [We] will do our best to make Google a long-term success and the world a better place."[24] Various stakeholders embraced Google's values, which engendered high levels of trust. The company was named the best place to work;[25] in several surveys it received stellar marks for its reputation;[26] and its stock price soared.

Recently, however, Google has come under fire, and a big source of the problem appears to be the company's espoused values. In order to serve the Chinese market, Google made a deal with the government there to accept self-censorship for certain topic areas, such as the Tiananmen Square massacre, Tibet and the independence of Taiwan. Although competitors Microsoft Corp. and Yahoo! Inc. had made similar concessions, Google's actions were seen as particularly reprehensible by many users because of the company's values pledge ("don't be evil").[27] As a consequence, people's trust was severely shaken. Google executives were compared to Nazi collaborators and had to appear in Congressional hearings to explain their actions. Protestors marched at the company's headquarters in Mountain View, California.[28] Later, Sergey Brin would admit that, "on a business level, that decision to censor ... was a net negative."[29]

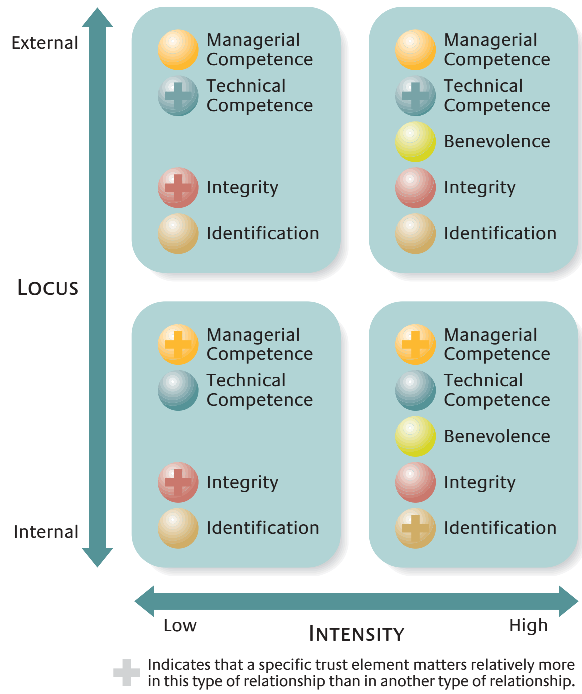
The online classified service craigslist inc. is another organization that views value congruence as a core company asset. Founder Craig Newmark is more likely to reference "the golden rule" than "the profit motive" when discussing appropriate guides for identifying and achieving organizational objectives, and CEO Jim Buckmaster has told investment bankers and Wall Street analysts that monetizing its services and finding additional revenue sources in an effort to maximize profits is "not part of the goal."[30] This approach appeals to craigslist's customer base and employees. (Our own data suggests that many stakeholders mistrust businesses in part because companies have a fiduciary responsibility — and usually strong incentives — to maximize shareholder value, and their behavior is hence perceived as opportunistic.[31]) But, of course, investors have a different perspective altogether. How might companies deal with this dilemma?

On the one hand, craigslist has been growing at a remarkable rate and its expected market value (were it to issue an IPO) continues to increase even as it clings to the values it espoused at its founding. This suggests that a company can be values-driven without necessarily incurring a penalty in its market value. Furthermore, the success of "socially conscious funds"[32] suggests that the conflict between investor values and the values of other stakeholders might be diminishing. On the other hand, unless a business is privately held (which craigslist is), it will likely encounter great difficulty if it continually resolves trust trade-offs by giving short shrift to investors. Rather, a more effective long-term approach might favor values-congruent operations and objectives *within* the constraints of fiduciary responsibility. Research has shown that, despite their fiduciary duty to maximize shareholder value, managers have much more latitude in managing social responsibility than is often assumed. Moreover, a meta-analysis of past studies has found that the effect of corporate social responsibility on financial performance is small *but positive*.[33] In other words, companies can appease a diverse set of stakeholders (at least to a degree) without offending investors.

Unfortunately, businesses seem to be doing poorly in terms of perceived value congruence and trust, and the overall reputation of corporations in the United States (and throughout the world) leaves much to be desired. In 2005, 71% of respondents in an annual survey rated the reputation of U.S. businesses as "not good" or "terrible."[34] Global businesses, meanwhile, were awarded negative trust ratings by a majority of respondents in more than 14 countries surveyed by the World Economic Forum in 2006.[35] This is certainly bad news for businesses as a whole. But it also suggests an

What Matters to Whom

Different stakeholder groups do not place the same importance on the different factors of trust studied: integrity, managerial competence, technical competence, benevolence, transparency and identification (or value congruence). For example, people in low-intensity relationships with a company do not base their trust on benevolence, whereas people in high-intensity relationships do.



opportunity to build trust and leverage it as a core asset for any company that can successfully balance fiduciary responsibility with a strong emphasis on stakeholder value congruence.

STAKEHOLDERS DIFFER WITH REGARDS to the kinds and degrees of vulnerability they face. What they need to believe before they will trust a company also differs. Managers need to consider those varying needs and anticipate the trade-offs that exist in strengthening relationships with employees, customers, suppliers, investors and others. In short, companies can't take a one-size-fits-all approach to managing stakeholder trust. Nor can they simply leverage conventional wisdom.

Our work provides an initial step toward building a stakeholder-specific model of organizational trust. The framework challenges some existing beliefs and sheds light on a number of areas that companies would be wise not to ignore. In particular, our results suggest that managers need to better understand the seemingly expansive role of value congruence and identification, more fully consider the contexts in which integrity without benevolence is a recipe for distrust, more carefully investigate the distinction between managerial and technical competence, and more rigorously evaluate the costs and benefits of transparency initiatives. Deeper knowledge in these and other areas will help companies become more adept at managing stakeholder trust so that they might reap the numerous benefits, including improved cooperation with suppliers, increased motivation and productivity among employees, enhanced loyalty from customers and higher levels of support from investors.

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