

## Transcript TrustTalk Interview Sandra Sucher

*The interview is being published at the TrustTalk podcast (<https://pod.co/trusttalk>) and can also be found on all major podcasts platforms. © 2022 TrustTalk. No parts of this interview can be copied or used without the prior written consent of TrustTalk.*

**Voice-Over:** Welcome to TrustTalk. Our guest today is Sandra Sucher, professor of management practice at Harvard Business School and an internationally recognized trust researcher. She talks about the first empirical study to examine how trust in leaders affects performance and about a study among NCAA basketball players showing that the team with the most trust in their coach won the most games. She explains why UBER may be a competent company, but is losing customers due to a lack of trust. Why apologies by the Volkswagen CEO for the emissions scandal in 2016 did not properly repair trust and how a 2017 mistake by the PWC during the Oscars turned out to be a classic in trust repair. Your host today, Severin de Wit

**Podcast Host:** Sandra, Welcome at the TrustTalk podcast.

**Sandra Sucher:** Thank you very much.

**Podcast Host:** Trust is the subject we cover in our podcasts. I understand that your interest in trust started while you were an executive at Fidelity Investment, and a couple of years later, with your experience in Japan with a company called Recruit Holdings, I'm sure many of our listeners have no idea what that issue was. Maybe you can tell a little bit about it.

**Sandra Sucher:** Yeah. So so here's one way that listeners may have known about Recruit Holdings. So Recruit Holdings is a matching platform business, largely in the arena of human resources. And so for any of you who have looked for a job using INDEED, RECRUIT bought INDEED, and has owned it since 2012. So that's the kind of business that they're in, where people have a need and they find people who can supply the what it is that's required and they make a match. So I was in Japan with a colleague studying the human resource practices of this company, which were a very well regarded. And I learned at the time that I was there that RECRUIT had experienced a scandal that in the late 1980s, it was so great that the entire that the Japanese prime minister and his entire cabinet had to resign. And so yet today in 2021

RECRUIT is a \$20 billion revenue company turnover company, it's the same size as SALESFORCE. It has 50,000 employees worldwide. And I was struck by the fact that this contradicted anything I'd ever heard about trust in business because the watchword is usually, once gone, trust is gone forever. And so I started to think about, well, how could they have done this? What was it that they did that allowed them to come back from this remarkable scandal? And in fact, if you go to Japan, you're on the streets in Tokyo and you stop someone and you say "recruit", quite often they will say, "scandal",

**Podcast Host:** Oh, really?

**Sandra Sucher:** Yeah, well known. It's in children's textbooks. I mean, this was a profoundly societal shaking event. And so the fact that they come out of the other side of that is truly remarkable. And that's what I set off to start to study.

**Podcast Host:** Before we go into the role of trust in management practice, your area, I would like to start with a quote from the 2009 joint winner of the Nobel Prize for Economics, Oliver Williamson, who said about trust, and I'm quoting him a common word, but without a common meaning. As you know, it sparked a whole lot of discussion among trust researchers. What is your take on this?

**Sandra Sucher:** Well, I certainly agree that there is not a common meaning in the global sense. And so if you compare how a trust researcher like Francis Fukuyama, who studies trust in societies, looks at the topic of trust, there are people who study individuals' propensity to trust. And so but there are lots of important ideas that can be looked at from multiple perspectives. If you take the concept of leadership, for example, that permits multiple interpretations and there are concepts that benefit from greater precision. So you can think about something like emotional intelligence and what happened to our understanding of intelligence when we put emotional in front of it and began to understand. So I definitely agree the precision is useful. But within the field of organizational trust, there's actually a fair level of agreement. In one common definition, which is that trust is a willingness to be vulnerable to the actions and intentions of others. So this is a really important idea. It has two ideas within it. The first is just this notion of trust is vulnerability. It brings in this really important dimension, a power. So if we trust when we're willing to be vulnerable, it means that we're considering the power that the

other person has over us. I am whether or not we think that they will do well by us or abuse that power. And so in that sense, it's somewhat similar to calculative trust, which is what Williamson prefers, and it is a decision that people make on whether or not to trust and so my question is, on what basis do people make that decision to be vulnerable to organizations?

**Podcast Host:** One of your colleague researchers, Guido Möllering from the Witten-Herdecke University in Germany, told me in an earlier TrustTalk interview that he thought that it's helpful to be clear what trust is not. He thinks it's important to be clear when trust actually matters and under which circumstances it may matter less. If the preconditions like vulnerability, as you just explained, and uncertainty, are not very present, then trust is also not so relevant. So in his view, we shouldn't bring in trust, we shouldn't bring in trust as an important factor in situations where other mechanisms can serve us just as well. Do you agree with him?

**Sandra Sucher:** I certainly agree, and he's bringing up certainly a principle of trust that I found in my own research, which is that trust is limited. It's quite specific and context-dependent. So when I'm trusting, I'm trusting in a particular individual, particular organization at a moment in time. So if you think about being vaccinated against COVID, what I'm counting on at that time is that the shot that I get is going to protect me, including whatever variant is rampaging through our lives at that moment. But I'm not counting on that vaccine to do anything else, and I'm not even counting on it, necessarily to do that all the time. There's a certain percentage of which cases are going to actually not be protected. But so in that sense, trust is quite specific. But even if you say that, you know, in business, that still leaves a pretty large arena to cover. So the management consulting firm Deloitte has been studying trust very systematically in business since 2019. I collaborate with them on this research, and they've identified 17 different domains in business, from cybersecurity to organizational culture to customer experience, all of which are places where trust can be either built or lost. So that's a very big terrain of individual interactions that can lead to trust. And so in that sense, I agree that it's specific, but it's still, at least in business, a very big space.

**Podcast Host:** In an interview you did with McKinsey Global Publishing, you referred to a study by Kurt Dirks among NCAA basketball players showing that the team's trust in a leader has a significant effect on the team's performance. Can you tell us a bit more about that study?

**Sandra Sucher:** Sure, I'd be glad to. So, this was a study that was done in 2000 and according to the author, and I have no reason to think otherwise, this was the first empirical study to examine how trust and leaders affect performance. So many people assumed that there was a connection, but there was no empirical evidence gathered in some kind of an experimental condition or in fieldwork that sort of said, yes, you know, this is true. So what Kurt Dirks found was that the team with the most trust in their coach won the most games. In fact, the very most trust won the Championship, and the team with the least amount of trust won just 10 percent of its games. And this is trust in their coach. And what was interesting was that trust in coach was more important than trust in other players, and that contradicted some prior research, which basically said if a team wins a team sport, it's because I count on other people's capability. And what they found was a trust in the coach was even more important than that. The other thing that they found that I thought was a really important insight, is that trust in leaders is both a determinant of trust and a consequence of it. And what I mean by that is that prior performance and experience with the coach, build trust, which then led to positive effects on performance, which built more trust, which allowed people to think that whatever it is that the coach is saying, I can rely on that to help us accomplish our goal. And that's how this trust worked. And I thought that that notion of trust is learning, which is something that Guido also studies in his own research, is something that's really useful for us to know.

**Podcast Host:** In your latest book, "*The Power of Trust, How Companies Build it, Lose it, Regain it*", you talk about elements of trust, competence, motives, means and impact. Can you lay those terms out for us a little bit and can you give examples of those trust elements?

**Sandra Sucher:** Yeah, I'd be glad to. That was the purpose really of the research was to see if there wasn't some reliable set of factors that if we said, OK, if I'm good at these things, people are more likely to trust me and not if I'm an organisation. And so what we found in the research, which was largely qualitative research based on my own cases and other people's studies of business that four attributes matter when I'm making this decision about whether or not to be vulnerable to an organization. And the first thing that matters is competence. So if an organization is not able to do what it promises, its products and services will do, for me, there's literally no reason for me to trust it and no one would. And so competence is the foundation of trust. And so let me kind of populate these ideas with an example. I'll use UBER, the ride-hailing company, as the company that will think about these elements within. And so UBER is uber

competent. They wrote the book on ride-hailing, right? There was actually no process before them that could reliably respond to your phone call, tell you who's showing, help you get what you're supposed to be, no money changes hands, you get out at the other end and voila, you're there. And so you know that their competence in the design of their business was just enormous. But if competence were all it would take to be trusted, that wouldn't explain why in 2018, about 500,000 people deleted their UBER accounts, and they deleted their accounts because UBER was falling down on three other dimensions of fairness of trust. So if competence is important, the next thing that matters is motives. So here, when you think about motives, when someone has power over us, the first thing we want to try to understand is, well, what's driving that person? What can I count on them to do? Because if I'm putting myself in their hands, I really care about what they prioritize. And so from an organizational standpoint, we can't get inside the heads of organization, but we can see whose interests they prioritize. So here's an example of the kind of thing now that UBER did that allowed people to say, you know what? I'm not sure I can trust these guys. So in 2013, an UBER driver in San Francisco ran into a family of four, killed a little six year old girl, injured the mother and brother. The family took UBER to court. This was the United States, after all, our litigation is dominant, and in court, UBER claimed that, well, you know what, that driver, he really wasn't an UBER driver. He didn't have an UBER passenger in his car, and he hadn't as yet accepted his next ride. So if you ask yourself, whose interests does UBER prioritize and take care of? It's very clear from this example that the only thing that they care about is UBER's best interest.

**Sandra Sucher:** They certainly don't care about the family who they grievously harmed and even the driver who was at risk because of what he had done. So competence matters, motives matter. And then the next thing that matters is means. So we don't just care about why companies do what they do, that's their motives. We care about how they go about accomplishing their goals. And the dimension that matters the most in that regard is fairness. So we want to know if we're going to trust an organization that they will be fair to us and fair to other people as they do business. And here's a kind of example of how UBER is not fair. So UBER was recently taken to court in the United States for a practice that they have of charging people who live with handicaps money if it takes them too long to get into their car. So what they do is they start charging after two minutes. So if you're someone who uses a cane or crutches or a walker or has some mental disabilities, it's going to take you more than two minutes to get into your car in all likelihood. And UBER starts charging you money for that.

Well, that's fundamentally unfair. That's taking advantage of somebody else's vulnerability and trying to profit off of that. And so that's the kind of thing that leads people to say, you know what, I can't do business with these people. They're just not fair.

**Sandra Sucher:** And then the last dimension is impact. And this is the sort of it doesn't matter what the company intends, it's really what's the actual consequence of their actions. So I'm going to tell you a brief story about a female reliability engineer, her name was Susan Fowler, and in 2017 she wrote a blog post about what it was like at UBER after she left, and she recounted many really awful tales of sexual harassment not being followed up by the company. Now that's not actually why I'm telling you this story is awful, as that was. She mentions in passing in this blog post that when she started in her division, women were 25 percent of all the reliability engineers. And when they left, when she left, they were three percent. Now, UBER didn't set out to say, let me create an environment in which women are not happy to work, but the consequence of its practices, its policies, it's the culture that they had, meant that this was a place that no woman worth her salt wanted to be involved with. And so that's what it means to care about company impact. It's the unintended impacts that worry us as much as the intended ones. And you can see this in all of the concerns that we have about climate change and the consequences of company actions. Companies don't intend to pollute, but they do, and that's what we expect them to take care of. We don't care that their intention was not to do it. What we care about and trust them for is how well they actually try to remedy the effects that they have. So these are the four dimensions it's competence, motives, means, and impact. And just to put a bow on the UBER story, there is a consequence to not being trusted. So when UBER started, it had roughly 90 percent of the ride-hailing market in the United States. In January of '21, it had 68 percent two-thirds of the market, so it had lost a third of its market share to its chief competitor, LYFT. And what did LYFT do? LYFT pretty much said, you know what, we're not UBER. You want to drive with someone, come ride with us. And I know many people, this is just anecdotal, who literally will only go with UBER after they've tried to get a car with LYFT. And that's how trust is built in business. It's really built, it's not just one thing I trust based on these different dimensions and that's helpful for all of us to understand because honestly, you can be good at some of these and not at others, as we see with UBER and so trust is this multi-variant kind of assessment that we make as to whether or not we think an organization is worth trusting.

**Podcast Host:** You spoke about competence. Many executives think that trust is just a matter of competence. If I manage the company competently, it naturally leads to trust. True or false?

**Sandra Sucher:** False. So or let me shape that a little bit. So there are different kinds of competence. Of course, I'm an academic at this point in my career, so forgive me for this, so you can think about two kinds of competence, at least, that organizational scholars look at. One is technical competence. So am I good at the UBER stuff, right? Can I create that ride-hailing app? The other is managerial competence, and that's my ability to adjust to changing circumstances and to manage relationships with different groups to accomplish my goals. Now, UBER is notably bad at that. It's in the crosshairs of regulators and literally every country where it does business and for good reasons because they don't like how UBER does business. And so thanks to some information you had shared with me, I'm aware of the fact that the Court of Amsterdam ruled in September that UBER drivers are not independent contractors. That ruling actually came out in the UK earlier in 2021. And it is something that the EU is now proposing, which is to classify gig workers as employees. So this is a very good example of unfair means, right, UBER treats these people as employees, but actually doesn't want the financial consequences of owning them, having to give them benefits, having to give them vacation pay and things like that. And so that's why it is that we think that they may not be competent in all the ways that they think they are.

**Podcast Host:** We've been talking or you've been talking about UBER. But let's talk about another example of repairing broken trust. I'm thinking of the losing of trust in the carmaker Volkswagen because of the emissions scandal in 2016. Volkswagen CEO Matthias Mueller told reporters at the time that and I'm quoting him, "rules were broken and boundaries overstepped. It's very painful and we apologize sincerely. We know that we have disappointed many people, people who have placed their trust in Volkswagen. We stand by our responsibility and we are doing everything in our power to regain trust". Is that repairing trust?

**Sandra Sucher:** Well, I don't know how you feel about this, Severin, I do not find that an especially persuasive apology coming from VW in 2016. So it turns out that trust recovery is its own process. So building trust is based on the four elements I talked about. If you want to recover trust, there are three things that we know from research actually help you to do that. The first is you have to acknowledge harm and apologize for it, and I'll come back to that as to

why it is that this is such an unpersuasive apology. The second is that you have to take accountability for what you've done. And the third is that you have to fix the underlying problem. So the harm that he should have been apologizing for was allowing emissions at 40 times the legal limit over nearly a decade and covering up their knowledge of the software that was used to do this. So when you apologize, you have to actually be quite specific to show that you understand the harm that you've caused. And this is not something that's evident in their apology. Now then, CEO Winterkorn has been held accountable by the U.S. and Germany and as for fixing the underlying problem, actually, interestingly, VW has used the scandal to reinvent itself on many dimensions. So in that regard, it actually used this as a launchpad for saying, you know what, this way that we're trying to go after doing business and this is when they made their initial commitment to electric vehicles, which is really turned their fortunes around as a company and put them in very good stead. So as to whether or not they were apologizing properly at the time? Absolutely not. And I think that in fact, because you asked me to take a look at this, I'm going to now write a case study about VW, and I'm going to call it the long tail of trust because now actually, this was 2016, it's 2021 and there's still consequences., 39 billion dollars of fees and fines have been levied against the company. Careers have been wrecked and so I'm going to study how it is that trust actually trust recovery takes a very long time and requires multiple ways to go after it. Following these three steps,

**Podcast Host:** You mentioned the elements of apologies and in preparation of this interview, we talked, you talked, about the PWC example. Maybe you can tell us a little bit more about that.

**Sandra Sucher:** Yeah, sure, I'd be glad to. So PricewaterhouseCoopers is responsible for verifying that the that the announcement of the winners at the Oscars is correct. That's their job. They've been doing this for decades. And in 2017, much to their sorrow and other people's, they allowed the wrong winner to be announced. So Moonlight was supposed to have won Best Picture. La La Land was announced instead. So that night they put up on their website and through other channels that they had press releases and elsewhere an apology that is a classic for how to do a good apology. So I'm going to tell you the elements of what it is you need to do and suggest that you if you actually need to repair, trust yourself, follow these three steps. This will help you if it

**Podcast Host:** helps me to if I have to apologize to my wife.

**Sandra Sucher:** Exactly right. All of us do things in our life that we regret. And so here's your three-part formula. The first is that you do have to acknowledge a harm and apologize. And as I said before, this has to be quite specific. And so what PWC said as they said, we are so sorry for the fact that the wrong picture was announced, they said that they were grateful to the actors and the other people involved and the picture and the grace with which people had managed this situation. So they acknowledge what it is that they had done and exactly the nature of the harm. So the first step is to acknowledge harm and apologize. And it's important here to actually say that you're sorry. This language turns out, at least in English to be extremely persuasive compared to other kinds of language, including, I regret, I ask for your forgiveness. It turns out that saying that I'm sorry has a simplicity about it that really communicates well. So tell people what it is that you did wrong and say you're sorry for it. The second step is you have to explain what happened. So if you've done something wrong, people want to know well, how did that occur? Let's pretend I believe that you're sorry. I still want to know how this happened. And so in this case, PWC had to acknowledge that the person on the stage who was supposed to be doing this audit, he was actually on his cell phone at the time. And so he wasn't actually supervising the activities, he should have been done very embarrassing for them, but they had an explanation as to what went on.

**Sandra Sucher:** And then the third step is an offer of repair. And this is where you say, OK, you know, this thing happened in the past, here's what I'm going to try to do to make sure that it doesn't happen again, and that has to be quite specific. And so PWC at the time committed to dive into all of the ways that they could make this a more reliable process when they're managing the Oscars. And so in addition to obviously banning cell phones from the stage, they did one other thing that was super interesting and important. They required anyone who is working at the Oscars to memorize the winners of all the different categories. And so that meant that if you are on the stage or if even if you're off stage, the multiple people can recognize if an error has been made and immediately correct it. So that is an excellent offer of repair really fixes the underlying problem. So these are your three steps you acknowledge harm and say you're sorry for it. You explain how it is that this occurred and then you have a very specific offer of repair. Now, sometimes for those of us in family relations, that's like flowers sent to the home, you know, it's helping someone buy something you know, they really want,

when there are many ways to repair and those are the things that you do in a business as well. But the offer of repairs are really important as well.

**Podcast Host:** I think your remarks about repairing and making apologies is something for our Dutch politicians. While we have this interview, again, against all odds, we are in the Netherlands in a complete lockdown due to the Omicron variant. Trust in our politicians is at the moment at an historic low. We just have a new government, its first challenge is to repair the trust they lost in previous years. So just listening to you, what should be done? What would your advice be to our politicians to repair trust?

**Sandra Sucher:** So I don't actually think that repairing trust is going to be different for them. And what I mean by that is they would follow the same three steps, so the first thing they'd have to do is to acknowledge the harm and apologize for imposing restrictions that people have suffered under. People would want to hear that the politicians know that this has been hard and that they are really sorry for the fact that they've had to make these efforts to try to stop and limit the effect of the virus. The second thing is they should explain why it is that they were doing what they did, what trade-offs they faced, and why it is that they came down on the side of this versus that. People want an explanation of what it is that's occurred. And if you can explain your reasoning, it builds confidence and trust that you have a process for thinking this stuff through and that it's not random or something that you didn't give very much thought to. And then in terms of an offer of repair, this is a question where I think politicians need to become more specific about the conditions under which they would allow the restrictions to be lifted. So that's what people are looking for. They understand, you know, this is highly contagious, but reports are coming out now that this actually doesn't make people as sick. So that's going to require kind of a different calculus as people try to balance what it is of exposure to this virus versus actually having people get sick from it. But in any event, in my own university at Harvard Business School, my school has actually been quite good about this, they just came out with an announcement yesterday that said, week by week for the first three weeks in January, here's exactly what we're doing. Here's why we're doing what we're doing, and here's when we will be making the call as to what we'll be doing the next week. And so if I'm teaching, which I'm not in that particular period of time, I would at least have the confidence in if I'm a student of knowing, OK, I get it. I know what I'm going to find out what's going on. Now it is much easier in a controlled environment like a business school for people to

do that, but I think the governments can actually at least help people understand the data that they are looking at to help them understand when it is that they might be able to lift restrictions so when case counts get below a certain level perhaps we could do that and I think that's the kind of offer of repair of a transparency that I think we haven't had to date.

**Podcast Host:** So confusion is the absolute opposite of what you advise.

**Sandra Sucher:** Correct. And so, you know, going back to one of your earlier comments, you know, trust is necessary under conditions of vulnerability and uncertainty. And it's really the uncertainty that we're all living with now that is so painful for us and where we know that this trusting feels so awkward because we're not sure that the other people understand how difficult the uncertainty is.

**Podcast Host:** Sandra, my last question is in your field of expertise, what are the challenges lying ahead of future trust research?

**Sandra Sucher:** So I so I'd say that there are a number of things that I have on my radar. The first is just practical measures of trust. So nothing gets improved in any organization if you can't measure it. And so I'm very interested beyond the surveys that most of us read as to what it is that businesses can do to get a bead on how it is that different stakeholders are looking at their actions. So there's something in business called the Net Promoter Score. So this is those irritating surveys that you get at the end of every interaction that ask you if you'd recommend an organization or not. And there's a company in Kazakhstan, a fintech organization that makes unbelievably great use of Net Promoter Scores. They actually call 40,000 people who have interaction with them over the course of a month, and then they ask them, what's the one score they would give? And then they simply ask, why? And then they analyze all of the answers that come up, and they use those answers both to go back in and say, these are things we should be fixing, here are things that people would like us to do that we don't do right now. And so it's become a very simple process, but they've had to obviously invest quite a lot in order to get that information. So I'm interested in that example and others of practical measures that people have. And I'm also increasingly interested in the role of leaders and corporate boards and how it is the companies live up to their responsibilities. So corporate boards are actually responsible for companies, and then they delegate that responsibility to the

CEOs who they appoint. And so how it is that boards actually can be helping companies become more trusted, what should they be doing in the event of a Volkswagen scandal and something like that? That's something that I'm quite interested in now.

**Podcast Host:** Sandra, thank you very much for being our guest today and still all the best for 2022.

**Podcast Host:** Thank you so much.

**Voice-Over:** We hope you enjoyed this episode of TrustTalk. We would be very grateful if you leave us a review on Apple Podcasts or on Stitcher. Don't miss out on future travels around trust and subscribe to this channel or visit us on our website [TrustTalk.co](https://TrustTalk.co) or on Twitter at [TrustTalkCo](https://TrustTalkCo). We look forward to seeing you again.