

with Bernadette Barber



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The trust fund is empty



Public anger around these issues is now almost tangible.

The world has always relied on trust. A handshake may no longer be sufficient evidence of a done-deal, but trust in business is far from just being a feature of a bygone era of bowler-hatted City gents. Trust remains the cornerstone of any good organisation's work, and that applies equally to commercial companies, public sector bodies, charities and social enterprises.

It's not just a matter of an organisation's creditors believing that their bills will be paid, but the faith of customers and the wider public that an entity will be fair in its dealings, that reasonable expectations will be met and that power will not be abused. That faith needs to be nurtured and protected, for a good reputation is both exceptionally precious and surprisingly easy to lose, a truism with which Gerald Ratner would surely agree!

The building of an organisation's reputation is something which must be led from the top. It is the job of the organisation's leaders to both define the organisation's culture and values and to demonstrate and exemplify those values themselves. This is widely recognised as necessary across all sectors as evidenced in best practice guidance such as Nolan's Seven Principles of Public Life, the Good Governance Code for

the Voluntary and Community Sector, the UK Corporate Governance Code and the IoD's Corporate Governance Guidance and Principles for Unlisted Companies to name but a few.

It is perhaps the perception that those at the head of some organisations are failing to lead by example that has brought about such widespread condemnation in recent times. Public anger about bonuses, MPs' expenses and similar issues has grown to tangible levels. Those whose behaviour is good and those whose is not are, to some extent, tarred with the same brush. Public cynicism is undoubtedly elevated and, while not many of us may be sufficiently motivated to go and pitch our tent outside St. Paul's Cathedral in protest, there is increasing support for the public's interests to be taken a bit more seriously.

The idea of stakeholder concerns having a right of consideration in the decisions taken by organisations is nothing new – the jargon 'stakeholder' has been part of common parlance since the days of New Labour and its origins in fact go back further than that to the 1960s – but it is an idea that has been increasingly reinvigorated since the banking crisis. Any entity which ignores such a sea change in public opinion and allows itself to become complacent about how it, its leaders

and actions will be viewed, does so at its peril.

It's not so much that the need for organisations to operate in a financially sustainable way or the use of financial motivation to produce enhanced results is being questioned. Private business in particular is undoubtedly there to pursue profit – virtually all organisations now use some form of performance-related remuneration to reward those who add extra value, but this should not be incompatible with a culture of behaviour which acknowledges and takes account of society's needs as a whole. The interests of employees, suppliers, creditors, customers, local communities and the environment should not always be the poor cousins to purely financial considerations. Those in a position of responsibility for their organisations should, rather than seeing such wider issues as conflicting with the pursuit of long-term success, recognise them as important factors in the shaping of their organisation's values and take account of them accordingly.

Trust is at the heart of many of our regulatory regimes and governance arrangements. 'Comply or explain' is but one example of a measure which relies on integrity. One wonders whether such voluntary and flexible arrangements are in danger of being sacrificed on the altar of public appeasement in order to satisfy current appetites for greater intervention. With headline-grabbing politicians wading in to the debate, the temptation to introduce populist measures must be strong.

Winning back public confidence will not be easy, but a start must be made somewhere. The surrender of executive bonuses is testament to the extent of the public pressure to which boards are now having to react. The elevation by Barclays of their 'Citizenship Performance Highlights' to the first page of their 2011 results announcement, ahead even of the financial highlights section, points perhaps to a new understanding in the boardroom of what the public wants. This recognition of public expectation and strength of feeling may be a little late in the day, but better to have a late re-think than no re-think at all.

» About the author

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