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Trust: the behavioural challenge

Embedding a culture of doing the right thing

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The past two years have seen radical change in the relationship between business and society. Events ranging from the credit crunch to oil spills to 'payment for failure' have put businesses' behaviour under the microscope. The widespread perception of a growing disconnection between corporate behaviour and ethical conduct has triggered a sense that global public trust in business has declined.

Our aim in this paper is to stimulate thinking around what more is needed to enable trust in business to flourish. To achieve this, it may be the time to open and explore the Pandora's Box of corporate culture and behaviour.

'This is the second in our series of papers on trust. In PwC's first paper, *Trust: the overlooked asset*, we explore the importance of trust and the complexities and dilemmas facing businesses as they strive to earn and sustain it. In this second paper, we focus particularly on how trust has become increasingly susceptible to an organisation's culture and behaviours and pose some key questions all boards should consider.

'Drawing on the findings of the ethicability® research programme (see back page) into how individuals' 'moral DNA' manifests itself in behaviour, we examine four factors that are critical for any business: corporate purpose, and belonging; leadership; behaviour; and authenticity. In exploring these areas, we stress that any organisation is essentially a community, whose members crave a genuine sense of shared purpose and belonging. Coming to work for the monthly pay cheque is no longer enough.

The ethicability® research also shows that different people in different contexts, life stages and occupations have different motivations, and different perceptions of what 'doing the right thing' means. Many people who get to the top of organisations have a particular moral DNA profile – a situation that should be managed through established checks and balances. Further findings underline why diversity is so important for any successful and sustainable business.

Finally, with compliance dominating much of business life, we ask whether businesses are striking the right balance between creating compliance-led processes on the one hand, and improving behaviour by embedding the right culture on the other. In PwC's view, this balance needs to shift from compliance to culture.

Amid the current debate over the need for a new settlement between business and society, we believe these issues are critical. There is a growing sense that the relationship between business and society cannot be restored by regulation alone. Our aim in this paper is to stimulate thinking around what more is needed to enable trust in business to flourish. To achieve this, it may be the time to open and explore the Pandora's Box of corporate culture and behaviour.

Corporate purpose and belonging

Why does your business exist?

Change on both sides

In the context of the debate over a new settlement between business and civil society, it is clear that progress towards this outcome will require change on both sides of the relationship. On the side of society, people's attitudes and expectations of business are undergoing fundamental shifts, partly due to the decline in trust seen in recent years. To earn and build trust, these changes in public expectations must be mirrored on the business side by a new sense of corporate purpose: an aspiration that looks beyond the generation of financial returns to the real reason why a business exists. Let's be clear, wealth creation is a fundamental social good, the question is how is this wealth created and can it be created in a more responsible way?

Today, companies are re-evaluating the prominence and positioning of shareholder value in their thinking and communications and are recognising the need to balance it with a wider range of issues

This question demands boards to carefully consider how wider issues of corporate responsibility and ethics are captured in decision-making processes, alongside – and even ahead of – financial considerations. Across the world, there are growing signs that such a shift is already under way.

Moving away from shareholder value

In the 1980s and 1990s, business went through a period when a remorseless focus on shareholder value was the accepted mantra behind corporate purpose, and the rationale for accepted modes of corporate and workplace behaviour. Today, companies are re-evaluating the prominence and positioning of shareholder value in their thinking and communications and are recognising the need to balance it with a wider range of issues, including employee wellbeing and the sustainability of their operations. This change mirrors recent comments by the Nobel Prize-winning economist Joseph Stiglitz about the use of economic statistics as a proxy for a 'successful' society. In September 2009, he wrote in *The Guardian* newspaper: "The big question concerns whether GDP provides a good measure of living standards. In many cases, GDP statistics seem to suggest that the economy is doing far better than most citizens' own perceptions. Moreover, the focus on GDP creates conflicts: political leaders are told to maximise it, but citizens also demand that attention be paid to enhancing security, reducing air, water, and noise pollution, and so forth – all of which might lower GDP growth."

Similarly, with the move away from shareholder value as the primary compass for setting corporate purpose, companies are looking beyond the pure profit motive to identify and pursue more socially-relevant and sustainable reasons for existing, thereby creating a new corporate purpose. If they carry out their chosen role in society successfully, they will make a profit and grow their business– but only as a result of fulfilling the new purpose they have set for themselves. For some this is not something new. Entrepreneurs and business writers have over many decades written extensively on success being driven by the customer and employee experience – unfortunately it appears the corporate world has a short memory.

An increasing number of companies recognise the need to focus more carefully on their total corporate contribution

Towards total corporate contribution

The broadening of corporate purpose to encompass a business's total contribution to society rather than just the financial returns it generates can be seen in many industries. In June 2009, HSBC Group Chairman Stephen Green delivered a speech entitled 'Restoring Governance and Trust' at the British Bankers' Association's Annual International Banking Conference. He told the audience: "Let's be clear what the raison d'être of banking is: it is to provide financial services on a sustainably profitable basis to our customers…
It is the job of Boards (and indeed their senior management) – it is the corporate and social responsibility of those Boards – to oversee the provision of financial services, not just on a profitable basis but on a sustainably profitable basis."

An increasing number of companies recognise the need to focus more carefully on their total corporate contribution – and all are critically aware of the risk that the simple statement, or strapline, can be seen by some as a cynical response rather than a genuine commitment. Companies who have given serious thought to this issue recognise that in today's connected and web-enabled world, even the smallest gaps between the positive words and the hard actions to back them up will be quickly exposed and probed in the global media. However, when these commitments are seen to be genuine, they earn trust.

Industry variations: where do you sit?

While the move towards a new socially-relevant corporate purpose applies across all industries, the findings of the ethicability® research suggest that this presents greater challenges in some sectors than others. Individuals working in different industries tend to have widely differing profiles in terms of their moral DNA. Homemakers, religious workers, the caring sectors and the police tend to have high moral DNA.
In contrast, at the other end of the scale – with low moral DNA scores – we find sectors such as government, technology, oil and utilities.

The varying motivations prevalent in different employment groups have major implications for businesses. To be truly effective, the corporate purpose must extend right across the organisation, shaping every action by every employee. Organisations operating in those industries whose workforces tend to return lower scores for moral DNA may find it harder to embed and live their new corporate purpose in ways that stand up to scrutiny. Furthermore, they may be introducing risks to the business that 'insiders' are blind to because certain behaviours have become so ingrained in the culture.

Belonging: a critical enabler for corporate success

While different industries vary in their moral DNA, an important element in creating and sustaining a successful business with a shared, socially-valuable sense of purpose is a shared sense of belonging. This is achieved through close alignment between the values and purpose of the organisation and those of the individuals it employs – an alignment that logic suggests should translate into more engaged staff and, in time, an enhanced customer experience. One obvious example of this alignment is the high moral DNA scores of care workers.

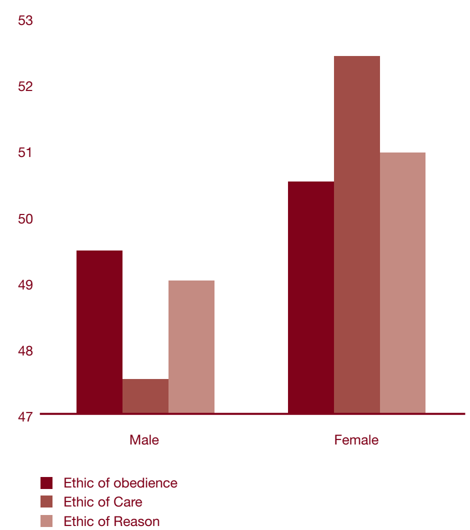
To rebuild and restore trust, it may be that we need to create a new type of corporation that reflects the ethic of care more fully in its behaviours, thinking and decisions

One important consideration for organisations trying to build a strong sense of belonging is the gender make-up of their workforce. Here the ethicability® research shows that females tend to have a stronger sense of 'belonging', and males a stronger sense of 'purpose'. This difference shows up most clearly in females' more pronounced ethic of care (see figure 1). So women place greater emphasis on the common good and serving the community – a collective sense of 'belonging'. Conversely, men focus on achieving objectives by following rules and applying individual reason – a linear 'purpose'.

In the context of business, it is important to stress that some women have a strong focus on purpose, and some men on belonging. But in general, women are more likely to take decisions based on the good of the people around them, whereas men take them based on what is good for themselves. Some recent events in the corporate world could be put down to men focusing on purpose to the exclusion of belonging, and ignoring the interests of the wider community.

Figure 1

Ethical decisioning by gender



To rebuild and restore trust, it may be that we need to create a new type of corporation that reflects the ethic of care more fully in its behaviours, thinking and decisions.

Key questions all boards should consider

Is making a profit the driving raison d'être of your business? Is this good enough?

Should we be surprised that generation Y is interested in working for organisations that contribute to society?

What are the unintended consequences of the profit motive in your company's day to day decision making? Are they life threatening?

Leadership
Substance over form?

'Tone from the top' trumps process
If a culture that embraces and encourages ethical behaviour is a prerequisite for an organisation to do the right thing in the pursuit of building and sustaining trust, then PwC's view is that the right leadership – the tone from the top – is a prerequisite for creating and embedding such a culture.

People will only do the right thing consistently and reliably if they are in a wider culture that celebrates and rewards it. While such a culture needs to exist at all levels of an organisation, the behaviour and values that create and sustain it needs to be set from the top, by leaders who consistently exhibit the behaviours and values they expect of their people.

If the tone is not set from the heart, then it will fail

Making it personal
What is more, these behaviours and values must be heartfelt to have a real impact. PwC chairman Ian Powell comments: "In setting the right tone from the top, the key to success is leaders finding their own voice. The tone has to be authentic and consistent. Then it is down to the passion and commitment of the whole board to take it on. If the tone is not set from the heart, then it will fail."

As we discuss later in the context of corporate reporting, authenticity is key. A leader who is setting the tone from the heart will find it much easier to win over the workforce to adopt the same values. If the organisation as a whole believes the tone is not authentic, then it will not adopt or absorb it.

So the whole board – indeed everyone involved in oversight roles in an organisation – must focus not just on ensuring that processes and controls are working, but also on living and exhibiting the right corporate culture and behaviours. Regulators, non-executive directors, risk managers, auditors and internal auditors all have a role to play in identifying and tackling inappropriate behaviour, including knowing when to express concerns and just say 'no'.

Boards under scrutiny
PwC's *'Tone from the top'* research study, published in July this year, confirms that while some progress has been made in setting the right example at the top of organisations, there is still a long way to go. In cases where management is failing to create the right culture and behavioural norms, the buck must stop with the board, and especially the Chairman and CEO.

Today, external stakeholders are more focused than ever before on the make-up and behaviour of the board – particularly when problems occur. This scrutiny extends to examining whether the board is exhibiting vital leadership qualities, ensuring the right checks and balances are in place and operate when needed – before the event rather than after it. However, as we know, this assessment goes further to consider the diversity of skill sets, boardroom interrelationships and behaviours and critically NEDs' degree of independence from the CEO. Faced with this type of scrutiny the best response is to be able to tell it how it is –

Some boards are beginning to understand that courage and bravery are values that are critical if boards are to make the right decisions

to point to the leadership, the tone from the top and the actions of the board. The critical question perhaps for boards to ask is, how does this picture look today? Experience shows that it is a lot easier to make this appraisal when you are in control of the agenda rather than in the glare of publicity.

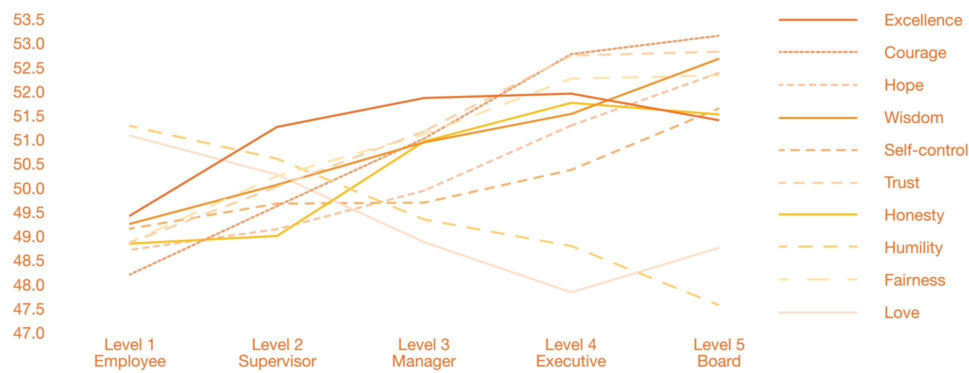
Understanding the motivations of senior management

In all these board-related issues – and across the organisation as a whole – diversity of thought is increasingly recognised as being important to business success. The profiles of individuals' moral DNA revealed by the ethicability® research reinforce this view. While the findings on moral DNA are not absolute – there will always be exceptions at every level and in every sector – the general outcome is that business leaders have a tendency to be arrogant in their pursuit of a corporate and personal goal, take little account of people in their decisions, and are frequently driven by personal status rather than the common good.

Figure 2 charts ten values making up the moral DNA of leaders up to board level. What is clear is that the people reaching the board are strong in eight of the values. But two values are getting lost – or ignored – on the journey to the top: humility, and love, which translates into words such as

Figure 2

Moral DNA by level of leadership



compassion, kindness and charity. Levels of compassion and kindness are at their lowest just below board level, possibly as ambitious executives scramble to take that final step to the top. And while those who reach board level do regain some of these attributes it would appear that their drive for success sees their humility dive even further.

It is interesting to observe that while the word 'love' is seen almost everywhere else in life; it is rarely used in business. But it is an emotion that is highly relevant to the way people treat others in a corporate context. Closely related to the ethic of care, love is a quality in which women outscore men, suggesting that the relative absence of love among corporate leaders partly reflects the gender imbalance. One outcome is that business leaders – who are primarily male – can become domineering, arrogant and cold in their decision-making.

True, many of these business leaders bring tremendous advantages to their organisations in areas such as strategic vision, entrepreneurial drive, the ability to execute, negotiation skills, and so on. These are reflected in their strong scores on values such as courage and wisdom. In this regard, some boards are beginning to understand that courage and bravery are values that are critical if boards are to make the right decisions. The challenge is having the right mix of people around the table.

The time may have come for boards to pay more attention to the tone being set from the top

Checks and balances

The question for boards that this picture presents is arguably a simple one to ask but more difficult to answer. Put simply, is the behaviour and tone established in the board room right and is it reflected in how the organisation is run on a day to day basis?

Answering the question is more challenging, but something PwC believes boards should be trying to answer. To do this, boards need to dig below the surface and use their exposure to the organisation to assess the behavioural norms which are present and which influence the pulse and dynamic of the business. Is challenge accepted? Are employees encouraged to be transparent in their views and concerns? How do incentive structures influence behaviour? Critically, boards need to be skilled in recognising cultures of fear or good news where the organisation is driven to meet senior management's expectations regardless of reality.

By building this picture, boards can be in a position to ensure that routine business processes and other checks and balances are sufficient to act as an early warning system to identify those circumstances when some form of intervention is needed. The principal checks and balances exist in most businesses today – the role of the Chairman and NEDs, the role of compliance and risk functions and scrutiny from internal and external auditors.

The key question however, is whether all these functions are correctly primed to spend enough time and effort focused on the culture and behaviours rather than processes which, while important, are only part of the answer.

In reality, the key check and balance is the one exercised by the board. The quality and substance of its leadership, governance, oversight and its interaction with those individuals acting in a support role will set the tone and example by which the whole organisation acts. In effect it is the body who determines what doing the right thing means. It is therefore unsurprising to know that regulators such as the FSA and enforcement agencies such as the SFO are increasingly examining this facet of a company, how leadership operates and the cultural and behavioural norms it has established. They, like others, are aware of the need to focus on the behavioural 'red flags' which are indicators of likely unethical and fraudulent business practice.

To rebuild and restore trust, the time may have come for boards to pay more attention to the tone being set from the top, both the manner in which board decisions are arrived at and how the CEO leads the organisation on a day to day basis.

Key questions all boards should consider

As a business leader, do you think 'doing the right thing' means the same in both your personal and professional life?

How would the board describe the 'tone from the top'?

Would you terminate a profitable relationship with another business if you believed it was acting unethically in another part of the world?

Should the CEO's word be final? Do you know if constructive challenge is something encouraged in the organisation?

Do you care whether your employees feel connected to the board, or is it enough that they do what their line manager tells them to?

'If a board is capable and well qualified, does it matter if the members are all white, middle-aged men with the same backgrounds?

Behaviour

Beyond the code of conduct?

Understanding culture and behavioural norms
Assuming the board is setting the right tone from the top, the next step may be to win hearts and minds to ensure this tone is embraced and echoed at every level. The mechanism used by most companies to establish a common culture and set of behaviours has traditionally been the code of conduct. It is the mechanism whereby the board and corporate centre has tried to set expectations around behavioural norms and the high level parameters which should underpin day to day decision making.

Who are held out as role models and why? What behaviours are celebrated?

Unfortunately, issuing a code of conduct to staff on their first day, and then letting them leave it in a drawer, will never be enough to influence behaviour to any meaningful degree. Yet, as our '*Tone from the top*' research shows, this is effectively what many businesses are doing today. While the best companies have established training and processes of self assessment, this again can too often be seen as a compliance burden rather than a commercial lever.

What makes the company tick?
Perhaps companies need to invest more time in understanding the behaviours that drive the collective conduct of the organisation. Who are held out as role models and why? What behaviours are celebrated? And how do they align with the words and aspirations in the code of conduct?

Furthermore, while it is not the norm today, we may be moving closer to the day when organisations routinely undertake work to profile the moral DNA of their workforce. Not in a 'big brother' sense, but more as a mechanism to understand how the organisation is likely to respond to complex business issues, significant risks, competing value sets and unexpected crises. While this is a developing science, the moral DNA survey starts to expose the sort of issues which organisations may increasingly want to better understand.

For example, page 9 sets out three of the top-line findings from this year's ethicability® research:

Individuals' attitudes to principles and rules shift over time

- **Balancing Venus and Mars:** Figure 3 clearly shows women score highly on 'love' which is consistent with the ethic of care and business as a place of belonging. Men score highly on 'wisdom' and 'self control' which is consistent with the ethic of reason and economic purpose in business. The potential impact of these differing motivations on business decision-making should not be ignored.

- **Occupation and 'moral DNA':** Homemakers, religious workers and health workers score highly on moral DNA, along with people working in education and law enforcement. However, do the leadership and operational responses for occupations with the lowest scores – which include government, technology, oil and utilities – need more careful consideration?

- **Ethic of reason advances with age:** One of the clearest findings is the way individuals' attitudes to principles and rules shift over time. As figure 4 shows, most people's ethic of reason – the tendency to behave in accordance with their own principles and perception of what is 'right' – increases with age. Simultaneously, their ethic of obedience – the readiness to comply unquestioningly with rules imposed by others – declines. As the working population ages, these trends bring significant implications for corporate cultures.

Figure 3

Moral DNA by gender

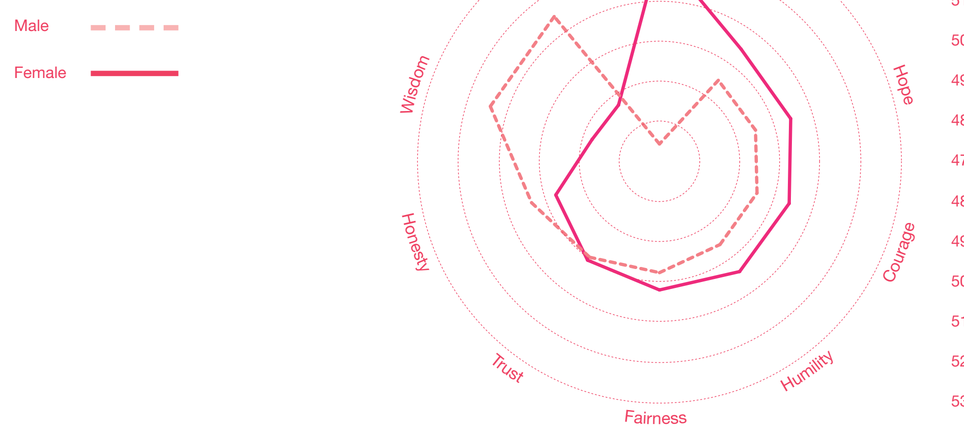
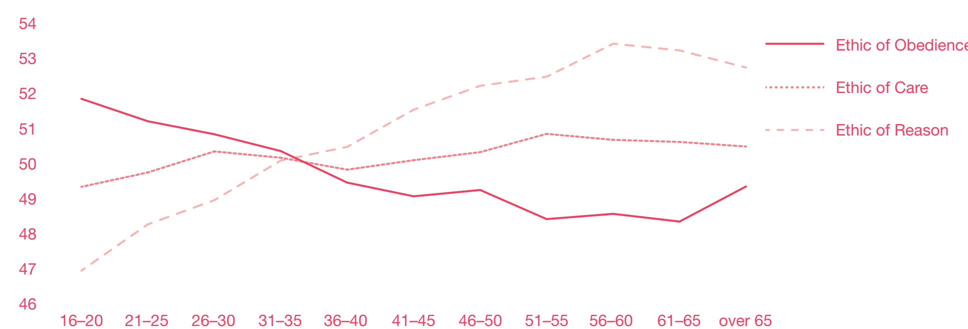


Figure 4

Moral DNA by age



Our view is that businesses should rethink their entire approach to risk and compliance, and seek to cultivate behaviours that are based not on following rules, but living by principles.

Balancing behaviour and process
Whether exhibited by men or women, these contrasting behaviours and motivations have implications for the risks businesses face, not least around the processes for ensuring compliance with regulations. Our view is that businesses should rethink their entire approach to risk and compliance, and seek to cultivate behaviours that are based not on following rules, but living by principles.

The requirement for organisational behaviour to be shaped by people-based principles rather than rules-based processes will be further strengthened by the advent of the Bribery Act. This Act introduces a spectrum of general, active and passive bribery offences, and a specific offence relating to the bribery of foreign public officials. It also includes a specific corporate offence of failing to prevent bribery.

To manage the new risks under the Bribery Act, the expectation is that boards will need to show clear leadership and training will need to be provided throughout the organisation not only to ensure compliance but also to foster a principles-based anti-bribery culture. Failing to respond effectively to the requirements of this act have obvious legal and commercial ramifications and while this issue has a narrow focus it provides the most urgent rationale today for taking the thinking in this paper seriously.

Any organisation is only as good as its weakest link. As this paper highlights, these links are individual people, more often than not reflecting the behaviour cross section of society in all its strengths and weaknesses. What this paper questions is whether sufficient time and effort is spent by companies thinking through the culture and behaviour of the organisation and the implications for its appetite to risk, its compliance with regulations, its decision-making processes, and its succession planning for the top roles.

Key questions all boards should consider

Would the people in your business behave ethically if you had no rules forcing them to do so?

Would you expect your accounts, legal and internal audit teams to behave like your sales team?

Does the tone from the top resonate throughout the business?

What does the remuneration and incentive system say about expected culture and behaviours?

Where do you draw the line on unacceptable behaviour and what sanctions do you impose on those that cross the line?

Authenticity

Have you taken the mirror test?

Just as cultural and behavioural change must extend beyond compliance with a code of conduct, so an organisation's reporting on who it is, what it does, and why it does it must go beyond the regulatory and legal requirements. Only by revealing its genuine DNA clearly and consistently will an organisation become truly trusted in what it says — and thereby in what it does.

Trying to achieve authenticity raises many questions, reaching back to the need to identify the organisation's true raison d'être

Living in a goldfish bowl

Indeed, companies now find that their true DNA is revealed whether they like it or not. Instantaneous global communications and the internet mean that all businesses now operate in a goldfish bowl, constantly scrutinised by stakeholders, NGOs, and media organisations ranging from global news providers to campaigning bloggers. Gone are the days of being able to manage the messages to different stakeholders and mould external perceptions of the business.

Beyond transparency

As a result of these developments, the requirement to present the true face of the business now encompasses much more than 'transparency'. It means not only revealing the essence of the company, but also ensuring that this essence itself is actually worthy of people's trust. For this reason, we have chosen the word 'authenticity' rather than 'transparency'. However, trying to achieve authenticity raises many questions, reaching back to the need to identify the organisation's true raison d'être. What really is the essence of the business? How do leaders and staff reflect that in their everyday behaviour? How completely can the board expose its actions and discussions? And how does the level of authenticity achieved measure up against competitors and business partners?

Will people like what they see?

To answer such questions, the business needs to hold up a mirror to reality so that others can see it clearly for what it is. Initially, only organisations that are confident that people will like what they see may be willing to do this. But, over time, all organisations may well have no choice.

Why? For society as a whole, non-regulatory disclosures on issues such as corporate behaviour and governance are becoming an increasingly important part of the information exchange that underpins companies' license to operate. For boards, it may become the mechanism through which their risk is mitigated and their AAA rating maintained.

Research bears out this shift. For the first time in its ten-year history, the 2010 Edelman Trust Barometer shows that trust and transparency are as important to corporate reputation as the quality

With stakeholders looking for clarity and honesty from businesses, the days of 'never explain, never apologise' are over

of products and services. In the US and in much of Western Europe, these two attributes rank higher than product quality – and far outrank financial returns, which sits at or near the bottom of 10 criteria in all regions. This is in stark contrast to 2006, when financial performance was in third place in a list of 10 attributes shaping trust in businesses in the US. Again, this underlines the shift we noted earlier away from shareholder value as the sole basis of corporate purpose.

Culture is everyone's responsibility

So, what does the rising importance of trust and transparency mean for businesses' communication and reporting strategies? With stakeholders looking for clarity and honesty from businesses, the days of 'never explain, never apologise' are over. Boards that think they can present a certain face to the outside world while their business behaves quite differently behind closed doors are in for a rude awakening.

This is because today there are no closed doors. Everything is in the public domain for all to see on the internet: the way companies release and 'spin' information, the way their people interact with one another and the outside world, the way they treat their suppliers, the experience their customers get every day. A detailed view of the business is out there, whether or not it is the view the management wants to present.

That view encapsulates how people perceive the business's culture – and since the perception is grounded in actual behaviour by the business and its people, it is difficult to dislodge it from people's minds. This constant exposure also means that building and demonstrating the corporate culture is the responsibility of everyone in the business.

Substance not form

So, today, every employee is an ambassador, and every action from the shop floor to the boardroom contributes to authenticity. But as has been mentioned on a number of occasions in this paper, the actions of the board and the example it sets has a disproportionate impact on an organisation's authenticity and ultimately whether it is trusted. So it is important that boards reassess and critically question what they disclose about their own activities in the knowledge that too much of today's reporting focuses on the form rather than the substance of what boards do.

Put simply, it is what those outside the organisation – customers, suppliers, investors and society at large – think that matters in building trust

Furthermore, for this aspect of reporting to be meaningful it needs to reflect the business's underlying principles, the personality of its leadership and the manner and tone in which the business is run. This is not always easy, and evidence would suggest this type of reporting will not be produced by a committee or a team that see reporting as an unfortunate compliance requirement.

Many would argue the best barometer of trust is an organisation's transparency and the quality of the stakeholder engagement that follows. Put simply, it is what those outside the organisation – customers, suppliers, investors and society at large – think that matters in building trust. As this paper indicates the behavioural challenge covers many areas and for some determining how to effect change will be difficult. What is clear, however, is that transparency and stakeholder engagement are an easy starting point provided the organisation has the stomach for what it might be told. It might not, however, be what the organisation would like to hear.

Key questions all boards should consider

What aspects of your business would you worry about appearing on the front page of the paper?

How do key external stakeholders describe your corporate culture? Do you recognise the description?

When your employees read your annual report, do they see a company they recognise?

How well do you communicate externally who you are and what you stand for?

How much serious direction and input does the board give to the companies reporting and key communications

Towards a new settlement

Less regulation, more responsibility?

In PwC's view, the gap between fine words and genuine action that restores and builds trust will not be closed by further regulation. Even though regulators have an obligation to consider the ethics and culture of the firms they regulate, we believe that regulation is a false remedy for a lack of trust. Society's expectations of business and political leaders are based on their compliance not with detailed rules, but with broader principles and standards of behaviour.

You cannot regulate your way to trust: instead it has to be earned, through voluntary behaviour based on sound principles of honesty and integrity

Regulation will only drive the right behaviour if it is backed up by the right embedded ethical values. Furthermore, experience shows that while you cannot legislate for trust, you can certainly see the effect when it disappears. As Ed Smith and Richard Reeve point out in their paper *'Papering over the cracks?'**, trust is like oxygen, underpinning the law of contract, reducing transaction costs and speeding innovation – and as it gets thinner, the consequences for business and society are hugely damaging.

To try and prevent this damage, societies have traditionally used legislation to plug the gaps when trust is leaking away. But there is an argument that the regulatory reflex has the opposite effect, by creating a form of 'regulated trust' that people will follow the rules, but not that they will necessarily do the right thing. Enron – and arguably the run-up to the banking crisis – demonstrated that black-and-white rules can and will be circumvented by those with the time, intellect and intent to do it. So you cannot regulate your way to trust: instead it has to be earned, through voluntary behaviour based on sound principles of honesty and integrity.

The shifting landscape of trust brings major implications for UK business, fundamentally reshaping the way it interrelates and interacts with civil society and government. Given the changing dynamics, PwC's view is that the time has come for a new settlement between business and society – one based on less regulation and more responsibility. Creating such a settlement will require an open and forthright public debate.

In our view, all of today's organisations should be on a journey towards the new settlement with society. Progress toward this goal will require active involvement and engagement from three groups of stakeholders: the senior executive management of businesses; the individuals who are custodians of trust in those organisations, such as the chairs of audit committees; and the authorities and organisations charged with being responsible for maintaining the balance and wellbeing of the economic system.

For all these stakeholders, we believe that an important guiding principle will be recognition of the close linkage between public trust and corporate culture. People trust – or, alternatively, distrust – organisations because of their personal experience of how the people in those organisations behave. So businesses must seek to identify, develop and embed the right culture and behavioural norms that will earn both public trust and business success. That is the journey ahead.

*Published in January 2006 by the Work Foundation

The ethicability® research programme

PwC's ongoing collaboration with Professor Roger Steare, Visiting Professor of Organisational Ethics at Cass Business School, has formed an important part of helping to inform our thinking on the whole area of business culture, values and behaviours. Jointly with *The Times Online*, we have been supporting Professor Steare's ethicability® research programme which is an ongoing study into individuals' moral and ethical characteristics and motivations.

This scientifically rigorous study has seen more than 30,000 people take the ethicability® test since 2008, including 7,000 between June and September 2010, providing a wealth of insights and correlations between behaviours and values. Overall, the findings underline the importance of a business having a clear sense of purpose; the need to create a sense of belonging among employees; and the critical role played by a clear set of moral values, reinforced by the people at the top of the organisation. The ethicability® moral DNA test can be taken at www.ethicability.org.

What is moral DNA?
The research methodology defines moral DNA as embodying the balance between three strands of human motivation, each reflecting a different view of 'doing the right thing'. These three strands are:

- **Ethic of Obedience** – 'What's right is doing as you're told. Don't think, just obey.' This command-and-control conscience is characteristic of a moral infant.
- **Ethic of Care** – 'What's right is doing what's best for all of us.' This motivation is characteristic of a moral grown-up, and is especially strong in women, reflecting their desire for a sense of belonging.
- **Ethic of Reason** – 'What's right is a matter of personal conscience. I'm taking personal responsibility.' This motivation is also characteristic of a moral grown-up, and is especially strong among men, reflecting their desire for a sense of purpose.

Many of the findings and analysis from the research are highlighted in this paper.

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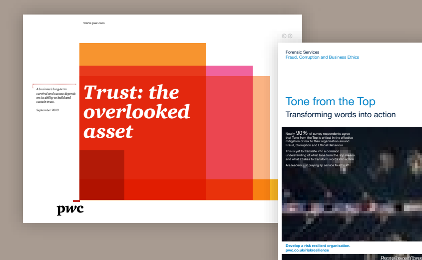
Publications

Trust: the overlooked asset

Tone from the top: transforming words into action



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