What I say will be generic for corporations—and other institutions—and not merely about banking; though that is where my main experience has been.

‘Crisis of trust’ is a cliché of our times; we are convinced that lack of trust is a new phenomenon, that in the past Trust was offered widely and generously. But evidence for this apparent crisis is mixed at best, there has mostly been very little change in the way that we, as consumers view the businesses with which we engage. There has been too much focus on generic attitudes; the evidence of opinion polls shows that trust has changed little in recent years.

In isolation, a focus on trust is risky, so it would be foolish to aim simply for ‘more trust’ in institutions; what is appropriate is well placed trust and well placed mistrust.

A well-known example of misplaced trust is the case of Bernie Madoff – he conned hundreds of people out of billions of dollars to fund his expensive lifestyle, and got away with it for almost two decades. No-one would suggest that more trust would have been helpful here.

What we want to focus on is not others’ attitudes but the trustworthiness of institutions in specific, relevant matters. This is hard when we have to judge the trustworthiness of many others in multiple, complex matters that we find hard to understand. Many failures of trustworthiness have taken advantage of asymmetry of knowledge between the truster and the trustee, whether constructed or incidental.
To judge trustworthiness, we need to judge honesty, competence, and reliability. Honesty in claims and commitments made; competence at relevant tasks; and reliability in honesty and competence. These are not the only standards that matter—but they are indispensable, not only in personal life but in complex institutional and social contexts.

Meeting honesty, competence and reliability standards cannot be achieved merely by relying on individual choice combined with legal and regulatory constraints, nor is transparency enough for judging trustworthiness: transparency is only a matter of putting content in the public domain. Transparency has the advantage of creating certain incentives to meet required or expected standards, but that is not enough—all too often the content is not accessible, intelligible, or assessable to those with less time or knowledge.

What we need is actual communication rather than transparency—and that is best provided when shaped and supported by an effective institutional culture of the right sort, that defines what is expected of employees and supports and encourages them to commit to these standards at all times.

An effective culture, then, is essential to trustworthiness. But how do cultures work? A coherent institutional culture is the converse of silo effects which insulate from check and challenge, and which can often be damaging and expensive. Gillian Tett, another Fellow of the Academy, has written at length on the importance of ‘silo-busting’—shared culture is a powerful engine of coordination, and can also be faster, cheaper and more pleasant than a reliance on law, regulation and accountability.

But not all cultures are effective or positive. The coordinating potential of cultures is essential, but some cultures foster unacceptable sorts of coordination.

We can distinguish three main categories of culture:

a) corrupt and destructive cultures that undermine or evade honesty, competence, reliability – there are many examples of bad corporate cultures - also of bad bureaucratic, political and intellectual cultures

b) adequate cultures that support compliance with law and regulation but no more (we might call them mere compliance cultures) – and excess of regulation fosters this

c) good cultures that demand not only compliance but clarity and engagement with a wider range of important standards for institutional life, and willingness to check whether and challenge when standards are breached or flouted

**SUMMARY**

To maximise trustworthiness, coordination within culture must be based on communicating and sharing views about what situations are, and about what is to be done while

a) Respecting law and regulation,

b) Maintaining honesty, competence, and reliability

c) Coordinating effectively with others on specific practical matters such as: e.g. feasibility, affordability, social acceptability

**JAMES BARDRICK**

The topic of ‘Trust, Trustworthiness and Transparency’, resonates with some of the practical work being done at Citi today to make it an even more valuable and trustworthy partner for serving its clients.

Trust has been lost across multiple stakeholders’ relationships post financial crisis across the banking industry, at Citi and in many other corporations in all sectors. All shareholder relationships must be sustainable and productive and must be based on trust and not just reliant on formal contracts. However we cannot demand to be trusted even if we perceive ourselves to be trustworthy, we have to earn trust in the eyes of others.

What changes in approach, behaviour and outcomes can be sought and delivered to build the conditions for trustworthiness as we seek to rebuild those critical relationships? I strongly believe that clarity of purpose, both sustainable and valuable, transparency of operation and behaviour; and good and consistent culture are critical and all have been lacking, particularly in the financial industry.

To drive the necessary commitment, responsibility and obligations that Citi has as a bank, and as individuals in pursuing our purpose, we need to communicate clearly, consistently and authentically what we are doing and why and how we do it, to all our stakeholders internally and externally.

For good execution and accountability we must simplify and clarify. Our goal must bring together the why, the what and the how and we must measure against, reward for, and communicate about, performance in relation to these new criteria.

A set of desired reputations with our key stakeholders is our ultimate goal. It is surprisingly easy to define and agree reputations we would like to have and we must link that to our purpose and values.

Citi was established 205 years ago. During this time we have had some great successes and many moments of huge pride (e.g. trans-atlantic cables, container shipping, ATMs, Panama Canal, global payment systems and networks, etc.), but also catastrophes which we must learn from.

We went through crisis and failure in the financial crisis, in part due to lack of clear purpose and direction. Most damagingly and embarrassingly, we lost trust and a lot of reputation and goodwill as an industry, as firms and as individuals.

**WHAT**

It was not until 2015 that we established Citi’s Mission and Value Proposition. Citi’s mission is to serve as a trusted partner to our clients and to enable growth and economic progress. Our mission requires us to serve all our key stakeholders; to serve our clients AND the economies, markets, regulators, past, present and future employees, governments and all in society who are participants in, and impacted by the financial eco systems. We have a commitment to safeguard our clients’ assets, lend money, make and receive payments, access capital markets for clients to manage risk and raise capital, and more generally to connect investors (suppliers) with firms, governments and citizens (demanders) of money and services.
It is not so complicated – we are a bank. Big, yes, but to serve big multinational clients in our 100 country plus network you need scale to serve safely and effectively.

**HOW**

The How focuses on the transparency of our purpose, striving to perform safely and effectively to create and to deliver our obligations, commitments and our responsibilities and to work for better outcomes and earn, we hope, better reputations.

If the stakeholders share our views on our improved performance and behaviours, if they perceive us to be more trustworthy, they may well start to hold us in better regard.

A key part of embedding our Conduct, Culture and Ethics Program deep into and across our corporation has been through training our managers. Over 40,000 managers have been trained globally, by our CEO, by me and other senior leadership.

It is important for us to hold true to our Purpose and Values: Responsible Finance, Shared Purpose, Ingenuity and Leadership.

For every important business decision that we make, we ask our colleagues to ensure that their decisions pass the **three tests**:

- Is it in our client’s interest?
- Does it create economic value?
- And is it systematically responsible?

Moreover, once a decision has passed the 3 tests, we go through the three lenses by Dr David W. Miller at Princeton University:

- Is it Right? ...are we allowed to do it – law, regulation, policy
- Is it Good? ...how does it impact key parties – what is our risk mitigation to address unacceptable scenarios
- Is it Fitting? ...is it consistent with our Purpose – our Mission and Values and the reputations we seek

Finally, we encourage all of our individual and team annual objectives to be aligned to our six **Leadership Standards:**

- Develops our people
- Drives value for clients
- Delivers results
- Champions progress
- Works as a partner
- Lives our values

And we then measure and calibrate team and individual performance, make hiring and firing decisions, promotions and career development investments using these Leadership Standards as a framework. It is the rigor, consistency and delivery on this which really can lead to changed attitudes, behaviours and reputations.

For much of the last few years, the banking industry and its regulators have been focused on stopping more bad things by investing huge sums in compliance and risk management. Today, we are committed to go Beyond Compliance, to focus on incentivising and rewarding good behaviours, client value, innovation, citizenship and Positive Framing outcomes as well as preventing bad behaviour.

We are becoming a simpler, smaller, safer and stronger organization. To help us do that, we must embed, practice, measure and reward consistently based on the culture change framework I have described. We must and do ask our stakeholders to give us honest external assessment – of our cultural improvement, as well as our compliance with traditional financial and risk audits.

Finally, I would like to share with you the recent work we have done together with the Banking Standards Board. Last year, Citi participated in an assessment conducted by the BSB enabling firms to benchmark themselves against each other.

Citi scored particularly well, in absolute and relative terms, on **honesty, respect and competence.** Our employees appreciate the benefits of Citi’s ‘global’ culture, while recognising the challenges that being a complex, global firm poses to creating a sense of shared purpose in serving our clients.

However, we still need to work on **resilience and responsiveness,** as some employees still feel under considerable pressure to perform in the short term, and would welcome more support from managers. Do they really believe that the firm is about more than Delivering Results and that the other Leadership Standards are as likely – even more likely – to get them paid and promoted? It is our job to make that a reality.

So as I think about the Future of our Corporation, I know that trust, trustworthiness and transparency will be at the front of our thinking and actions in an on-going effort for all of us to serve as a trusted partner to all of our stakeholders, and in the pursuit of much improved reputations.
DISCUSSION POINTS

At the discussion on 24th January a number of questions were raised in response to these presentations, including:

- How can we ensure the commitment of middle management to the new cultural framework?
- How can companies strike a balance between compliance and proactive pursuit of

NEXT STEPS

The British Academy is holding a series of breakfast events as part of the Future of the Corporation programme – Julian Birkinshaw, FBA will speak with Andrew Byrne, Director of Public Policy at Uber, in May 2017, on The Rise of Freelance Work, and a further paper will follow. The Academy will use the discussions at this and other briefings to help shape the call for applications for research 2017 and will use this and other research to inform discussions with policymakers on these topics. The Academy invites potential partners to contact fotc@britac.ac.uk to hear more about the Future of the Corporation programme.

SPEAKER PROFILES

James Bardrick is the Head of Citi UK and CEO of Citigroup Global Markets Limited, Citi’s UK based international investment banking subsidiary. James is a Board member of the Banking Standards Board, the British Bankers’ Association and British American Business, and a Trustee and Chairman of the Coggeshall Prentice Youthwork Trust. James funds the Bardrick Professor Chair in Physiology and Chemistry and is a Trustee and Deputy Chairman of Career Ready, which helps young people enter the world of work.

Colin Mayer is a Fellow of the British Academy, the Lead Academic on the British Academy’s Future of the Corporation programme and a Professor of Management at the Said Business School. Colin was chairman of Oxera Ltd. between 1986 and 2010 and was instrumental in building the company into what is now one of the largest independent economics consultancies in Europe. He was appointed CBE in the 2017 New Year Honours for services to business education and the administration of justice in the economic sphere.

Onora O’Neill is a former President of the British Academy and crossbench member of the House of Lords. She is well known for her work on Trust and chaired the Equality and Human Rights Commission from 2012-2016. She is also a former Principal of Newnham College Cambridge, and Honorary Professor, Emeritus of Philosophy at the University of Cambridge. Onora sits on the Banking Standards Board and the Medical Research Council and is a member of the British Academy’s Corporate Advisory Group for The Future of the Corporation.

ABOUT THE BRITISH ACADEMY

The British Academy is the UK’s national body for the humanities and social sciences – the study of peoples, cultures and societies, past present and future. We have three principal roles:

A Fellowship of distinguished scholars from all areas of the humanities and social sciences, elected by their peers, that facilitates the exchange of knowledge and ideas and promotes the work of our subjects.

A Funding Body that supports the best ideas, individuals and intellectual resources in the humanities and social sciences, nationally and internationally.

A Forum for debate and engagement that stimulates public interest and deepens understanding, that enhances global leadership and policy making, and that acts as a voice for the humanities and social sciences.

The British Academy, 10–11 Carlton House Terrace, London SW1Y 5AH

tel: 020 7969 5200

e-mail: fotc@britac.ac.uk

This paper is published as part of the Future of the Corporation – a programme of research and public engagement led by the British Academy which asks what the role of business should be. The views expressed in this paper are those of the authors and do not necessarily represent the Academy.