

Take on Board



Helga Svendsen 0:00

Today on the Take On Board Podcast, I'm speaking with Sandra Soucher about trust between boards and the people they govern. First, let me tell you about Sandra. Sandra is an internationally recognized trust researcher and Professor of Management practice at Harvard Business School. She studies how organizations build trust and the vital role leaders play in the process. Before joining Harvard, she was a business executive for 20 years, serving on corporate and not for profit boards, and has been the chair of the Better Business Bureau and advisor to the Edelman trust barometer. Her research has been featured in several national publications. Sandra is also the author of *The Power of Trust: How companies build it, Lose it and Regain it*. And a shout out to Alice Fung for sharing the book with me in the Take on Board community recently, and prompting me to reach out to Sandra to have this discussion. And thank you, Sandra for taking the call. Welcome to the Take On Board Podcast. Sandra.

Sandra 1:03

Thank you so much.

Helga Svendsen 1:05

It is fabulous to have you here because trust is so key. But as always, before we dig into that conversation about trust, I would love to initially just dig a little bit deeper about you. Can you tell me a story about young Sandra, that tells us how we got to where we are today?

Sandra 1:23

Wow, I'm trying to censor several stories. So here's one, it's kind of, it's probably not one I would pick if I had even more time to think about it. So I was about 11. And I decided that I had to start reading Shakespeare

Helga Svendsen 1:43

As you do it as an 11 year old I'm not sure those were the decisions. I was making an 11. But well done to you for doing so.

Sandra 1:49

And so and I think my logic was, I'm an educated person, I'm supposed to be informed. He's supposed to be a great writer. And I should be exposed to his work. So I have always been very

curious, kind of intellectually ambitious. And so ideas excite me. They always have and so for me, it was like 11 Shakespeare Absolutely. Let's kind of go for it. So how about that? Does that work?

Helga Svendsen 2:22

That is fantastic. And I'm guessing the answer to this will be yes. But let me test it anyway. So you decided you were going to read Shakespeare? Where did you start and you know, I'm assuming you didn't work your way through the whole collection. Fair enough.

Sandra 2:35

I did not, although I didn't buy the Yale Shakespeare which were these marvelous, tiny little individual books with each of the plays. They would be fun to hold the fun to look at and, and having them all lined up on your shelf is really great. So I started, I believe this is correct with the tempest. And so kind of a romance kind of a comedy. And you know, so not Hamlet, you know, not anything raised. You know, it was, let's ease our way in. And then who knows how I knew to start with the tempest. But it was exciting enough that I kind of kept going, Oh, my gosh, how fantastic. And are you still a Shakespeare fan. So I am still a Shakespeare fan. I have taught a course for the last 20 years called the moral leader. And that's a course at the Harvard Business School. And in that course, we use literature, novels, plays historical accounts, to help students figure out what they think moral leadership consists of. And part of why I wanted to teach the course was thrilled to be asked to teach it. So I was like the fifth person to have taught the course because I do think that literature opens us up to other people's perspectives. And one of the things that I love about it, unlike a case, which we teach all the time at HBS, is this is not like, what would you do? But what did the butler do with the remains of the day? Why did he do those things? What do you make of what he did? And so there's something about studying other people's actions that helps us form our judgments. And so it's a really powerful pedagogy. I wrote a couple of books about it, mostly because I wanted other people to try to teach this way. And so so I've always been a literature lover and continue to be

Helga Svendsen 4:19

Oh, my goodness. Alright, we will need to put some other links in the show notes. Not just your most recent book, but some of the others because that sounds like an incredible program. Firstly, having a program called moral leadership or the moral leader, how fabulous and what an incredible way to approach it to get people thinking about those things. Is it taught online or is it only face to face?

Sandra 4:41

It's only face to face, abide to but there is a Teacher's Guide, right? fixer revealed as well as a student textbook with all of the background on each of the things we read. So you can sort of read along with the course but it's unfortunately not at mine. At least not at this point.

Helga Svendsen 4:59

Oh, well. When, at some stage in the future, I'm hoping the world will open up again. And we may well be able to get to different shores. But that is not today. Fair to our That is, there is a whole other conversation there around moral leadership, Sandra, we might have to have you back to talk about that. And indeed, it probably connects to our topic for today, which is around trust, because you have literally written the book about trust. And so for the take on board community, which is predominantly people who are in the boardroom, what is trust? And why is it important that boards really know and understand what it's about.

Sandra 5:40

So we usually think of trust is some kind of like social glue. Trust is the thing that holds us all together. But when you study companies and boards, or listened to philosophers or social scientists trust is vulnerability. So when we trust, we are making it willing to make ourselves vulnerable, sometimes not so willingly to an organization or a person who does something we can't do for ourselves. And because we're relying on them to do that, we count on their ability to do what it is that we're asking them to do. And also their good intentions toward us. Trust is this combination of competence, meaning I have to be able to do the thing to have how to run a great conversation. And she's doing now and then also that heli is not going to like sandbag me, you know, and ask me some question where I'm going to look like an idiot, or sound like an idiot, because it's a podcast. So, so trust is vulnerability. And it's really useful for boards to have that perspective. Because as boards, we don't honestly spend that much time thinking about how vulnerable customers are to the decisions of the companies they make employees are to the decisions that companies make, the communities are to the decisions that companies make. And so understanding and to me, the board is actually in kind of the cat seat here. And it's become sort of late to the trust conversation. So which is largely focused on how companies should think about this. But the longer I studied it, talk to other people who study it, it seems like that the scope of what companies are now expected to do is so much broader than it has been in the past, that the responsibility really starts to move up to the board level, if you say this company has an impact on the environment, you're not going to sort of hold just the company responsible. It's who's the people with fiduciary duties, to be actually looking out for the interests of other people. And so I've always thought boards is kind of the linchpin between the inside and the outside the board is there to represent the interests of other people as they do their work. Yes. And indeed, I think even the kind of other people that boards represent or the voice of has probably got brought up over the years as well, it used to very cold war, not very clearly be shareholders, but used to be much more focused on shareholders, whereas now the stakeholders the boards need to consider is much broader as well.

Helga Svendsen 8:16

So I'm guessing that also impacts them on that vulnerability and trust relationship. Right.

Sandra 8:23

So we did write an article, my co author, Shalene, Gupta and about the Boeing board, sued by shareholders, basically, for trading profits for ethics. So you know, if you dig into the Boeing crashes, and I've spent a long time reading about them, and trying to understand what happened, the Boeing Company made a bet that instead of designing an entirely new plane, this is their workhorse. This is most of their revenues come from the 737 plane. But in the beginning, they said that's going to take too long and cost too much. And so we're going to repurpose our original plane, which at that point was like four decades old, and try to build it. And what they ended up building was a kind of a workaround, which had this unrealistic expectation that pilots could recover in four seconds from a system malfunction. All right, so where's the board and all of this? Yeah, so the first question is, you know, in the beginning, it to me, it's a strategy question for the board, you know, will we start from scratch? Or do we actually repurpose an old plane and you can imagine the conversation that must take place, about a trade off time, money, uncertainty, you know, and all of that. But nonetheless, that initiating moment is a moment for board guidance. And then it's sort of who's keeping tabs on how this thing is unfolding. And when you look at how the board failed, it had no safety mandate. So there was no committee on safety for the board. The risk committee Actually, we just looked at financial risk, it has no mandate.

Helga Svendsen 10:04

I was just about to ask about this, because as you were talking through, I'm like, well, risk Surely, but so there was no, no attention paid to non financial risk at all at the board level.

Sandra 10:14

It's certainly not with respect.

Helga Svendsen 10:17

I might never be able to fly again.

Sandra 10:19

Yeah, it takes your breath away. And that's not how other airlines operate, and how their boards operate. And so you know, one of these obvious things as well, you have to have a committee structure that matches your industry. So if I'm in the business of producing planes, you know, safety is gonna be a board matter. And then you compound that by the fact that they had a number of ex government officials, no one on the board with a deep background in engineering, who could sort of spot some of these issues. So then there's a kind of a selection issue of Who do you bring on your

board, in boards need to augment its own expertise all the time, right, so you never have everybody you need around the table. But there wasn't an awareness that they actually needed to supplement their lack of understanding, with guidance from investors, or someone who could come in someone who could help them get smarter about this. So boards have a deep role to play in these fundamental decisions that are made by companies. It's not on the margins. And it really is part of your fiduciary duties, in terms of looking at the interests of the greater good, because our duty as board members is to the corporation, and not to the management.

Helga Svendsen 11:37

In fact, I would say a key part of the role is to test the management, you are that kind of annoying, it should be annoying, but it should be annoying, in a good way voice in their ear saying, Have you thought about this? Or what about that all? I'm not so sure. Can you convince me?

Sandra 11:53

Exactly. So if you go back to this notion that the trust is vulnerability, the board has a responsibility, and the capacity to second guess the company. And to really start to say, you know, are we really attending to these interests? You know, I'm a mining company. You know, how did the stakeholders who care about the environment feel about the work I'm doing? And so our model has four dimensions of trust, the first is that you have to be competent, because why would anyone trust you if you're not? And then there are a whole series of things kind of in the moral domain. The next thing that we care about is what are your motives? Right? Why do you do what you do? And in his realists, his people, what we say is, well, whose interests are you serving? Is the way we judge motives. And so you referenced a minute ago, what it was like when the only interests we had to worry about were shareholders. It's a different world now. And so we want to see some balancing of stakeholders' interests. The third element is sort of moral: it's how fair you are and how you go about doing business. And that's all the way from antitrust kinds of things to being either a good actor or a bad actor in your industry, and also how you treat your employees. And are you fair, and so that matters. But the last thing, and this is where Boeing really got caught, we care about the impact. So it's not just purpose. It's like purpose to me as part of motives, you know, here's what I'm trying to do. But if I'm evaluating a company, or in a board of that company, it's like, what's the ground impact of your actions? That's the thing that I'm going to look for and hold you accountable for no matter what you say. I didn't intend that. And so part of the trust thing is do you take responsibility for unintended impacts?

Helga Svendsen 13:52

Absolutely. Yes. So Boeing clearly didn't get it right, in that regard, in a number of ways, because I know part of your book is about how companies regain trust. Have Boeing managed to get themselves out of this, or have they remained in the hole? What? I'm, I'm assuming they know that they have lost the trust of people. Maybe they don't maybe that's part of they're just running on

through and think the finances look, okay, so everything is okay. But if they've had that realization, what what are they? What did they do next?

Sandra 14:26

So it turns out, there's a process for trust, recovery, own kind of process, and it's got three steps to it. Step one is you first have to apologize. I did something wrong. I'm acknowledging that I did something wrong. And there's even a format so there's a whole literature, academic literature on apologies, you know, a good apology. It takes responsibility. I did something wrong and offers an explanation. Here's why. Here's how I understand how this happened. And then there's an offer of repair. Here's what I'm doing. To do to fix going forward. So a good apology has those three elements. So when Dennis Muhlenberg, who was the CEO at the time, he took, you know, weeks after the second crash, to even acknowledge the harm. And when he did it honestly was corporate speak in a way that was just awful to watch. So the first step is apology. The second is you have to hold people accountable. And, you know, organizations, companies are not democracies, you know, they are hierarchies. And we reasonably say, Well, on who's watched this occur. I and some, Wallenberg was allowed to stay on board through this entire process. And you could say, well, if you were part of the solution, if we were actively trying to figure out what went wrong, what can we do better? Then you'd say, okay, dansa, CEO who's worth holding. But if I'm a board, and I'm watching this guy, and all he does make excuses, and tell me things are not as bad as I think they are, and that they're going to get better in ways that I don't understand how, then I'm going to say, Okay, this might not be a god worth serving. And there's literature that suggests that you can actually punish someone, and people feel pretty okay about that. You don't have to terminate everyone. But you do have to hold people accountable. And that's really important. So that's step two. And then step three, is you need to go back into the world of now I have to fix what went wrong. Yes, you know, what exactly happened here. And there. Unfortunately, Boeing continues to have a stream of news articles about us manufacturing. And the fact that this is now for the Dreamliner at 787. And it continues to be challenged by the regulators saying we don't think that you're taking this stuff seriously enough, you know, so if you were on the Boeing board, you know, not good. But you can imagine a good kind of saying, Okay, I get it, we apologize, we have to figure out who's accountable and what we're going to do about that. And then we have to dig in and figure out what went wrong. So we don't do this again. And those that's a logical process, the business people would understand. It's not like a mystery.

Helga Svendsen 17:03

And I think part of that figure out who's accountable is turning the mirror around on yourselves as round. I mean, the CEO, obviously, you know, may have had some responsibility in that. But as did the board, if the board does not consider non financial risk, that is actually a board responsibility. So in thinking about accountability, it might be yourself. And it might be your time to be accountable and exit stage left or otherwise repair what's happened as well. Yeah. And I think that that's where, so the guy who succeeded. Dennis Muhlenberg is David Calhoun, and he was the lead director when all of this was happening. Okay, so what do we make of that? Right? Is this like a new regime, if he

was the guy who was actually that lead on the board, during the time that this was happening, I can understand why people would turn to him to succeed hollenberg. But if I were an outsider or shareholder, I kind of go I'm, that's not enough distance between this issue, someday is going to come find me and hate me for saying these things on, you know, it makes me really nervous right there. And, you know, again, Australia can't fly anywhere at the moment, but I'm interested when you fly, who do you fly with.

Sandra 18:21

So I actually am bound to take my first post COVID. trip, happily to Lake Tahoe in Nevada, and I'm going to go on American Airlines, and I'm praying that it's not a Boeing plane.

Helga Svendsen 18:33

Vulnerability is not talked about in the boardroom very much. Because again, that is something that people need to bring themselves trust is almost like what others do. vulnerability is something you need to do. And I'm not sure it's talked about in the boardroom, or if it is, it's certainly not talked about as much as it should be. So I'm wondering on the other side of this trust barometer, who's doing it, well, who are the organization's and which boardrooms? Maybe Can you point to that are doing this well.

Sandra 19:03

So, it candidly, I'm early days in my search for best practice. But it's a sincere search. So if any of your listeners I am a good board, I think Sandra should come and study us. You know, let me know because I'm eager to hear about what good boards are like, I want to tell you a story really quickly about a board that I think did a brilliant thing. But I'm deeply interested in connecting with people on boards for this research.

Helga Svendsen 19:34

Oh my god, brilliant. All right, Take on Board community. You've heard the call if you've got. I'll be a little bit sad if there's no responses to this, Sandra. But if you're in an organization, if you're in the boardroom, where trust and vulnerability work together, Well folks get in touch. We'll put Sandra's details in the show notes but my details are always there if you're out for a walk and you can't get to the show notes quick enough and I can forward it through router Sandra. So let's see what we can do for you.

Sandra 20:03

All right, so here's a very quick story on a board that actually rose to the occasion. So it's a story about Nokia, that poor benighted company. And its need to take a layoff and it was getting out competed in the smartphone mobile market. And it was a huge layoff is 18,000 people spread across 13 countries. And they had had a disastrous layoff several years before. And the chairman Jorma Ollila basically said not another Bolcom, he was referring to a city in Germany, where they had this really lousy layoff. And so they came up with a bet on trust. And the trust was, we believe that we can tell our people, you're going to lose your job in two years. But you will stay with us because we're going to do everything in our power to help you get employed or leave leave. And the people who put this program together, we're smart enough to say we better go to the board. And make sure that the board actually is on board with this approach. Because we're going to prioritize the interests of employees who are leaving, we're going to spend money on their behalf, we're going to do things that you wouldn't ordinarily do when you're restructuring. And they came to the board, the board back them entirely. And the result was that out of the 60% of the 18,000 people spread across 13 countries knew their next step, the day they left the firm. Now I have studied layoffs for decades. And there is nothing like that in terms of the performance of a company being able to help people get reemployed. This is a board kind of stepping up and saying, okay, we get it, this is something that requires our permission. And I think that that's actually where boards are going to be really helpful, because company leaders need to know that taking a stakeholder perspective, is actually sanctioned by the board. And right now, compensation doesn't seem to flow that way. If I'm still being compensated on share price, then the board is sending me a kind of mixed message stakeholders are important, but by the way, your compensation is only going to come from share price and what you do with it. So this, to me is a very serious issue for boards to contend with, which is if we really care about this notion of stakeholder capitalism, how are we going to put together a process of incentives and messages to leadership that says, We want you to do these things? And only the board can do that.

Helga Svendsen 22:32

Yes. I'm wondering whether, you know, we've talked about boards of companies. I'm wondering whether, you know, for example, not for profit organizations, or the boards of not for profit organizations, or even those that consciously, you know, a B Corp or similar? I'm guessing they do better in terms of trust and vulnerability. Is that the case? Or, or no?

Sandra 23:00

So I think that if you're a board member of a non-profit, not for profit, mission driven organization, you understand and you have signed on for an organization that serves the interests of others. And so you're very good at that. I think that we're those organizations that have difficulty is that without the discipline of the financial side, yes, absolutely. And, you know, it's hard to figure out what goodness is, you know, so I think that the intent is there, but I'm not sure that the lack of a financial discipline actually makes that harder.

Helga Svendsen 23:37

In Australia, there was a financial services Royal Commission in the last couple of years, which, you know, talked about how the financial service industry had lost the trust and, and not done things well, and not done things based on a stakeholder, but only on a profit. By the same token, often, there is also a transformation in Australia of, say, the disability industry, we have introduced a National Disability Insurance Scheme, which means that providers of disability services have a very different relationship with their customers and so on. I feel like there is a lot to learn from both sides. I think that the corporate world can learn a bit from purpose driven organizations. And I think purpose driven organizations can learn from the other side. And if only there was a bit more mix in the boardroom of some of those different skills. I mean, I think you talked about capability before like, If only there was a better mix of those skills, then maybe there would be more likely to get that balance, right.

Sandra 24:35

I think the other thing that I would stress for your listeners is that boards or social systems, so people have varying degrees of status, they're more or less comfortable speaking up. They kind of cede authority to certain people on certain issues, and a boards are going to be effective, they actually have to create an effective team and that requires the ability To have decent conflicts, and to have even protocols like anonymous polling that help help people say, you know, what keeps you up at night about this company. Right? So I don't have this sort of Whoa, Sandra's name all over that. But at least we can get like a bank of 12 of those and sort of say, Okay, what are we worried about here? Yeah. And so I think those kind of protocols are really important for boards to work on their own process, so that they can rise to the challenge, because when these things happen, the boards are right there. And they've got to be making decisions that require them to tell the truth to each other. I think we haven't done this, I think we need to do that. And if they don't have a track record of having had those conversations before, I think it's unlikely in the heat of the moment, that they'll do a whole lot better than they've done in the past.

Helga Svendsen 25:51

Which again, says to me is that flipside, it's that vulnerability, to be to build those relationships with your colleagues in the boardroom, so that you can trust each other, to have the hard conversations when you need to do exactly, huh. Oh, Sandra, fantastic conversation and so much in there, what are the key points you want people to take away from the conversation that we've had today?

Sandra 26:14

So I think the first point is that trust is a relationship of vulnerability. And if you know, the listeners did nothing more than the next time, they have to make a good decision to ask themselves will this action cause people to trust me more, or trust me less? And who would trust me more or less based

on what I'm going to do? So I think that there's a very practical way to start to frame issues through the lens of trust, that release, people say, okay, at least is an aspiration, you know, instead of just aiming for better financial returns, which I am a healthy believer in. And I think in addition to that, this is now a goal that I think companies have the boards have buy in. So using this trust lens, I think is helpful. And remembering that it's because people are vulnerable when they trust you. That's why trust doesn't just lead to disappointment. That's why people feel betrayed. If you don't call me on time, you know that I'm disappointed. You know, but if you ask me an awful question in the middle of this interview, I'm, you know, because I can't stop you. I can't call you out on that. Yeah, you know, it's all of that stuff. So I think that kind of taking this common sense view of trust, and that it's not murky. The other point I would make is it trust is specific. So I'm trusting hellyer, to have a great interview with me right now. I'm not trusting you to walk my dog to feed my granddaughters. Right? And so that really helps because it's not like boil the ocean time. It's like in this action in this domain, is this going to help us be trusted or not? And so that's why I think it's quite operational. Because it really is specific and not this glue that holds us all together? Yes,

Helga Svendsen 28:06

that is, yeah, I've got my thinking face on, folks, you can't say that. But that would that's definitely planted a seed for me to think through even more deeply as well. Is there? I'm guessing it'll be your book, but you might have other resources as well. But is there a resource you would like to share with the take onboard community.

Sandra 28:24

So I would love for people to read the book, we tell lots of great stories, the book starts with how my co-author and I figured out we trusted each other enough to go on this adventure together. And so it starts with this moment of trust in the small, you know, just between the two of us. And she's a marvelous writer, journalist. And so she found fabulous stories that would never have occurred to me outside the business domain. We learn about how the Quakers were learned to be trusted in England. We thought about now and the five plagues in so the book is it's actually a surprisingly readable book. And we tried to make it funny at times, because we were having a good time writing. And we also thought that the topic could be so kind of serious, that we wanted it to be the kind of book where you're kind of go, Oh, that was kind of fun to read. And I learned some stuff there. So that was our goal. So I would love for people. And you know, if you go on our website, we have this form that says, join the trust conversation. And and that's a sincere offer. For people tell us your trust stories, you know, say we come study me or you know, you have you seen this article, we definitely want to sort of have people thinking about this topic. So we're looking at this as engagement.

Helga Svendsen 29:39

Fantastic Well, I will definitely put a link to that in the show notes as well. And it's so you know, in the back of my mind for quite some time. This is where my ideas start. And then I think this conversation

is pulling it forward. I've been thinking of having a little take on board book club, where we all read a particular book and then come together and have a conversation. about it. So Sandra, this is going to be the first one, folks, I'm making this up as I go. But the power of trust is going to be the first, the first Take on Board book club. And we will meet in about six weeks time, from whenever this goes to air. So folks get the book. The first I don't think, in my head, that we can have very big conversations about the book club. So I'm gonna say the first 15 people that get in touch with me, who commit to reading the book, and coming together in about six weeks time, we're gonna have a little book club, and we're gonna have a chat about it. And Sandra, I will let you know how that conversation goes. Oh, what a spectacular idea. Yeah, well, like I said, it's been in the back of my mind and this conversation like, this is the perfect book for us to start to have that conversation because boards just need to be across this more. So yeah, I will let you know how that goes. Sandra. Fabulous conversation. Thank you so much for that. As I said in the introduction, thank you so much for taking the call. Thank you so much for writing the book and sharing your wisdom in that way. I know it will be helpful to people in the community and to our newly formed book club. So thank you so much for taking the time to share with us today at Take on Board.

Sandra 31:14

Well, thank you so much. I have thoroughly enjoyed this conversation. And and so you do a great job. I just you know, a shout out to you for how well you manage this and just how much fun you make it. So thank you. Pleasure. Thanks, Sandra.

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