



## ***A Matter of Trust***

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*A widow invests her money in one of the most admired companies in America.*

*A new father purchases the vehicle of his dreams.*

*A young high school graduate gets a job that is the envy of her peers.*

Unfortunately, the company the widow invested in was Enron.

The vehicle was a Ford Explorer on Firestone tires.

The great new job was at Mitsubishi.

All three people trusted. And they should have. They were dealing with highly respected companies.

Mitsubishi is one of the largest employers in central Illinois. It's state of the art factory brought badly needed jobs and manufacturing savvy to America's heartland. Yet in 1998 its management also paid \$34 million to settle sexual harassment claims against it, from many women like our high school graduate.

Ford and Firestone are two of the most illustrious names in corporate history. Each was founded a hundred years ago, by individuals so confident in their personal reputations that they put their names on their companies. They are two companies that millions of drivers place their trust in every time they slide behind the wheel.

We don't yet know all the reasons for the series of accidents involving Ford Explorers and Firestone tires. But we do know that many, many people could have acted earlier to address the crashes, and did not. And as a result, the reputations of two great companies may be irreparably damaged.

Of course the true toll from the Firestone/Ford disaster is measured in lives—not dollars—lost. Hundreds of lives snuffed out prematurely because ordinary workers, managers, executives and lawyers failed to do the right thing.

Companies that deal with the lives and money of consumers understand that they are in the trust business. Car companies and airlines and restaurants and food companies

understand that if people don't trust their safety, they will not buy their products or services. Banks, brokerages, insurance companies and accounting firms know that if they aren't trusted, their businesses will dry up. They also know that trust is grounded in integrity. Unfortunately, most businesses haven't viewed trust as their single most important attribute.

Enron changed that.

Enron was on top of the world. We all had good reason to invest in Enron. In 2000, they were the seventh biggest company in America. In their February 2001 annual reputation survey results, *Fortune* magazine listed Enron as the most innovative company in the United States. They were also the second most admired company for "quality of management." But they failed by not making integrity—the integrity that is the basis of all trust—their company's highest value. Failure of trust is ultimately what caused Enron's market value to crash from \$70 billion to under \$1 billion in less than one year.

And what they failed to understand was that their business—like every other business—is based on trust. Enron was an intermediary in thousands of transactions worth hundreds of billions of dollars. All parties to the transactions needed to trust Enron. After a while, they did not.

Enron was the recipient of billions of dollars in loans from banks. Getting such loans required the banks to trust Enron. After a while, they did not.

Enron's currency was its stock price, which needed the trust of the investment community to sustain it. Enron lost that, too.

Once trust is damaged, it takes enormous effort to regain it. It is not simply an exercise in damage control. It is a test of integrity and transparency. It is a test now faced by Andersen, Enron's auditor, whose very future depends on being able to reclaim the trust of Congress, clients, and the investing public.

Together, Enron and Andersen have become the latest in an unfortunate series of corporate poster children that make the case for the importance of trust.

Underestimating the importance of trust is not just a corporate failing. Poor Coach George O'Leary, just two resume falsifications away from college football's dream job—Coach of Notre Dame—and a multimillion-dollar pay package. Consider Henry Blodget, the once high-flying internet analyst at Merrill Lynch who was forced out of his job because nobody trusted him anymore.

These days it seems like there are far too many examples that remind us that trust is the key to winning for individuals and institutions. The integrity that underlies that trust is the basis for saving our businesses, our careers, and maybe even ourselves.