

Trust as the 'flip side' of Risk

mi2g event: The Question of Trust, The Athenaeum, 18th July 2002

Dr Brian Collins, Visiting Professor, Southampton University

Background

All businesses and governments are attempting to transform themselves in part or in full to exploit the possibilities offered by modern Information and Communication Technologies. This is mainly through the exploitation of the Internet, but includes exploitation of and integration with telephone systems, fixed and mobile, multimedia content and the use of new channels such as interactive digital television and new 'user devices' such as personal digital assistants. For this exploitation to be successful a number of issues have to be addressed; amongst these are reviewing the processes of trust and risk management. The former is to do with ensuring that all parties involved with you as an organisation in an 'e-relationship' understand how to use the relationship in a trustworthy way to their advantage. The latter is to do with ensuring that no factors are allowed to detract from achieving a successful outcome for all parties. Examples of scenarios where trustworthiness and risk are prominent might include:

- privacy of phone calls to integrated call-centres,
- credit card information given out over the Internet,
- positional information derived from mobile phones,
- identity of individuals being given loans on-line by banks,
- mutual recognition of digital signatures used to authenticate documents internationally that underpin a contract.
- reliability of service and system implementation

Some of these examples are where steps have already been taken, based on existing practices, to minimise risk and to ensure trustworthiness of the e-relationship. Others are still being worked on and there are, as innovation takes place in the field, many more mechanisms that need to be designed to be trustworthy as well as meeting the business and social needs of the users. In taking an enterprise through the transformation to becoming a mature user of e-business processes a number of aspects have to be concurrently managed. They are:

1. Maintaining the strategic direction of the organisation in its 'marketplace'
2. Ensuring that during the transformation all relationships and communities of interest are nurtured
3. Ensuring that the objectives and achievements of the transformation are communicated to all stakeholders
4. Ensuring that processes are changed where necessary to exploit the benefits of e-working
5. Transforming the cultures affected into one that aligns with the organisations objectives

There are a large number of factors that need to be constantly addressed against these headings during the transformation; this note only addresses one of them, that

is building the trustworthiness of the organisation as seen by all its stakeholders. This factor is addressed against the five headings above.

1. Strategic direction.

Perceptions of the strategic direction and strength of an organisation will be derived from a number of sources. An issue to be addressed in assessing how to transform an organisation or company from a conventional business to an e-business is to what extent these perceptions are put at **risk** or the organisations **trustworthiness** is enhanced by any given initiative. Enhancing the trustworthiness comes from ensuring that the organisation has a clear understanding of what makes them trustworthy in the perception of any given stakeholder; a measure of trustworthiness could be derived from the statement of accounts, the audit, the name of the audit firm, the governance structure, the name and credentials of the Chairman and Chief Executive, analysts reports, journalists commentary, turnover of staff, 'market' reputation and a plethora of other factors, most of which rely on trustworthy professional behaviour by individuals. Every stakeholder will put different weights on each of the factors. All this is not new; the concepts of trustworthy professionalism are in turmoil just now because of recent events where, **apparently**, deception and collusion have been used to enhance perceived trustworthiness and to disguise 'the truth'. But since trustworthiness is only needed where truth cannot be proved, it is still problematic to what extent the trustworthiness of any profession is thrown into doubt and to what extent the measures by which professional behaviour are evaluated have been found lacking. What is clear is that more attention needs to be given to strategic development and maintenance of trustworthiness as well as to risk mitigation.

2. Community enhancement

A major consequence of moving to an e-business model is that more organisations that are involved with a given company become aware of and importantly dependent on others that are similarly connected; the value chain transforms to a value network. Hence any action on one element of the network potentially has an *immediate* effect on all others; an example could be changes to speed of delivery of goods could affect payment schedules, cash flow and hence borrowing requirements within days of the changes rather than months or quarters. The acceleration of dependency due to the complexities now possible with the Internet and the asymmetry of an individual's behaviour with respect to risk and trust is an important dynamic within a community. **Trust** traditionally can usually only be won slowly but can be lost very fast, by deliberate attack or inadvertent error. **Risk** can go from low to high inside investment planning cycles but traditionally in a business environment changes more slowly. The Internet is disrupting both of these traditions and changing the dynamics.

3. Communications

E-business transformation is a major change programme for any organisation; Best practice guidance in change management always emphasises the importance of communications to all stakeholders. In e-business transformation there are more stakeholders involved because the transformation involves all business partners as well as internal staff, and the success of the initiative is critically dependent on all stakeholders contributing to mutual success. They have to be **trusted** to make an appropriate contribution in spheres where they are to be trusted to add value (an example of recursive dependency on trustworthiness that may limit how rapidly an e-business transformation can happen) and not become a **risk** to the success of the

initiative. Excellent communications and knowledge sharing is key to ensuring these two outcomes occur. Again these concepts are not new, but the dynamics and properties of the context in which they are now applied (peer-to-peer, many-to-many and accelerating speeds of growth) pose new challenges

4. Process change

Any transformation will cause business processes to change; what is different for e-business transformation is that these are not only within the organisation but also include all or some of those between an organisation and its trading partners. Such business process changes may be harder to achieve because they almost certainly will be part of negotiation processes (and what are these if they are not trustworthiness building processes) rather than as a consequence of an internal directive. The business processes will be implemented largely by technical means and it is here that the ICT community has a huge part to play in ensuring that the actual processes that enable e-business are designed and implemented in as trustworthy way as possible. Thus the outcome of the overall initiative may be put at **risk** if the negotiations are not successful and the **trustworthiness** of the outcome is dependent upon all parties complying with the agreed new processes.

5. Cultural transformation

Attitudes and motivation determine at least in part behaviour in the workplace. E business demands different attitudes to customers, trading partners and colleagues. E-business is more collaborative, dynamic and flexible and in some ways more complex and in others simpler than traditional business models. Such properties are seen by some as threatening to their status, employability and prospects; to others they are an opportunity to grow, to expand their professional horizons and contribute more widely. In carrying out a transformation the former group could be seen as a **risk** to success and the latter group to be **trusted** in achieving it. Management of the cultural change programme is another critical activity for achieving a successful e-business transformation.

Conclusions

This note seeks to address a number of factors that could contribute to the risk of failure in the transformation of an organisation into an e-business, and also addresses what properties of people, process and professional behaviour could be trusted to make a positive contribution to such a transformation. The Internet has changed the nature and dynamics of the processes involved. People have been employed for centuries in all cultures to give good advice to decision makers whether in government or business. They are the trusted professionals of western society who have been institutionalised into professions such as accountants, lawyers, engineers and doctors. The roles of such professionals, the rules of behaviour by which they are regulated (externally or otherwise) and the expectations of society on them to deliver trustworthy advice is now a major issue, not only because of recent events, but also because the range and reach and speed of impact of their advice is now very different from what it was only twenty years ago. They were a community that could be relied upon to deliver processes that enhanced trustworthiness in general in Society and Commerce. Can they be so trusted now is a critical question. 'Doing it right' is not enough, the 'right thing' also has to be done.