

# Building Trust

LEADING CEOs SPEAK OUT:  
HOW THEY CREATE IT,  
STRENGTHEN IT, AND SUSTAIN IT.



Arthur W. Page

1883 – 1960

*“All business in a democratic country begins with public permission  
and exists by public approval.”*

– Arthur W. Page

**A**rthur W. Page served as vice president of public relations for the American Telephone and Telegraph Company from 1927 to 1946. He was the first person in a public relations position to serve as an officer and member of the board of directors of a major public corporation. During the time he was at AT&T, it became the world's largest public corporation.

Page was distinguished as an outstanding public relations practitioner, churchman, educator and statesman. Both in belief and in practice he held that "all business in a democratic country begins with public permission and exists by public approval."

A graduate of Harvard, he was the son of Walter Hines Page, co-founder of the publishing house Doubleday & Page and later ambassador to Great Britain during World War I. Arthur served in France during the war as a member of G-2, a psychological war intelligence unit. After the war he became editor of the monthly magazine, *World's Work*, and a part owner of Doubleday Page.

Throughout his life, Page devoted himself to his avocation as a counselor to private and public sector executives. He was on the boards of numerous corporations, charities, colleges and civic groups.

He contributed his energy and inspiration to enterprises such as the Marshall Plan and Radio Free Europe. He was a special confidant of Henry L. Stimson, who served in the cabinets of William Howard Taft, Herbert Hoover, Franklin D. Roosevelt, and Harry S. Truman. Page is credited with writing, at Stimson's request, Truman's announcement of the dropping of the atomic bomb on Japan.

The principles of business conduct for which he became known have influenced thousands of American thought leaders during the past 70 years. He, more than any other individual, laid the foundation for the field of corporate public relations.



# THE PAGE PRINCIPLES

*“...these principles will build, strengthen, and sustain a corporate culture that assures integrity, inspires trust, and promotes an agreeable relationship with the consultancies whose opinions facilitate—or frustrate—management’s goals.”*

– Edward M. Block

*“Doing the right things, and doing them the right way, is more important than anything we preach.”*

– Michael J. Birck



## GUIDELINES FOR PROMOTING INTEGRITY AND BUILDING TRUST

**T**he Arthur W. Page Society was established 20 years ago to pursue what might be accurately characterized as an evangelical mission; namely, to reawaken and promote a concept of corporate governance that embodies the essential building blocks of trust and integrity.

Beginning in the 1920s and continuing until his death in 1960, Arthur Page articulated and demonstrated the usefulness of policies and practices that are as relevant and timely today as they were in his lifetime.

You will find the Page legacy implicit in every one of the commentaries by chief executive officers in the chapters that follow. You will also discover why his ideas are readily adaptable in endless ways to every business enterprise, regardless of its scale, business model or strategic direction.

From its inception, the Page Society has drawn from a bountiful body of work that is the legacy of Arthur W. Page. From that legacy we have distilled a set of what we choose to call “principles.” These cryptic statements scarcely do justice to the rich legacy of a man who literally wrote the book on corporate governance. Even so, the unequivocal, enduring and proven guidelines we express as principles can be used to ensure the validity as well as the durability of management decisions. Big decisions for the long pull. Ordinary day-to-day decisions. These principles are not discrete “silos.” Their boundaries overlap. They are integrated, all of a piece. Taken together and applied with consistency, these principles will build, strengthen, and sustain a corporate culture that assures integrity, inspires trust and promotes an agreeable relationship with the constituencies whose opinions facilitate—or frustrate—management’s goals.

Arthur Page earnestly believed that policy-making is the cornerstone of effective management. He also believed—and demonstrated—that effective corporate governance is the product of wise policies wisely implemented.

Our Society’s commitment to the Page legacy derives from its obvious relevancy to the practice of corporate public relations. But Page did not refer to himself as a public relations counselor. Rather, his focus was everlastingly on matters of fundamental policy that, in turn, shape the character of corporate behavior. In the language of business

today, many authorities would call this approach the cornerstone of Reputation Management. And this is the context in which the implications can most readily be understood of what Page had in mind when he wrote: "... all business in a democratic country begins with public permission and exists by public approval."

THE PAGE PRINCIPLES IN BRIEF

**T**ell the truth. Taken at face value you wouldn't think this axiom requires elaboration. But many of the complex issues that confront management are seldom, if ever, framed as a simple choice between telling the truth, obscuring the truth or denying the truth.

At the highest levels of policy-making, the truth can be elusive. Inevitably, there are endless, sometimes bewildering, considerations to take into account when top management seeks consensus on the right policy, the right course of action or even a response to unanticipated events.

Getting at the truth isn't always easy in the context of policy deliberations. Nevertheless, management is obliged to be as forthcoming as possible, even in circumstances when all facts, in complete detail, may not be available. Many executives who have endured contentious deliberations in the absence of all the facts will nevertheless agree: You always know intuitively what the truth is.

Decision-making involves sorting through differing perceptions and alternative possibilities, especially when events require prompt action. A general counsel may advise caution as a means of limiting exposure to litigation. A marketing executive may seek to limit potential damage to a brand. An operations executive may seek to pin blame

on an employee who didn't follow prescribed methods. But in the end, the CEO must make the decision, keeping in mind that the greatest of all risks is the damage that will result if the truth is obscured, ignored or denied. Employees, customers, shareowners and the news media easily recognize dissembling or spinning half-truths. When management's actions or statements don't pass the "smell test," credibility is the immediate casualty.

Truth-telling must also be a priority in all aspects of a company's routine activities. Product claims and guarantees. Internal information directed to employees. Speeches and presentations. News releases. Financial disclosure. Representations made to customers by sales people or intermediaries. These are only a few examples of the many, many communications channels or transactions that shape public perceptions and must therefore be continuously and scrupulously monitored by management.

In short, truth-telling is a habit of the mind in business enterprises no less than in individuals. And truth telling over time is the first line of defense in protecting a company's reputation.

**P**rove it with action. A company's reputation is a product of what it does, not what it says. This simple principle is an affirmation of the unassailable old adage, "Action speaks louder than words." Time and again, Page argued that building a durable relationship with the public is 90 percent doing and only 10 percent talking about it. Furthermore, the action ought to come first and taking credit for it should follow. If this homey truth is so obvious, why do businesses ignore it in so many different ways every day?

Most recently, an epidemic of almost unthinkable scandals has beset the top managements of several large corporations as well as financial institutions. Law firms and accountants have also been caught up in ethical lapses. Clearly, these kinds of actions speak loudly and destructively. Any semblance of integrity is lost, possibly forever.

Of course, Page wasn't thinking of headline-making scandals when he drew upon the common-sense notion that a company's reputation is based on what it does rather than what it says. He fully understood that public approval is created in large ways and small, day by day, through satisfactory interactions with key publics, internally as well as externally.

For example, top management too often gets it backward when promulgating policy. Its rhetoric may be earnest, but organizational follow-through is inconsistent or even nonexistent. A good policy that is ignored, countermanded or its purpose misunderstood by lower level managers or employees in the field will be taken as clear evidence that top management is insincere.

Another interface where action—or inaction—sullies reputations occurs when management fails to recognize that a company's reputation is mainly reinforced and enhanced—or not—by the impressions that result from ordinary, everyday interactions with customers. Decades of opinion research have consistently demonstrated that when a customer endures an unsatisfactory personal experience with a company, the loss of goodwill and loyalty is significant. Yet management often fails to intervene even when it is readily apparent that frequent and highly personal relationship-building opportunities are undermined by policies or business practices that are insensitive,

out-of-sync with expectations or just plain wrongheaded. As a consequence, a company's reputation is needlessly diminished.

Communications programs designed to justify bad policies only make matters worse.

It is also accurate to say that reputation-building opportunities are wasted when management ignores or misreads the expectations of key publics.

A now familiar example is the degree to which the social contract with employees is ruptured by restructurings occasioned by downsizing, outsourcing and offshore investments.

The substitution of "savings plans" for the traditional pension trusts has also taken a toll. As employees see it, management is generously rewarded by bonuses, stock options, employment contracts and golden parachutes. Yet the rank and file too often discovers its benefits reduced and its retirement nest eggs diminished by the declining value of equities. Sometimes losses in the latter are the result of prior contributions of their own company's stock made in lieu of payments to a pension trust.

Other examples also derive from cost-cutting measures: Reductions in philanthropic programs and local community support activities. Resistance to desirable and reasonable environmental proposals and initiatives.

These actions are not unlawful. Indeed, cost-cutting may be a survival strategy for some corporations. Nonetheless, can it be surprising that so many influential publics and political leaders are concluding that corporate social responsibility is a cruel joke in the hands of a new generation of richly compensated chief executives and directors who do not feel compelled to explain their actions except in terms under-

stood only by Wall Street? Have managements and boards of directors become so insular they no longer see a connection between their obligations as “stewards” and the discretionary authority delegated to them by shareowners and public policy?

**L**isten to the customer. Large enterprises are especially vulnerable if they fail to take account of the legitimate entitlements and preferences of consumers and non-government consumer advocates. How many companies today invest sufficiently in continuous, comprehensive opinion research to measure what customers approve or disapprove about the way they do business? How many assign management accountability for this function? How many provide timely assessments of these data to top-management or boards of directors as a means of ensuring oversight? How many companies track their competitors on these parameters? When business doesn’t listen to customers in a systematic way or otherwise remain open to reasonable modification of policies or practices, small issues have a way of needlessly escalating into big, confrontational issues.

There is a second approach to “listening” that management must also employ to keep its ear closely tuned to what consumers are experiencing and feeling. Regrettably, it is precisely at this critical interface that so many large enterprises fail to translate their institutional strengths into opportunities for reputation building.

The best place to listen for negative feedback is at the consumer interface.

Just reading the daily newspapers and watching local television news can identify some of the most common complaints. News outlets would not devote so much space and time to consumer com-

plaints if this “service” did not matter to consumers. Another rich source of consumer dissatisfaction can be found in the letters, phone calls and e-mails addressed to a business. Here are just a few “generic” examples:

Are individual consumers treated with the same courtesy and responsiveness as large accounts?

Can consumers navigate through automated telephone answering systems without losing their tempers? Can consumers actually talk to a human representative without undue delay? How are customer attitudes influenced when automated answering systems announce delays of 10 to 20 minutes?

Do customers have to be computer “geeks” to successfully complete transactions on Internet sites?

Do the employees or lower level managers have time to actually listen to customers? Do these employees and managers have the authority to handle routine customer complaints? Are they empowered to use common sense and good judgment when standard business practices are inappropriate? Are they encouraged or rewarded for doing so?

Are senior managers encouraged to spend a few hours each month with customers in order to get a feel for the company’s everyday business practices and, also, seek input from front line employees?

If a company’s sales offices are available evenings and weekends, why aren’t its repair or billing services also available?

Many consumers eagerly offer suggestions that will reduce a company’s expenses or suggest new applications for existing products and services. Shouldn’t every company collect, evaluate or otherwise respond to these well-intentioned ideas?

It is hardly a secret that easily remedied complaints fester mainly because top-level corporate managers are insulated by “assistants” and impenetrable layers of subordinates. Yet, feedback and responsiveness at the consumer interface are absolutely essential to building trust and demonstrating integrity.

Who’s watching the store?

**M**anage for tomorrow. Expediency is not a strategy. Organizational success over time requires a shared understanding of strategic goals as well as commitment to operational plans and financial targets. This approach encourages teamwork internally and builds approval externally. Few would challenge this doctrine. Nevertheless, distractions may arise. Short-term objectives may lead management to decisions that contravene policies or business objectives that otherwise sustain loyalty and trust. As we have so recently witnessed, too much emphasis on Wall Street’s objectives at the expense of employees, consumers and other key constituencies have disgraced management and substantially compromised the integrity of some previously highly regarded corporations and financial institutions.

The concept of the “three-legged stool” may be an old idea but it surely remains a good guidepost for success over time.

In today’s dynamic global marketplace it can be difficult to stay the course. But managing for the long pull does not—and never did—imply that management must stick doggedly to policies, strategies and operational plans despite threats from competitors, changing consumer preferences and demographics or the ever-increasing pace of technological changes. Rather, it means a business must remain

faithful to its values and build upon its strengths in accommodating changes in its marketplace and in responding to new opportunities.

Management's policy decisions must clearly reflect long-term considerations, not transitory fads, whether in the realm of personnel matters or business practices. Change must always be accompanied by careful, thorough explanations that will make sense to employees, customers, shareowners and other important stakeholders. Investments in research or new lines of business, whether undertaken in a context of expansion or retrenchment, must meet these tests. Otherwise, a company may erode or destroy the reputation assets that once reassured customers and earned employee buy-in.

Employee commitment requires structure, predictability and continuous understanding of business plans as they unfold.

Customers expect a company to remain "in character" and reflect the values and the strengths they associate with its image, even as its products or services evolve over time.

Finally, this question: Is managing for the long pull a useless abstraction in a business environment that moves at an increasingly fast pace? Arthur Page would answer with an emphatic "No."

It was said of Mr. Page by a CEO to whom he reported, "He's the best executive I have. He thinks." This anecdote serves as a good reminder that virtually any issue or event that could conceivably confront a corporation can be anticipated if management periodically takes time to reflect on the possibilities. When policy decisions are under consideration, wouldn't it be useful to be equipped with a reasonable degree of insight and introspection about what the future may have in store? Wouldn't management's decisions more likely take account of the long pull if the implications were viewed through a long lens?

**C**onduct public relations as if the whole company depends on it. For a general business audience it may be helpful to restate this principle as follows: Employ all of the resources of a business to build public approval. And stay at the task everlastingly.

As Arthur Page saw it, every aspect of the business must be managed with public relations considerations in mind. He conceived public relations as an institutional mindset, not a staff department. His conception includes everything from fundamental policies fashioned by top management right down to the day-to-day competencies and behavior of employees in the field or on the shop floor. Actually, his concept can be summed up in the modern understanding of the term “corporate culture.” Public relations is everyone’s job and it’s an imperative for ensuring effective constituency relationships. It’s an attitude, a bias that strives always to fashion policies, actions and business practices that project integrity and build trust. It’s a state of mind, a style of leadership that reflects genuine respect for the sensibilities of all constituencies all the time as a way of life in conducting everyday business activities.

**A** company’s true character is expressed by its people—all of them. That’s why Page urged management to provide training and education to continuously deepen employee understanding of the business and its goals and policies. He believed in employee empowerment. He urged management to support employee volunteerism in community activities and, in connection with those activities, to encourage employees to gather feedback and gauge customer attitudes toward the company’s policies and business practices. Finally, he believed that well-trained, well-mannered and empowered

employees represent an army of powerful ambassadors for the company—but only to the extent that management respected, valued and rewarded their contributions on the job and off.

These may seem like old-fashioned ideas. Perhaps even naive. But if every manager would only search the memories of their own personal experiences with the companies they do business with, it would be starkly obvious that well-trained, properly motivated employees decisively influence customer impressions. Once again, Page got it right. His advice is based on common sense and human experience. It's not a romanticized ideal. It's not an impossible goal in today's business environment. Treating others as you wish to be treated is still what counts if building trust is the objective.

**R**emain calm, patient and good-humored. This is Arthur Page's advice to CEOs and top-level managers. In today's world, in the U.S. as well as abroad, management is beset by litigation, critical media scrutiny, legislative and regulatory harassment.

Management also faces a thousand other kinds of unwelcome distractions, many of them seemingly unfair. And, now and again, political opportunists and non-government organizations may attack a business for no purpose other than to make self-serving news. It isn't easy, perhaps not even natural, for management to remain calm and good-humored in a contentious environment fed by 24-hour news cycles and endless numbers of so-called single-cause watchdog organizations.

When your business is a target, take a deep breath. Do not risk damage to the reputation of your company and its leadership by responding in words or actions that will be perceived as angry,

arrogant or insensitive. Keep in mind that you have a reservoir of good will to draw upon. Initiate your own rejoinders at a time and place of your own choosing, presented credibly in words or actions that strengthen your position. You may also have credible third parties who will come forward to support you. To the extent possible, avoid being drawn into an arena that gives advantage to your adversaries.

Remain “in character.” Every CEO and every business must strive to reflect a style of leadership that is “principled” and speak in a tone of voice that is reasoned and respectful. The objective is to earn respect and strengthen your reputation in the long run. Whatever the issue, your adversary’s theatrics will have a short shelf life if you have a good story to tell and you tell it well. It’s more important to win the war, not the opening skirmish.

In the chapters that follow, another precept that Arthur Page pioneered will be recognized. A company’s goals, business strategies and policies must be articulated clearly and consistently. This is a continuing task of corporate communications in all of its forms. This will provide “context” for marketing communications, financial communications, and effective brand management. As Page would argue, communications programs must flow from and support goals and strategies. Any other purpose is a waste of resources and will only result in confusion and clutter.

—Edward M. Block

*Ed Block is a founding director of the Arthur W. Page Society. Prior to his retirement in 1986, he was a senior vice president of AT&T responsible for public relations, employee information and advertising. His mentors included two senior executives who had reported to Arthur Page.*