The Conference Board of Canada
Insights You Can Count On

Building Customer Trust
A Roundtable Discussion

Toronto, Ontario, Canada
September 19, 2007

Trust Measures and Indicators for Customers and Investors

Part I: Measuring Trust Indicators for Customers

Trust Enabling Strategies

Alex Todd
President & CEO, Trust Enabling Strategies
16 Rosewell Ave., Toronto, Ontario CANADA M4R 1Z7
http://www.trustenablement.com
Tel. +1 416.487.1497, Fax. +1 416.487.9646
AlexTodd@TrustEnablement.com

Abstract

Higher levels of trust in business are known to reduce costs and improve business performance. This paper proposes a framework to help organizations monitor the efficiency of their business practices for indicating trustworthiness to stakeholder groups. In Part I various trust indicators for customers are examined. Part II, contained in a separate document, examines trust indicators for investors. New trust concepts are introduced and a novel framework is proposed for classifying conditions that indicate trust (such as the presence of name-brand products, organizational transparency, and warranties). Examples are used to demonstrate various ways in which the framework can be applied to measure trust indicators for customers.

CONTENTS

 Trust Enabling Strategies

Introduction

Researchers have confirmed that higher levels of trust in business relationships reduce transaction costs and improve most measures of business performance[[i]]. Yet repeated studies indicate low levels of customer and investor trust in business. That gap suggests that significant opportunities may exist for businesses to improve their performance by building trust with their key stakeholders, specifically their customers and investors.

Management should adopt practices and implement business processes that improve the means by which trust is developed and protected. Recently, risk-management practices have become widely accepted as a *defensive* approach to protecting trust: e.g., holding on to the trust and loyalty we already have. From conventional sports wisdom we know that a defensive strategy alone does not win the game. Defense serves to minimize the rate of loss (or points scored against you). Risk-management practices help businesses slow the erosion of customer and investor trust. But trust levels are now sufficiently low to justify efforts that proactively rebuild trust. Business today needs a complementary *offensive* strategy to develop trust, which means that management needs to become competent at defining strategies that optimize the conditions that create trust.

If, according to conventional business wisdom, you can only manage what you measure, management must begin by measuring trust. This is difficult, given the amorphous nature of trust as a subjective, psychological state of an individual. Nevertheless, trust indicators can serve as proxies that infer the presence or absence of trust. Traditionally, surveys have been used as blunt instruments to gauge public sentiment and attitudes in order to derive insights into current levels of trust and confidence. To manage specific instances of trust, however, more reliable, comparable and valid data are required. Studying the relying party's behaviour and the conditions that influence that behaviour can provide superior indicators for trust. The challenge has always been to find a practical means of classifying these conditions according to how they affect trust in order to reliably link observed behaviour to explicit levels of trust.

Analogous to auditing internal controls, assessing trust indicators within a business process allows organizations to identify facilitators and inhibitors of trust. A framework for assessing the conditions for trust indicators relative to their potential for developing and protecting trust allows organizations to align their Trust Enablement™ practices with business objectives. It also provides a basis for comparative analysis, both inside the organization and cross-industry.

This paper introduces the Trust Enablement™ Framework as a foundation for measuring trust indicators that can help organizations develop trust-management competency in order to build stronger trust-based relationships. The Framework distinguishes between the indicators that *protect* trust from those that *develop* trust. It helps discriminate between the indicators better suited for developing *fast trust* versus *high trust*, as well as indicators that protect trust in a *transaction* from those that protect trust throughout a *relationship*. Finally, it provides a roadmap for *rebuilding* lost or otherwise deficient levels of trust.

The paper demonstrates how the Trust Enablement™ Framework can be used to measure trust indicators for two key stakeholder groups: customers (Part I, below) and investors (Part II, in a separate document). The examples show that although the trust indicators used by each group differ, they share common attributes that can be measured and even compared using the Trust Enablement™ Framework. The Framework equips management with device classifications that serve as levers to control conditions for trust and optimize stakeholder engagement. Moreover, it provides both a leading indicator of how conditions for trust are affecting levels of trust, and a lagging indicator of stakeholder behaviour that can be directly attributed to those conditions.

Business Objectives

Businesses are managed primarily against carefully measured financial-performance metrics. Financial performance provides a good indicator of historical performance, with the assumption that companies that demonstrate superior financial performance do a good job of managing the company. However, non-financial indicators that directly measure management performance can be a valuable leading indicator of future financial performance. Management has typically paid insufficient attention to measuring and managing non-financial performance, largely because their key stakeholders (officers, directors and shareholders) have been primarily interested in financial indicators.

Trust has been widely associated with reducing transaction costs and enhancing business and economic value. It is an example of a leading indicator that has been difficult to measure. As a result, management has largely overlooked factors that influence trust. Similarly, management lacks a compass to point them to the stakeholders whose trust matters most.

Although all businesses strive to “maximize” growth, profitability and shareholder returns, in reality companies prioritize and optimize for specific performance metrics at various stages in their lifecycle. For example, start-up and young high-potential companies prioritize for manageable revenue growth, while mature brand leaders tend to optimize for profitability. Similarly, companies looking to leverage their value for mergers and acquisitions or protecting themselves from hostile takeovers prioritize in favour of optimizing share price and business valuations. In each case different stakeholders assume strategic priority. Growth companies prioritize in favour of customers. For mature companies that focus on operating efficiencies and reducing costs, internal and external suppliers of operational resources are critical to success. And investment-oriented companies strategically elevate shareholders above all other stakeholders. In each case, a subset of stakeholders that possess critical resources required for the company to achieve its strategic objectives and performance metrics become elevated in priority. Their engagement in support of the company becomes paramount. For growth companies, customers are king and their trust is critical for sustained revenue growth. Mature, operations-oriented companies should focus on the trust of their employees and supply-chain partners. Investment-oriented companies can increase their valuations and share prices by optimizing the trust of their investors.

Generative, or growth-oriented, strategies need to be oriented more to offense than defence. They need to win over and efficiently engage the stakeholders who control the strategic resources the company requires. Optimizing the trust of customers and sales-channel partners is critical for most companies relying on revenue growth. Companies that rely more on product innovation for growth must also focus on engaging researchers, innovators, engineers and designers in collaborative initiatives that produce disruptive new products and services.

Engaging the critical resources of independent stakeholders requires winning their trust and confidence. They must see the value they will derive from the business relationship. By identifying and monitoring their trust indicators, organizations can optimize the value of key business relationships and improve business performance.

Trust Indicators

If trust is a valuable business objective, how can management measure trust levels in order to make decisions that optimize trust? Trust is an amorphous psychological condition that is difficult to accurately isolate and manage. If we are unable to measure the presence of trust directly, then what indicators can we use as proxies from which to infer the state of trust? Other than measuring the actual psychological state of the individual, which is beyond today's technology, we must rely on three types of trust indicators as proxies:

1. **Assertions:** What the relying (trusting) party says;
2. **Actions:** How the relying party behaves; and
3. **Conditions:** The conditions that make it possible for a person to trust.

1. Assertions - perception indicators for trust

Researchers have typically relied on questionnaires to assess a person's state of mind, attitudes and preferences to infer their level of trust. However, these techniques are not always reliable, because responses can vary greatly with how the questions are asked and their context This approach is more appropriate for measuring general or popular (consumer) rather than specific individual or interest group (customer) trust or confidence. Consumers, by definition, are a broadly defined grouping of customers that buy many different bundles of products and services for different purposes. Consumer surveys are therefore best suited for capturing attitudes *en masse*. Customers, by contrast, represent the subset of consumers that currently or prospectively buy specific products and services. They are clearly identifiable and observable. Since we all know "actions speak louder than words", analyzing their behaviour patterns produces more valid results than exclusively relying on survey responses.

2. Actions – outcome indicators for trust

The best way to measure trust indicators is to monitor behaviour. We know that when people trust, they are willing to make themselves vulnerable. So, the most direct way to measure indications of trust is by observing people's willingness to be vulnerable in a given situation, such as leaving the front door unlocked or prepaying for a purchase.

We also know that a person who trusts is less likely to feel compelled to verify that trust. So we could also track the extent to which people conduct verifications before taking some consequential action, such as making a purchase. Active verification indicates they are trying to establish higher levels of trust, which suggests they have inadequate trust. The converse is also true. If they have the means to readily verify, but elect not to do so, they likely have sufficient trust.

Yet another powerful example of trusting behaviour is the frequency and enthusiasm with which a person recommends a product or service. Although some consider this to be the ultimate indicator of trust, many factors influence this behaviour and may cause the results to significantly overstate or understate the level of trust. For example, someone may recommend a service simply because of its convenience or price, or withhold a recommendation because the value proposition is too subjective or personal to necessarily satisfy the interests of other people.

Similarly, one can expect to see higher perceived value (i.e. price premiums), with less volatility, associated with trust relationships, as well as more (i.e., a higher volume) and faster engagement (i.e., completion of transactions). As with referrals, these can be good outcome indicators of trust, but may be difficult to attribute exclusively to trust, unless positive changes are observed as a direct consequence of changes in the factors that affect trust. Retention is another expected outcome of trust, but loyalty may also be attributable to external controls, such as contracts or indebtedness, rather than trust.

3. Conditions – affecting indicators for trust

The third way to measure trust indicators is to observe the environment within which the relying party is expected to trust, such as on the Internet versus at the corner store. Common indicators can be measured and tracked according to their respective roles in affecting trust levels. On the Internet, for instance, customers rely more on customer feedback (such as found on eBay), while at the corner store customers' personal interactions with the owner weigh more heavily. Mechanisms that allow relying parties to verify their trust, such as free samples or expert evaluations, help create an environment that's conducive to building trust. Similarly, offering extraordinary warranties may signal a deficiency of trust. By tweaking the factors that influence trust, one can observe changes in relying party behaviour that also become trust indicators.

This paper discusses how organizations can use environmental conditions that influence trust as leading trust indicators. Similarly, using a standardized method of grouping conditions that influence trust allows management to use them as measurable and comparable trust indicators for various environments. Using conditions for trust as indicators of trust helps to measure current trust levels as well as predict the future state of trust.

This approach offers the added benefit of identifying the mechanisms used by relying parties to develop and protect their trust. Monitoring usage of these mechanisms (such as expert opinions and customer experiences) can, in turn, provide insights into the customers' levels of trust (a more valid trust indicator than looking at the conditions alone). Finally, trust outcomes (expected actions and behaviours), which would otherwise be difficult to attribute directly to trust (discussed in "Actions" above), become a more reliable indicator of trust when measured with conditions known to affect trust.

Indicators for Public Trust

Conditions for trust influence levels of trust. Leading indicators for trust are the myriad sources of trust and innate factors that allow a relying (trusting) party to have confidence in the information supplied by a third party – say, a public company's press releases and quarterly reports.

The Conference Board of Canada's 2005 research report, "*Rebuilding Trust in Canadian Institutions*", by Z. Ezekiel, and commissioned by Deloitte, recommended a number of trust strategies:

- Quickly acknowledge problems
- Improve transparency
- Foster more critical and independent media reporting
- Improve the treatment and engagement of employees
- Create or improve opportunities for face-to-face interactions
- Increase the independence of external auditors and financial analysts
- Hold senior executives accountable
- Get involved in the community
- Improve the effectiveness of legal and regulatory enforcement
- Improve customer service
- Ensure consistent organizational performance over time

Each strategy represents a leading trust indicator that is implemented through standard business processes and instruments, and plays a specific role in creating the conditions for public trust.

To demonstrate how the recommended strategies contribute to creating conditions for trust, the following sections provide a common frame of reference for the term “trust,” and introduce a framework for classifying conditions and strategies for trust. This, in turn, allows us to analyze the above strategies as leading indicators of their effect on rebuilding public trust (see “Applying the Trust Enablement™ Framework” below).

Trust

The Conference Board of Canada, in its 2005 report cited above, defined trust thusly:

“*Trust is a psychological threshold within a particular individual. On one side of the threshold, individuals are willing to engage in co-operative behaviour entailing risk and uncertainty: on the other side, they are not.*”

Based on this definition, we would measure trust by a trusting party’s willingness to co-operate with someone, assuming some uncertainty of the outcome. However, this definition, although accurate and consistent with the use of the term in this paper, is limited by insufficiently explaining people’s trust where co-operation is not the desired outcome, such as when forming opinions. Our definition of trust matches Merriam-Webster’s dictionary definition of trust as a transitive verb, “*to rely on the truthfulness or accuracy of,*” which implies reliance on information. We therefore prefer the following definition for trust:

"Trust is a person's willingness to accept and/or increase their vulnerability by relying on implicit or explicit information."

Using this definition, we can measure trust by the relying (trusting) party's relative willingness to rely on information to take consequential actions that make them (increasingly) vulnerable to others' information or actions, and/or put them at (increased) risk of loss or damage. For example, based on the information that they (increasingly) trust, customers may (more enthusiastically) recommend the product to (more of) their clients.

Although most would agree that trust is a virtue, consensus is only now starting to emerge around how trust is established and maintained, and the conditions required to achieve specific trust objectives. Earlier definitions[ii] for trust have revolved around trust between individuals, assuming that people trust each other because of personal dispositions, which is accurate[iii]. However, recent research reveals that trust has a far more primitive and elemental role as a precondition for communication itself; analogous to a carrier wave delivering information[iv]. This view of trust makes it possible to describe trust in general terms, outside any specific context, and then apply its properties universally and consistently back to any context.

Introducing A New Paradigm

An abstract notion of trust, as a law of nature, implies that people, acting as relying parties, should be able to trust information regardless of whether or not they trust the source of the information; ***to trust the information despite its source***[v]. Although initially counterintuitive, it is, in fact, commonly observed; witness the volume of items bought from unknown online vendors on eBay. Buyers establish trust not through their own relationships with sellers, but by relying on eBay's suite of services to help them attain the levels of confidence they need to accept the vendors' offers and promises, thereby putting themselves at risk by purchasing something they cannot see, inspect or otherwise experience personally. This scenario is not dissimilar to how individuals make decisions about investing in the stock market, by putting their money at risk based on the representations of issuers *and* intermediaries about the merits of buying or selling the security, and almost always relying on multiple sources of trust (as in the absence of trusted sources[vi] it would be blind faith, not trust). Our legal system works similarly by relying on the corroboration of witnesses to establish trust in the assertions of the defence and the prosecution.

Another significant property of trust is that it is always *contextual*. For example, we know Tiger Woods is a great golfer, but we would probably not trust him to do an equally good job at flying a commercial airplane. We can summarize this idea with a *trust dynamic* by saying:

'A' trusts (or relies on) 'B' for 'C'

In other words, *"A" trusts (or relies on) "B" (the sources of trust which can be a person or thing) for (a specific outcome) "C"*. So we can say that "A" trusts the explicit or implicit information "C", because s/he relies on some person or mechanism "B" to be a source of trust for that information. "B" can be either the source of the information or a third party that helps corroborate the validity of the information. The relying party "A" determines his/her preferred sources of trust "B" for any given information "C". Again we can draw parallels from our legal system where the judge/jury "A" relies on expert witness "B" for the identity of the victim "C".

It is invalid to say "I trust Joe," without also mentioning the things about him (things he says or does) that I trust, as it would imply I trust Joe for everything. In fact, the things I trust about Joe are more important (to rely on them) than whether or not I trust him to tell me about himself. For example, the testimony of a defendant in a court of law is generally not trusted, even though he or she may be telling the truth. Courts therefore rely on trusted experts and eyewitnesses to corroborate the information provided by the defendant. The information about the defendant needs to be trusted, not the defendant. ***What* you trust is more important than *who* you trust.**

This novel approach has many advantages, including its ability to scale trust. The easier we can validate what people and organizations tell us, the easier it becomes to enter into new business relationships. For example, we could be far more effective hiring people if did not have to rely on the references supplied by candidates, and instead could independently use people and technologies we know and trust to provide valid references and corroborate resumes. As access to preferred sources of trust improves, so does our ability to engage in new business relationships with strangers. This is a new way of looking at trust and is unique to the Trust Enablement™ approach being introduced below.

To devise a framework that allows us to create conditions for trust that scale, and reliably provides insights into the trust indicators used by organizations' stakeholders, we need to go one step further. We need a definition of trust that incorporates the factors that affect trust, beyond simply the outcomes described by our earlier definition ("a person's willingness to accept and/or increase their vulnerability"). We therefore propose a causal definition of trust that describes conditions under which a person is known to trust:

"*Trust is a subjective condition that allows an entity (a person) to take a consequential action as a result of accepting some (subjective) level of uncertainty*"

Our causal definition of trust tells us that people trust when they find the uncertainty associated with taking some action to be acceptable. There are two factors that affect trust: the level of uncertainty, and extent to which that level of uncertainty is acceptable to the person. This suggests that conditions that reduce uncertainty and/or make uncertainty acceptable produce trust.

Introducing A New Paradigm

Our causal definition of trust can further be abstracted to a *formulaic definition*:

Trust = Acceptable Uncertainty

When a person is totally uncertain, it is impossible for them to trust. Conversely, when a person has absolute trust, they are certain (or have no uncertainty). However absolute trust is only a theoretical notion. In the real world one cannot even trust one's own thoughts and actions all the time, let alone information from others.

Although trust can be measured directly only by observing the behaviour of the relying party, our formulaic definition allows us to control the indicators that reduce uncertainty and/or make uncertainty more acceptable. Making these modifications helps us analyze the trust relationship when we track and correlate the resulting behaviour changes. If we augment the indicators that reduce uncertainty and observe that the relying party takes the intended action, we can infer that the relying party trusts the information. Similarly, trust is likely to have improved if the relying party takes the desired action after we have reduced the indicators for acceptability. Measuring and tracking these parameters can provide a leading indicator for the level of trust that helps predict relying parties' actions.

Trust Enablement™

Trust Enablement™ is a management innovation that helps organizations optimize stakeholder trust. It introduces a strategic approach to actively managing (measuring and designing) the conditions that contribute to stakeholder trust. It is founded on the Trust Enablement™ Framework, which classifies the factors that affect trustworthiness according to their relative contribution to attaining specific trust objectives.

The Trust Enablement™ Framework is founded on the principle of separating the source of information from the sources of trust (such as the company's financial statements from the auditor's report), allowing business architects to think about stakeholder trust as something that can be engineered, rather than as just a human condition studied exclusively by social scientists. Trust Enablement™ provides a framework for organizing business processes and instruments according to their relative potential for affecting trustworthiness. It helps organizations define business processes and practices that achieve two specific trust objectives, namely to establish and ensure (or *develop* and *protect*) trust.

The Trust Enablement™ Framework shows how trust can be developed and protected **with or without personal relationships**. It places emphasis on the information being trusted and the sources for trust beyond bilateral personal relationships. This makes trust less dependent on personality congruence and more of **an objective process**.

eBay Case Study

eBay provides an excellent example for introducing each of the elements of the Trust Enablement™ Framework. As one of history's fastest growing companies, it is a phenomenon that eBay founder and chairman Pierre Omidyar attributes to "The remarkable fact that 135 million people have learned they can trust a complete stranger."[vii] eBay is known for its feedback system that assigns satisfaction ratings to buyers and sellers after each transaction, so that both transacting parties can build online credibility.

How was it possible for a virtually unknown business to attract small, unknown merchants from all over the world to successfully sell products to consumers who didn't even trust the Internet, let alone the no-name suppliers on the other side of the transaction? The Trust Enablement™ Framework can help illuminate the criteria that contribute to eBay's trustworthiness and success [viii].

Trust Enablement™ Deconstruction of the Conditions for Trust on eBay [ix]

Developing Trust (for certainty)	**Protecting Trust** (for acceptability)
Factual Sources of Trust • Feedback Forum • Tradenable escrow • Product authentication	**Motive Forces** • Policies (comprehensive) • SafeHarbor investigations • Disallowed products • SquareTrade dispute resolution • VeRO notice of IP infringement
Interpretive Sources of Trust • ID Verify from Equifax • Product Opinions and Grading • Privacy Policy • TRUSTe seal • eBay brand	**Proficiencies** • Sophisticated IT infrastructure and applications • Security and Privacy best practices
Empowerment • Identify reliable providers of feedback	**Risk Transference** • User Agreement • Fraud Protection Insurance • PayPal Buyer Protection

Developing Trust

There are only three ways to **develop trust**:

1. **Interpretive Sources of Trust** for *fast trust*;
2. **Factual Sources of Trust** for *high trust*; and
3. **Empowerment** for choosing conditions for trust.

Interpretive Sources of Trust serve to establish trust quickly (*fast trust*) and are critical for providing a base level of confidence in information. They include both:

a. **Self-assertions**, such as features and benefits statements, offers, promises, published policies, and brands. For example, eBay publishes its Privacy policy and has a strong brand; and

b. **Third-party expert opinions**, such as certification marks, expert opinions, product reviews and ratings, customer endorsements and reputation that generally serve to establish higher levels of *fast trust*. For example, eBay carries a TRUSTe seal for privacy protection and provides third-party services that confirm members' authenticity and the quality of their products.

Factual Sources of Trust help establish the highest levels of trust (*high trust*) through direct experiences. They include both:

a. **Personal experiences** of the relying (trusting) party; and

b. The **experiences of others** who are trusted to relate them objectively, such as eyewitnesses, customers, as well as technology, such as computer audit logs and video surveillance cameras. For example, eBay has its famous customer feedback system and offers third-party product and shipment verification services (escrow).

Counterintuitive

Conventional wisdom suggests that self-assertions and third-party expert opinions are not equally trusted and perhaps do not belong in the same category of a trust framework. Instinctively, people feel more comfortable classifying conditions for trust according to "Personal Experiences for *high trust*" and "Third-Party Experiences for *fast trust*", but not "Personal Beliefs for fast trust" and "Third-Party Observations for high trust".

The proposed Framework recognizes this distinction at a lower level of abstraction, since facts generally establish higher levels of trust than anyone's opinions.

It may not be intuitive to some that an expert opinion (which includes official certifications) is not fact. Mistakenly, many people feel that an official endorsement is essentially equivalent to a fact.

Empowerment allows relying (trusting) parties to choose their preferred sources of trust rather than having to rely on those supplied by the source of the information, because trust is contextual and people do not all trust the same people for the same things. For example, eBay provides members with resources that allow them to assess the relative reliability of the feedback providers, as well as offering a suite of optional services that users can choose to build even higher levels of confidence in the transaction. By contrast, suppliers of commoditized products and services, such as wireless communication providers, use complex pricing plans to inhibit comparisons with competitors.

Protecting Trust

Similarly, there are only three ways to **protect trust (i.e.,** defend against a loss or deficiency of trust):

1. **Motive Forces** act as constraints to free will for protecting from a loss of trust in the longer-term;
2. **Proficiencies** protect from a loss of trust in transactions; and
3. **Risk Transference** protects relying parties in the event of a breach or a deficiency of trust.

Motive Forces and **Proficiencies** represent the entire business environment that governs business conduct and its ability to deliver expected value. Many of these mechanisms are invisible to the relying party, unless something goes wrong in the business dynamic to bring attention to specific business practices.

Motive Forces define the "rules of the game", including laws, regulations, policies, values, ethics, culture, incentives and recourse mechanisms. For example, eBay has a comprehensive suite of policies that govern member conduct, including a Disallowed Products policy. They also provide dispute resolution and other recourse mechanisms, such as SquareTrade, SafeHarbor investigations and the VeRO notice of IP infringement service. Moreover, eBay acts as a benevolent third-party node (trust steward) between sellers and buyers, which means that they are inherently motivated to be equitable to all members of their community.

Proficiencies represent all capabilities of an organization to reliably deliver expected value. These include people (including their knowledge and competencies) and business processes, including information technology, product or service features, controls and security. For example, eBay is strong in many of these areas, but highlights the reliability of its information technology and use of security and privacy best practices.

Risk Transference mechanisms and instruments, such as agreements, contracts, warranties, guarantees and insurance, serve to make any residual uncertainty (deficiency of trust) more acceptable. They are important for accelerating commitment to business transactions before a sufficiently high level of trust can be attained. For example, credit card companies protect credit card holders from online losses due to fraud. eBay does this through Fraud Protection Insurance and PayPal's free Buyer Protection of up to US $1,000.

All aspects of Trust Enablement™ need to be addressed to achieve a balanced and effective trust environment that is not overly dependent on a few fragile mechanisms, such as relationships or contracts. Note how eBay takes a very balanced approach to enabling trust. It addresses all the elements of the Trust Enablement™ Framework, with proportional emphasis on each one. The conditions most appropriate for developing and protecting required levels of trust in information depend largely on the nature of the business and the information being relied upon, thereby making each Trust Enablement™ system unique.

Synopsis of the Trust Enablement™ Framework

To summarize, a generalized framework for trust can help guide the development of a blueprint for optimizing conditions for trust with stakeholders. The Trust Enablement™ Framework being introduced in this paper defines conditions for trust according to two overriding objectives:

1. Developing a required level of trust in information; and
2. Protecting from a loss or deficiency of trust.

The Framework is founded on our *formulaic definition* for trust above, namely "***Trust = Acceptable Uncertainty***", where indicators that reduce *uncertainty* are associated with Developing Trust and indicators that increase the *acceptability* of uncertainty are associated with Protecting Trust (see diagram below).

Conditions for Trust
The Trust Enablement™ Framework

Certainty **Develop Trust**	Acceptability **Protect Trust**
Factual Sources of Trust Personal experiences of the relying party or those of objective witnesses.	**Motive Forces** Factors influencing the actions of the beneficiary (trusted party).
Interpretive Sources of Trust Subjective assertions of the source of the information or third parties.	**Proficiencies** Aptitude, knowledge, behaviour and disciplines employed to consistently deliver expected value (people, processes & technology).
Empowerment Relying party's ability to choose.	**Risk Transference** Mechanisms and processes that transfer risk away from the relying party.

Trust Enabling Strategies

The conditions for trust are further subdivided according to the relative time horizon of the trust objective – namely, whether the conditions build or maintain trust within a fairly short timeframe or over a longer period of time [see Table 1 below]:

1a. Develop fast trust (usually suggests a lower level of trust);

1b. Develop high trust (usually takes longer);

2a. Protect trust associated with a transaction; and

2b. Protect trust over a longer period of time (spanning numerous transactions).

Finally, the Framework defines conditions required to overcome residual deficiencies in trust and initiate the process of building or rebuilding lost trust by addressing the requirements to:

A. Compel a relying party to take a desired consequential action before they have attained the level of trust they would otherwise require; and

B. Empower the relying party to choose their preferred conditions for trust.

The Trust Enablement™ Framework, represented in tabular form below [Table 1], shows how these conditions contribute to attaining specific trust objectives. The table also demonstrates the linkage between the Framework and the contextual nature of trust discussed in the *trust dynamic* above.

[Table 1] **Trust Enablement™ Framework**[x]		
'A'	**trusts (relies on) 'B'**	**for 'C'**
STAKEHOLDERS	**Develop Trust** 1. Develop a required level of trust in information	**Protect Trust** 2. Protect from a loss or deficiency of trust
	Factual Sources of Trust (provide transparency) 1b. Develop high trust (usually takes longer to establish)	**Motive Forces (**provide continuity) 2b. Protect trust over a longer period of time (over many transactions)
	Interpretive Sources of Trust (provides characterizations) 1a. Develop fast trust (usually suggests a lower/base level of trust)	**Proficiencies (**provide reliability) 2a. Protect trust associated with a finite set of transactions
	Empowerment (provides choice for validity[xi]) B. Empower the relying party to choose their preferred conditions for trust	**Risk Transference** (provides risk mitigation) A. Compel a relying party to take a desired consequential action before they have attained level of trust they would otherwise required

Each condition for trust is used to invoke a specific desired response or outcome, as outlined in the table below:

CONDITION	for	OUTCOME
Trust Enablement™	**for**	**Stakeholder Engagement**
Empowerment	for	Discovery
Interpretive Sources	for	Awareness
Factual Sources	for	Acceptance (due to high trust)
Risk Transference	for	Action (despite inadequate trust)
Proficiencies	for	Delivering Expected Value
Motive Forces	for	Commitment
Stakeholder Trust & Confidence	**for**	**Business Value through Reduced Transaction Costs**

 Trust Enabling Strategies

Applying the Trust Enablement™ Framework

Applying the Trust Enablement™ Framework to assess the trust strategies recommended by The Conference Board of Canada (listed in the "Indicators for Public Trust" section above) we find they emphasize *developing high trust*, with strategies that use *Factual Sources* of trust that are often based on direct experiences (see diagram below). The Trust Enablement™ assessment also reveals that, despite the report's title, "*Rebuilding Trust in Canadian Organizations*". It does little to initiate the process of rebuilding lost trust. The assessment reveals that none of the strategies addresses *Risk Transference* and *Empowerment*, which compensate for current deficiencies in conditions for trust.

Trust Enablement™ Assessment of The Conference Board's Suggested Trust Strategies

Trust-Developing Strategies

Factual Sources: High trust

- Quickly acknowledge problems
- Improve transparency
- Foster more critical and independent media reporting
- Improve the treatment and engagement of employees
- Create or improve opportunities for face-to-face interactions

Interpretive Sources: Fast trust

- Increase the independence of external auditors and financial analysts

Trust-Protecting Strategies

Motive Forces: Rules of the Game

- Hold senior executives accountable
- Get involved in the community
- Improve the effectiveness of legal and regulatory enforcement

Proficiencies: Expectation Fulfillment

- Improve customer service
- Ensure consistent organizational performance over time

Empowerment

- ?

Risk Transference

- ?

Trust Enabling Strategies

1

As this example illustrates, the Framework is suitable for visually depicting all the efforts that go into systematically creating and protecting trust.

Part I: Measuring Trust Indicators for Customers

The previous section introduced the Trust Enablement™ Framework that identifies relevant indicators of conditions that contribute to building and protecting trust. Applying the Framework to optimize trust for a specific, desired outcome requires an understanding of each organization's customer and business requirements. Optimal conditions for trust vary from organization to organization. This paper generalizes for a prototypical business scenario.

Distinct from measuring broad indicators of *consumer* or *public* trust that were assessed in the preceding section, designing and measuring trust indicators for *customers* requires a focused understanding of the critical information that customers rely on to successfully complete a purchasing transaction. It also requires an understanding of the factors that affect the conditions for trusting that information.

Customer Requirements

Although all customers want essentially the same thing, namely to optimize the perceived value of their purchases, their perception of value varies greatly. Some derive more value from lower prices while others place more value on greater utility. Similarly, some customers focus more on maximizing short-term value from any given transaction, while others place more value on longer-term relationships. Some customers place more value on safety, while others are prepared to pay a premium for an uncertain opportunity.

Customers have different trust thresholds when purchasing different kinds of products and services. Higher-risk or more consequential purchases, such as intangible services and higher-priced products, generally require higher levels of customer trust and confidence to complete the transaction. Low-priced commodity items, by contrast, require little customer trust beyond a superficial inspection of the item.

Customers' trust requirements also differ depending on the stage of the transaction cycle: discovery, negotiation and order, fulfillment, or settlement and compliance. Each phase of the transaction cycle requires that the customer attain sufficient levels of trust and confidence in critical information before progressing to the next phase. For example, before a customer will be willing to enter into negotiations, he or she must be confident that the supplier and/or product will provide the features and benefits required. In other words, the customer must first attain sufficient trust and confidence that the product or service and its supplier are likely to provide an expected level of functional performance. Similarly, in order to advance from the negotiation and order phase to the fulfillment phase, the customer must attain a sufficiently high level of trust and confidence in the terms and conditions of the purchase. For instance, even though the customer has selected the right product and seller, undue uncertainty about the appropriateness of the costs associated with purchase, such as total landed costs, could impede progress to completing the order.

Finally, the trust indicators sought by the customer will differ considerably for customers with positive, neutral and negative perceptions and expectations about the value of the prospective transaction.

All variables are relevant when optimizing trust indicators for customers. Meaningful measurement of trust indicators may therefore also require an understanding of customers' trust requirements.

Trust Indicators for Customers

Armed with the knowledge of customers' trust requirements and the information customers need most, we can use the Trust Enablement™ Framework to optimize the trust indicators that customers use to make their reliance decisions. The following is an illustrative example of how customers' attitudes and the nature of their purchases need to be prioritized for distinct types of trust indicators, as defined by the Trust Enablement™ Framework.

Nature of Customer Purchases

Priority Trust Indicators

A. RISK PROFILE

We begin by understanding the customer's (in the aggregate or individual) current perceptions about the information, namely the extent to which s/he already believes (*interpretive* source of trust) the information, and his/her trust threshold (or level of risk tolerance, a *motive force*). If the customer perceives the information to be highly consequential and/or is starting from a position of mistrust, s/he may require a more robust suite of trust indicators. Repairing broken trust requires a different Trust Enablement™ strategy than protecting previously established trust.

Factual	***Motive Forces***
Interpretive	Proficiencies
Empowerment	Risk Transference

B. COMMODITY

In general terms, if the customer is purchasing a relatively inconsequential commodity the seller's objectives would be to facilitate purchase spontaneity by selling a popular product (*interpretive* source of trust), at a guaranteed (*risk transference*) low price, with a no-questions-asked return policy.

Factual	Motive Forces
Interpretive	Proficiencies
Empowerment	***Risk Transference***

C. MAJOR

If the commodity is a high-budget purchase, the customer, will need to develop higher levels of trust in the price being asked for the product, perhaps by comparison-shopping (*factual* sources of trust).

Factual	Motive Forces
Interpretive	Proficiencies
Empowerment	Risk Transference

D. COMPLEX

If there is also significant feature/function complexity to the product, and durability is important (*proficiencies*), the customer may need the advice of experts (*interpretive* sources of trust).

Factual	Motive Forces
Interpretive	**Proficiencies**
Empowerment	Risk Transference

E. INTANGIBLE

If, in addition, the product is an intangible asset or a service, customers will need to experiment, or try (*factual*), with limited commitment (*risk transference*), to ascertain the validity of the product/service and the nature of the business relationship, before making a significant commitment.

Factual	Motive Forces
Interpretive	Proficiencies
Empowerment	**Risk Transference**

F. COMMITTED

If the purchase is a long-term commitment or marks the start of a strategic business-to-business relationship, the customer will require a clear understanding of the sellers' motivations and the rules by which business will be conducted throughout the relationship (*motive forces*).

Factual	**Motive Forces**
Interpretive	Proficiencies
Empowerment	Risk Transference

G. SPECULATIVE

If the customer is starting with a negative perception about the product/services or merchant, or the vendor and products are new to the market, the vendor will need to focus more on transferring the risks of committing to the relationship away from the customer (*risk transference*), and empowering him or her to specify more of the conditions for the relationship (*empowerment*).

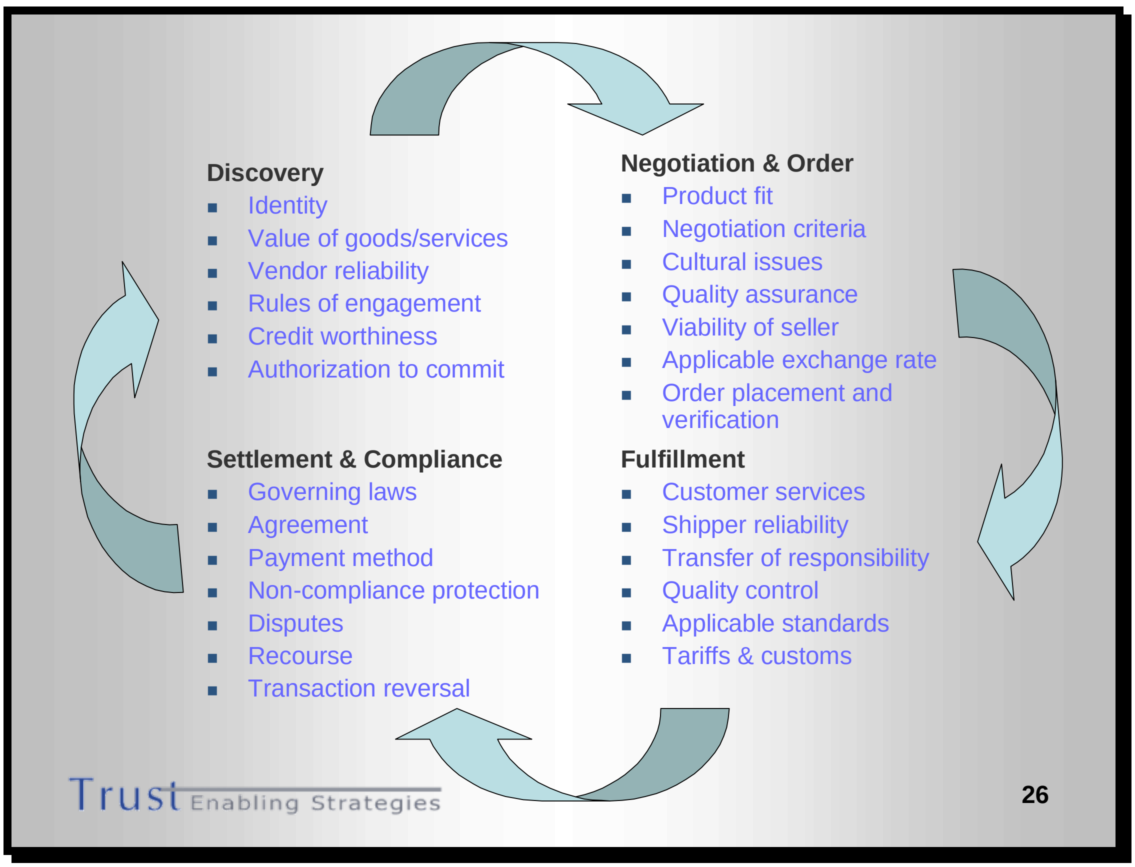
Factual	Motive Forces
Authoritative	Proficiencies
Empowerment	**Risk Transference**

This hypothetical example shows how customers' trust requirements can vary by the nature of the purchase, each requiring emphasis on distinct types of trust indicators. The Trust Enablement™ Framework helps identify the classes of trust indicators that best satisfy each customer's requirements.

Stages of Customer Purchase

In addition to the nature of the customer purchase (discussed in the previous section), customers' trust requirements also vary according to where they stand within their transaction lifecycle (state of purchase completion).

Let's examine the lifecycle of a purchasing transaction. A typical sales transaction transitions through four sequential phases, starting with the customer *discovering* his/her preferred product and, if the purchase is successful, ending with a payment *settlement (*or *compliance*, if the customer is not satisfied with the purchase and wishes to reverse the transaction or seek other damages).



Within each stage of the purchasing transaction, the customer must establish sufficient trust and confidence in critical pieces of information before proceeding to the next phase. In order to expedite completion of the sale, the vendor must provide sufficient trust indicators about each piece of information the customer needs.

The following scenarios depict a typical purchasing transaction. Although all elements of the Framework are relevant throughout the entire transaction, the example highlights only those that are strategically most significant at each stage.

Priority Trust Indicators

1. Discovery

Most sales transactions begin with the customer having a perceived need and searching for suitable solutions in the form of products or services. Marketing departments are typically responsible for creating customer awareness (using *interpretive* sources of trust, such as branding) and establishing sufficient trust in the value of their product or service to move the customer into the sales process that takes place in the next phase. Marketing success depends on sophisticated use of trust indicators to optimize customers' trust and confidence in the key information they need about the validity and value (*proficiencies* to deliver expected value) of the product being offered.

Factual	Motive Forces
Interpretive	**Proficiencies**
Empowerment	Risk Transference

2. Negotiation and Order

Once customers feel confident that a product or service will satisfy their requirements, they need to establish trust in doing business with the seller. The sales department's role is to help the customer attain sufficient trust and confidence in the vendor's ability to deliver the value promised by the marketing department. Customers rely largely on their experiences (*factual* sources of trust) during this phase to finalize their purchasing decisions. The sales department's behaviour (or business processes) must therefore be optimized to help customers validate their initial impressions about the validity and value of the product or service and to establish trust in the vendor's desire (*motive forces*) and ability (*proficiencies*) to deliver value.

Factual	**Motive Forces**
Interpretive	**Proficiencies**
Empowerment	Risk Transference

3. Fulfillment

If the marketing and sales departments have done their job, the customer will have placed the order with a set of expectations about costs, delivery time and service quality. Should the production, distribution, logistics and customer service teams

Factual	Motive Forces
Interpretive	**Proficiencies**
Empowerment	Risk Transference

not satisfy (*proficiencies*) any of these expectations, the customer could still cancel the order. Customer service must ensure that the sale is not abandoned at this stage, due to a customer's loss of trust or confidence. The key to success is "no surprises" (*factual* sources of trust). Accuracy and fast access to information are paramount in this phase.

4. Settlement & Compliance

Successful delivery of the product still does not guarantee customer satisfaction and payment. The sale is not complete until the customer says it is. Customer service and post-sales support play a prominent role in ensuring the customer is benefiting sufficiently from the delivered product or service. Both the customer's experiences (*factual* sources of trust) with the functionality of the product or service and his/her ability to derive value (*proficiencies*) from it will determine his or her willingness to make a final commitment to the purchase. Should the customer be dissatisfied, or lose confidence in the value of their purchase, he or she will seek recourse by withholding payment or requesting a refund - or worse, seeking compensation for damages. This undesirable scenario would represent a critical crossroad for the future business relationship. At this late stage of the purchase, the customer is typically vulnerable by having already paid for and used the product or service. He or she may be dependent on the vendor's discretion for restitution. The vendor's conduct (*factual* sources of trust) will demonstrate the true nature of the business relationship. Full compliance with the customer's demands for restitution would indicate the vendor's willingness (*motive forces*) to trust the customer (*risk transference*), and could initiate a potentially virtuous spiral of reciprocity (*empowerment*) in the business relationship. The alternative will create customer mistrust, a trust deficit that the vendor may have to overcome before making another sale to that customer.

Factual	**Motive Forces**
Interpretive	**Proficiencies**
Empowerment	**Risk Transference**

General Trust Indicators for a Web Store

Online shoppers consciously and subconsciously look for credibility clues, or trust indicators. These are some trust-building best practices[xii] for online retailers, and how they fit into the Trust Enablement™ Framework:

Priority Trust Indicators

1. Appearance.

Make sure the web site is clean, organized (*interpretive* source of trust) and error-free (*factual* source of trust). Check for typos, broken links, inconsistencies in graphics, repetition, and cluttered appearance. Lack of attention to such details implies that you may be equally careless (*proficiencies*) in your business dealings.

Factual	Motive Forces
Interpretive	**Proficiencies**
Empowerment	Risk Transference

2. Credibility Visuals

Provide familiar visual clues on your site, such as well-known brand names and logos (*interpretive* sources of trust). Also list other trusted brands, including suppliers, business partners and customers — and always display their logos to make a stronger impression. Seeing recognizable names increases shoppers' confidence in your store (*motive forces*, because they can tell you are in good company). It is more comforting to buy goods knowing *FedEx* is shipping rather than *Joe* X.

Factual	**Motive Forces**
Interpretive	Proficiencies
Empowerment	Risk Transference

3. Credentials

If you have attained a standard of excellence (*proficiencies*) or have met minimum certification requirements, such as for service or security, let customers know about it. Credible trust marks (*interpretive* sources of trust) displayed on your home page will instil confidence in shoppers so they'll stay on your site and discover all you have to offer.

Factual	Motive Forces
Interpretive	**Proficiencies**
Empowerment	Risk Transference

4. Complete Contact Information

Make sure your contact information is easily accessible. Indicate all the ways that you can be reached – including your physical business address (*interpretive*, because it is a self-assertion). Besides providing a customer convenience, this helps assuage fears that you will take their money and run (*motive forces*).

Factual	**Motive Forces**
Interpretive	Proficiencies
Empowerment	Risk Transference

5. Give to Receive

Offer freebies (such as trial software, free advice, or money-back guarantees). This allows customers to experience (*factual* source of trust) doing business with you before they actually buy anything (*risk transference*). Similarly, if your website is easy to navigate (see tip #1), it tells customers they can expect their buying experience to be just as pleasant.

Factual	Motive Forces
Interpretive	Proficiencies
Empowerment	**Risk Transference**

6. Insure – and assure – customers

The single most effective thing you can do to build customer confidence in the short term and transform reluctant shoppers into spenders is to provide a third-party insurance policy (*risk transference*). Payment services such as PayPal provide Buyer Protection programs that ensure your customers are protected from loss or damage caused by shopping on your site.

Factual	Motive Forces
Interpretive	Proficiencies
Empowerment	**Risk Transference**

7. Protect Customers' Privacy

Shoppers know that inappropriate use of their personal information can be devastating. Address privacy issues explicitly (*interpretive* source of trust) whenever you are asking for any information. Tell customers why you are collecting the data, how you will use it and how you protect it (*interpretive* source of trust). Use clear, concise statements (*factual* source of trust, since the customer is experiencing authenticity). Excessive legal wording and fine print make people think you're trying to hide something.

Factual	Motive Forces
Interpretive	**Proficiencies**
Empowerment	Risk Transference

For customers expecting compliance with specific privacy laws and regulations, explain why you are in compliance and back it up with relevant third-party assurance (*interpretive* sources of trust). A well-recognized privacy seal (*interpretive* sources of trust), such as from TRUSTe.org, assures them you are taking care (*proficiencies*) to protect and respect their privacy.

8. Be transparent

Online fraud is growing at an alarming rate and consumers are becoming increasingly sensitive to the threat. Online shoppers have no way of witnessing what's really going on in the "store" and often feel vulnerable. Your website should include easily accessible (*empowerment*) information on why your store is a safe place to shop. Tell customers (*interpretive* source of trust) how you protect them with safe-shopper policies. Consider joining the ePublicEye.com Safe Shopping program (*empowerment* to access *factual* sources of trust).

Factual	Motive Forces
Interpretive	Proficiencies
Empowerment	Risk Transference

9. Hold the customer's hand

Once the customer is ready to buy, walk them through each step of the online purchasing process (that experience is a *factual* source of trust). Assure them (*interpretive* source of trust) at each prompt that you are sensitive to their concerns (*motive forces*), and deal with each question or issue as it comes up (the experience is a *factual* source of trust). Provide a clear link (*empowerment*) to your mission statement, customer-service policies and any other aspects of your business (*motive forces*) that may need explaining. Even better, follow tip #10. The objective is to eliminate those moments of hesitation – especially in the sale's final stages.

Factual	**Motive Forces**
Interpretive	Proficiencies
Empowerment	Risk Transference

10. Offer a personal touch

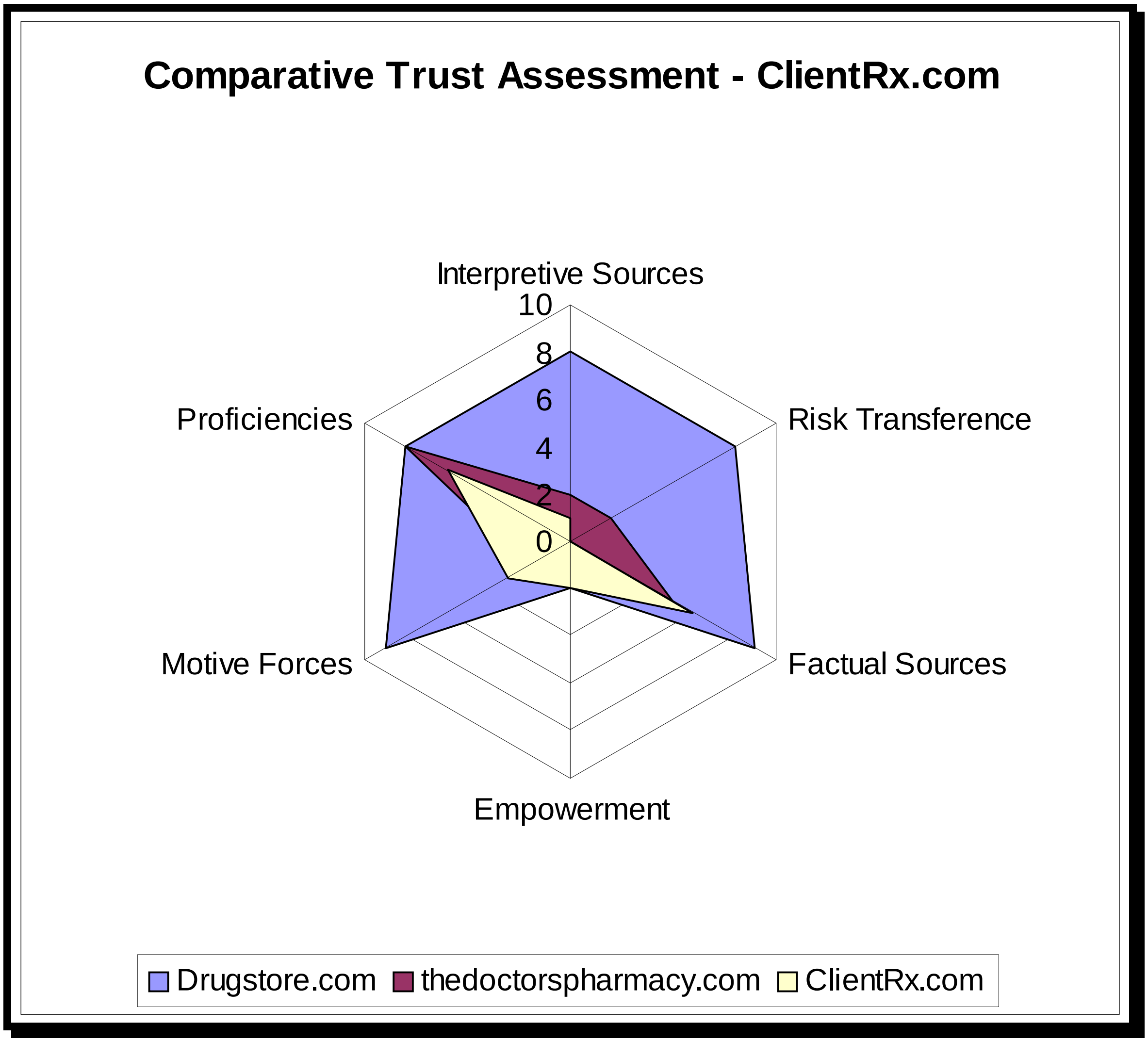
One way to instantly win over customers is to have a real person help them prior to and during their purchase (*factual* source of trust). You can use today's Internet technologies to provide a variety of communication channels, ranging from IP telephone to instant chat. For higher-value transactions, provide a 24-hour toll-free phone number — with prompt (*proficiencies*) and friendly service (*motive forces*). It's often the final touch that convinces hesitant shoppers to buy.

Factual	**Motive Forces**
Interpretive	**Proficiencies**
Empowerment	Risk Transference

Comparing Trust Indicators for Customers

The Trust Enablement™ Framework can also be used to compare trust indicators of different organizations. Although the specific instruments, mechanisms and business processes may vary between organizations, the classification system provided by the Framework facilitates direct comparability.

The following comparative assessment of the trust indicators provided by three online pharmacy web sites illustrates how the Framework can be used for comparative measurement and tracking of different organizations' trust indicators.



Analyzing the chart alone (without access to supporting details), a Trust Enablement™-trained practitioner can detect that:

1. Drugstore.com is by far the most trust-enabled of the three web sites (more trust-enablement mechanisms in most categories seen by occupying a larger area of the graph);
2. Clientrx.com is slightly more trust-enabled than Thedoctorspharmacy.com (slightly larger total area of graph);
3. Thedoctorspharmacy.com employs trust-enablement mechanisms that allow customers to make a purchase decision faster than Clientrx.com (provides more *risk transference* mechanisms); and
4. Clientrx.com provides better customer relationship/trust-development mechanisms than Thedoctorspharmacy.com (richer customer experiences contribute to *factual* sources of trust – for *high trust*).

Implications are that:

1. drugstore.com is likely an indirect competitor that is able to sell at a higher price point (significantly different chart profile);
2. Clientrx.com and Thedoctorspharmacy.com may be direct competitors (similar chart profiles);
3. all else being equal, Thedoctorspharmacy.com is likely to experience higher traffic conversion rates than Clientrx.com (richer *risk transference* overcomes hesitations due to trust deficiencies); and
4. all else being equal, clientrx.com is more likely to retain customers than thedoctorspharmacy.com (motive forces clarify customer expectations).

The Trust Enablement Framework can help us not just to examine our own organization's opportunities for taking advantage of higher trust, but also to position our organization against competitors (and other organizations) in order to inform and enhance our *competitiveness*. It also provides a simple measurement system, suitable for executive dashboards.

Customer-facing Applications for the Trust Enablement™ Framework

How can organizations use the Trust Enablement™ Framework to improve customer sales performance? Here are a few examples:

- Customer service organizations can improve customer retention by reinforcing customers' trust and confidence in the value of the business relationship;
- Sales organizations can reduce their cost of sales by accelerating sales cycles;
- Public relations organizations can fine-tune their trust-building strategies to optimize brand value;
- Internet-based organizations can optimize social networking strategies to attain sustainability;
- Marketing organizations can increase sales volumes and price points by helping customers develop higher levels of trust and confidence in their value propositions;
- Executives can measure trust indicators and allocate resources optimally to achieve specific customer trust objectives; and
- Boards of directors can appropriately allocate strategic resources to customer trust and monitor the effectiveness of execution initiatives by tracking leading trust indicators.

Conclusion for Part I

Trust has significant implications for business performance. To date, business has paid little attention to trust, largely because trust has mostly been studied by social scientists, not business theorists. The information age has changed many traditional business paradigms, including the view that trust is founded exclusively on personal relationships. Electronic commerce successes such as eBay are beacons that demonstrate how impersonal trust can facilitate business transactions at a distance. Today, with social-networking technologies such as Web 2.0, the Internet empowers customers to develop higher levels of trust faster than ever by tapping into a labyrinth of innovative sources for trust – often their own global networks of peers, rather than experts, authorities or institutions. Combined with a rapid shift to massive globalization of business resources that has created a need to manage the complexity of myriad business relationships, new economic conditions are forcing management to revisit long-held beliefs about the forces that drive business. Emphasis is shifting from Michael Porter's Competitive Forces view of the business environment to Andrew McAfee's Enterprise 2.0, which is founded on knowledge-based collaboration that requires a receptive culture that embraces new practices and favours independent-minded dissent over unilateral controls and homogeneity.

This rapidly evolving new world of business recognizes that success requires offensive strategies that identify and capitalize on a torrent of new opportunities, not on defensive strategies that protect the devaluing equity of the status quo. Risk-management practices that have recently dominated boardroom defensive agendas are all about protecting what companies already have. Trust will underpin the success of companies developing offensive strategies oriented to engaging the most productive global resources and delivering superior value to stakeholders.

We are moving from a business climate that now faces a crisis of trust to a new business reality that uses trust indicators as an important non-financial indicator of future financial performance. As the factors that affect trust outside bilateral personal relationships become an increasing enabler of business transactions, they are becoming easier to identify and measure. Nothing has changed the fundamental human condition, in which trust is an amorphous state mind that today's technology cannot identify. The blunt instrument of opinion surveys continues to be the most commonly used proxy for indicating trust. Although it may be adequate for measuring public sentiment, too many factors influence the validity and comparability of results for this instrument to be useful in managing the trust of customers and creating desired outcomes.

For business purposes, customer behaviour should be the ultimate indicator of trust. Customers demonstrate their trust by willingly making themselves more vulnerable to the company, spending less time validating the promises of the company, relying less on warranties and insurances for protection, voluntarily paying a premium for products and services, taking less time to complete the purchase, or increasing their purchasing volumes. However, most of this behaviour can also be attributed to factors other than trust, such as having fewer alternative choices.

Knowing the factors that influence customers' perceptions of trustworthiness can indicate trust, and changes in business outcomes that result from modifying these influencers can help attribute customer behaviours directly to trust. The challenge has been to classify countless, seemingly unrelated conditions that affect trust according to their relative impact on perceptions of trustworthiness.

The Trust Enablement™ Framework is introduced as a generic approach to classifying the factors that influence trustworthiness. It allows management to measure (and monitor) leading indicators for trust according to how customers perceptive trustworthiness. It enables management to optimize conditions for trust to achieve specific trust objectives that drive desired customer behaviour.

The Framework defines the types of trust indicators that need to be considered to achieve specific trust objectives. It also recognizes that there are many specific trust indicators that can satisfy the same trust objective (as defined by the Framework).

Although best practice is to provide a balanced set of trust indicators that address each category of the Framework proportionally, many factors influence the emphasis and distribution of trust indicators for optimizing business performance. Business objectives, customer requirements, the nature of the purchase, and the stage of the purchasing transaction all influence the priority of trust indicators, and hence determine the optimal conditions for trust – for better or for worse.

The Trust Enablement™ Framework is useful for comparatively assessing the trust indicators present in the business processes of different, even dissimilar organizations. This comparative data can be quantified and depicted in charts that provide visual cues for distinguishing patterns that indicate customers' perceptions of an organization's trustworthiness and can also predict behaviour. Moreover, it can be used to isolate the conditions that affect trustworthiness for specific information within a given business process, thus allowing for trust optimization at the granular level.

We believe the Trust Enablement™ Framework provides the foundation for a long-term competitive advantage that will allow organizations to significantly improve their business performance by optimizing the value of their relationships with customers and other key stakeholders.

Appendix

Trust Definitions

Gerck, E. (1998) "*Toward Real-World Models of Trust: Reliance on Received Information*", The Meta-Certificate Workgroup, http://mcwg.org/mcg-mirror/trustdef.htm.

> ("Real-world or Social: The concept of social trust can be obtained from dictionaries, such as Merriam Webster: ' 1 a : assured reliance on the character, ability, strength, or truth of someone or something b : one in which confidence is placed. 2 a : dependence on something future or contingent : HOPE b : reliance on future payment for property (as merchandise) delivered : CREDIT 3 a : a property interest held by one person for the benefit of another b : a combination of firms or corporations formed by a legal agreement; especially : one that reduces or threatens to reduce competition 4 archaic: TRUSTWORTHINESS 5 a (1) : a charge or duty imposed in faith or confidence or as a condition of some relationship (2): something committed or entrusted to one to be used or cared for in the interest of another b : responsible charge or office c : CARE, CUSTODY <the child committed to her trust>')

Handfield, R., (2003) "*Can You Trust the Concept of Trust in Supply Chain Relationships? Part I: What Does It Mean to Trust?*", NC State University Supply Chain Resource Consortium Reports from the SCRC Director.

> ("In both serious social thought and everyday discourse, it is assumed that the meaning of trust and of its many apparent synonyms is so well known that it can be left undefined or to contextual implications." Barber (1983:7) Hosmer (op cit 380)")

Riegelsberger, Jens, "Trust in Mediated Interactions", 27 June 2005. The article references Zand (1972), Boss (1978), Mayer et al. (1995), McAllister (1995), Rocco (1998), and Corritore et al. (2001).

> ("Trust is the willingness to be vulnerable based on positive expectations about the actions of others.")

Hart C. W., and Johnson M. D. (1999) "*Growing the trust relationship*", Marketing Management.

> ("Having the confidence that the other party will not exploit one's vulnerabilities.")

Hacker, S. K., Willard, M. A., and Couturier, L. (2002) "*The Trust Imperative*", American Society of Quality, pp. 33.

> ("A person's willingness to accept and/or increase their vulnerability to another person based on their perception of the other person's capability, commitment, and consistency.")

Wikipedia, at http://en.wikipedia.org/wiki/Trust.

> ("In sociology, trust is the willing acceptance of one person's power to affect another.")
> ("In general, trust refers to an aspect of a relationship between two parties, by which a given situation is mutually understood, and commitments are made toward actions in favor of a desired outcome. In contrast with hope, trust is almost strictly interpersonal. In contrast with faith, trust is almost always considered a subordinate material form whereas "faith" is typically reserved for a "higher power" - God, etc.")

Abdul-Rahman, A. (2005) "*A Framework for Decentralised Trust Reasoning*", PhD thesis, University College London, p68.

> ("Misztal gives a good summary of how trust has been perceived by social scientists: What integrates all the above definitions of trust is their common emphasis on the importance of several properties of trust relationships. The main common characteristic ... is its 'dependence on something future or contingent; future anticipation'. ... they require a time lapse between one's expectations and the other's action. ... that to trust involves more than believing; in fact, to trust is to believe despite uncertainty. ... always involves an element of risk ... from our inability to monitor others' behaviours, from our inability to have a complete knowledge about other people's motivations and, generally, from the contingency of social reality. Consequently, one's behaviour is influenced by one's beliefs about the likelihood of others behaving or not behaving in a certain way rather than solely by a cognitive understanding or by firm and certain calculation.")

Gerck, E. (1998) "*Toward Real-World Models of Trust: Reliance on Received Information*", The Meta-Certificate Workgroup, http://mcwg.org/mcg-mirror/trustdef.htm.

> ("GENERATED GLOSSARY: Trust
> General definition of trust (a general model of trust):
>
> - 'trust is that which is essential to a communication channel but cannot be transferred from a source to a destination using that channel'.
>
> Derived definitions (i.e., applied models):
>
> - 'trust about an entity's behavior on matters of x is that which an observer has estimated at epoch T with a variance as small as desired',
> - 'trust about an entity's behavior on matters of x is that which an observer has estimated with high-reliance at epoch T',
> - 'trust is a set of natural and logical connections between expected and actual behavior',
> - 'trust is expected fulfillment of behavior',
> - 'trust is to expect all previously observed behavior',
> - 'trust is to expect absence of any previously unobserved behavior',
> - 'trust is an intersubjective statement that stands behind an authorization',

- 'trust is an open-loop control process of an entity's response on matters of x',
- 'trust is to rely upon actions at a distance',
- 'trust is to rely upon reactions at a distance',
- 'trust is to rely upon actions or reactions at a different point in space or time',
- 'trust is qualified reliance on information, based on factors independent of that information',
- 'trust is reliance on received information, coherently with some extent',
- 'trust is that which an observer can rely upon to some known extent regarding a subject matter',
- 'trust is what an observer knows about an entity and can rely upon to a qualified extent',
- 'trust is received information which has a degree of belief that is acceptable to an observer',
- 'trust is knowledge acceptable by an observer',
- 'trust is knowledge about one's perception of a fact',
- 'trust is that which provides meaning to information',
- 'trust is a link between a local set of truth-values and a remote set of truth-conditions',
- 'trust is a link between reference and referent',
- 'trust is a link between referent and sense',
- 'trust is a link between reference and sense',
- 'trust is measurable by the coherence of understanding',
- 'trust is that which absence can make any state possible',
- 'trust is that which absence can make any state transition possible',
- 'trust is that which absence can make a process non-ergodic',
- 'trust is that which absence cannot justify reliance',
- 'trust is time measured without a clock and/or space measured without a scale',
- 'trust is a link between conceptual and perceptual realities',
- (objective) 'trust is a coherent collective agreement',
- (intersubjective) 'trust is a bilateral agreement, not necessarily balanced',
- (subjective) 'trust is what you know you know you know' -- i.e., you know, you can recall at will and you know how to use,
- ...

Trust is not:

- surveillance,
- auditing,
- reputation,
- authorization,
- closed-loop control,

- insurability,
- indemnifiability,
- belief,
- accountability,
- hope,
- intuition,
- faith,
- unqualified,
- the inverse of risk,
- the absence of risk,
- transitive,
- distributive (in psychological, sociological and legal sense),
- associative (in mathematical sense; also in psychological, sociological and legal sense),
- symmetric.

Trust values: Trust has a minimum of three possible values: +, 0 and -

- \+ trusted according to policy(+), here called *trust*
- 0 trust value not assigned by either policy(+) or policy(-), here equivalent to the statement ‘*needs zero trust*’
- \- trusted according to policy(-), here called *distrust*

The respective (+) and (-) policies define the extent of trust for each positive and negative range. The trust value depends on the extent of trust. The larger the extent, the more you trust (or distrust). However, within that extent trust (or distrust) is always 100%.”)

Information Theory-based Perspective on Trust

Note: Ed Gerck defines trust within the context of information theory. Trust, in its most abstracted sense is the ability to accept new information, so trust is what you need to communicate. Trust is developed through multiple channels, in other words by corroborating the information with established experts and witnesses. The definition for trust proposed in this paper and the Trust Enablement™ Framework derive from these foundational principles of trust, as documented by Ed Gerck. It is important to note that, although the purpose of his work was to resolve communication problems on the Internet, the principles hold equally for human communication, and even organizations, as they do for computers.

Gerck, E. (1998) "*Toward Real-World Models of Trust: Reliance on Received Information*", The Meta-Certificate Workgroup, http://mcwg.org/mcg-mirror/trustdef.htm.

("Trust is the problem. Understanding human trust is exactly what brought me to that great IT question in 1997: *how can I trust a set of bytes?* My answer, given in this original paper draft, provided a framework that has been useful in the field of information security. The answer also provides a framework for understanding human trust (as expected fulfillment of behavior) and bridging trust between humans and machines (as qualified information based on factors independent of that information).

Trust is essentially communicable. But trust, as qualified reliance on information, needs multiple, independent channels to be communicated. If we have two entities (e.g., a client and server) talking to one another, we have only one channel of communication. Clearly, we need more than two entities. It seems unreasonable to require a hundred entities. The answer, looking into millennia of human uses of trust, is that we need at least four parties to induce trust (i.e., to communicate trust *ab initio*): the two parties in a dialogue, at least one trusted introducer and at least one trusted witness. Trusted introducers and trusted witnesses allow you to build two open-ended trust chains for every action, the witness chain providing the assurances ("how did we get here?") that led to action (including the action itself) while the introducer chain ("where do we go from here?") provides the assurances both for a continuation of that action and for other actions that may need assurances stemming from it. I call this principle the Trust Induction Principle: to induce trust, every action needs both a trusted introducer and a trusted witness. Please google for "gerck trust" to find newer papers, applications and also comments by others.

To the weary reader: The bottom line: Trust in cyberspace (e.g., between machines) is defined and is based on the same notion of trust, as a form of reliance, that we have been using for millennia between humans and in business. Using Information Theory terminology, this paper defines this notion of trust as: *"Trust is that which is essential to a communication channel but cannot be transferred from a source to a destination using that channel."* Why is this important? Why would you need to ever use the concept of trust in communications? Because you cannot always directly measure, feedback and control everything that may affect your communications. In the Internet, for example, you cannot control both sides of a communication channel. You need to use trust (and use trust well!) when it is not possible, or it is not convenient, to apply the laws of control with their specific requirements for measurement, feedback, processing and channel capacity. Moreover, the trust solution is not some form of "hope all is well". The trust solution is mathematically defined and embodies *laws of trust* that are exemplified for open-loop control in communications, Internet security applications, and human-human, human-machine, machine-machine dialogue.”)

[i] For research findings about trust trends and the business benefits of trust see "*The Facts on Trust*" at http://trustenablement.com/opt/The_Facts_on_Trust.pdf.

[ii] See Appendix: Trust Definitions.

[iii] Van Lee, R.; Fabish, L.; and McGaw, N.(2004) "*The Value of Corporate Values*", Strategy + Business, 2004 Booz Alen Hamilton and Aspen Institute global study on values-based leadership.

("The CEO's tone really matters. Eighty-five percent of the respondents say their companies rely on explicit CEO support to reinforce values, and 77 percent say such support is one of the "most effective" practices for reinforcing the company's ability to act on its values. It is considered the most effective practice among respondents in all regions, industries, and company sizes.")

Luaszewski, J. E., (2002) "*American Business Faces a Crisis of Trust*", Golin/Harris International,.

("When asked, 'What are the most critical actions that companies you don't trust should do to earn your trust this year?" 94% of survey respondents said be open and honest in business practices.")

[iv] Gerck, E. (2002) "Trust as Qualified Reliance", COOK Report on Internet.

("In summary, the answer needed to solve the fundamental problem of Internet communications is trust. Not trust as blind faith, compliance, belief, or ignorance, but trust as qualified reliance on information through open-loop control. Trust is that which provides meaning to information.") For explanation see Appendix: Information Theory-based Perspective on Trust.

[v] Ezekiel, Z. (2005) "*Rebuilding Trust in Canadian Organizations*", The Conference Board of Canada.

("Independent trust intermediaries—such as external auditors, the media, financial analysts, non-governmental organizations (NGOs), and monitoring or watchdog institutions—play a critical role in making trust possible by providing impartial, informed insight into the trustworthiness of organizations. But there are indications that the public is losing confidence in these traditional sources of information and verification.")

Cai, R. (Defended on May 5th, 2004) "Trust and Transaction Costs in Industrial Districts", Major Paper submitted to the faculty of the Virginia Polytechnic Institute and State University

("Trust might have some negative effects including functional lock-in effects, cognitive lock-in effects and political lock-in effects. The paper suggests using local institutions as intermediaries to build up communication channels connecting insiders and outsiders, and thus to mitigates the negative effects.")

[vi] Note: The terms "sources of trust" and "trusted sources" are synonymous. The author prefers the former in order to distinguish between 'sources of information' and 'sources of trust'. For example, a corporation releasing its financial statements is primarily a 'source of information' (not necessarily a good 'source of trust'), while the auditor who provides an opinion about the financial statements is primarily a 'source of trust'.

[vii] Maney, K. (2005) "*10 years ago, eBay changed the world, sort of by accident: Auctioneer grew by trial and error into a phenomenon*", USA Today.

[viii] Andrews, P. interviews Alex Todd (2002) "Trust: Opening up the opportunities for e-business", *IBM Global Services Executive Tek Report*.

[ix] Ibid. and Todd, A. (2001) "E-Trust: Establishing Consumer Confidence in Online Commercial Transactions", IBM, *Electronic Security & Privacy 2001*, http://trustenablement.com/local/E-Trust-Establishing_Consumer_Confidence_presentation.PDF. Note: Modified from original.

[x] Ezekiel, Z. (2005) "*Rebuilding Trust in Canadian Institutions*", The Conference Board of Canada.

Note: The Trust Enablement™ Framework has been validated with assessments against results of research on trust. For example, [Figure 3] illustrates the results of a Trust Enablement™ Assessment of the Conference Board of Canada's Recommended Trust Strategies.

[xi] Martin, R. L. (2005) "*Seek Validity, Not Reliability*", Harvard Business Review Breakthrough Ideas for 2005.

("Six Sigma, CRM, Sarbanes-Oxley, and most other corporate systems have one thing in common: They are reliability-oriented processes. They are intended to produce identical or consistent results under all circumstances, often by analyzing objective data from the past. For instance, a perfectly reliable poll would be able to produce the same result from ten random samples of voters. By contrast, a perfectly valid poll would be able to predict an election's winner.

Companies don't realize that when they make their systems more reliable, they render them less valid or meaningful. In other words, the processes produce consistent outcomes, but the results may be neither accurate nor desirable. That's because, to make their processes more reliable, companies have to reduce the number of variables and standardize measurements. To achieve high validity, however, systems must take into account a large number of variables and use subjective measurements. Adding squishy variables and using gut feel allows for outcomes that are more accurate, event though the processes may not be able to deliver accurate results consistently.")

Note: A further distinction can be made between 'reliability', 'accuracy', and 'validity', where controls are used to ensure 'reliability, monitoring is used to ensure 'accuracy', and Trust Enablement™ helps to provide the context required for 'validity'. Trust Enablement™ emphasizes the requirement to use multiple sources of trust to establish confidence in the 'validity' of the information.

[xii] Todd, A. (2004) "*The Essential Christmas Web-store Makeover*", http://trustenablement.com/local/TrustEnablement.com-Web-store_Christmas_Makeover-download.pdf