

## KEY POINTS

**What is the issue?**

Swiss family offices (FOs) often have a different understanding of client centricity compared to Swiss financial institutions, which may lead to a loss of trust and trustworthiness in a bank.

**What does it mean for me?**

Identifying relevant trust antecedents important to confidence in business relationships is a management competence and likely to enhance the sustainability of an FO's relationship with its banks.

**What can I take away?**

A trust restoration strategy is best actioned the moment trust has been compromised and must be communicated openly to the violated party to be effective.



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# Restoration of trust

DR RODERIK J P STROBL DESCRIBES HOW TRUST MAY BE REBUILT BETWEEN BANKS AND FAMILY OFFICES IN SWITZERLAND



Assets belonging to Swiss family offices (FOs) have been one of the growing segments for private banks in the past decade. Swiss banks propagate client-centric and value-creation advisory services, such as exclusive bespoke solutions with the aim of becoming the 'house bank' of these FOs.<sup>1</sup> However, studies indicate that there are different understandings of client centricity and key factors that influence trust in such banking relationships. The studies also show that trust in banks has suffered considerably since the global financial crisis in 2007/2008, due to mismanagement.<sup>2,3</sup>

This difference in conceptualisation of client centricity between Swiss FOs and banks may be one of the reasons leading to an important depletion of trust in such delicate business relationships, simply because the expectations of the FO are not adequately met. The consequence of such situations is the necessity of adopting strategies of trust repair if the aim of both parties is to have a continued business relationship. This aspect of

trust in an interpersonal dyadic business relationship is further explored below.

## TRUST, TRUSTWORTHINESS AND TRUST ANTECEDENTS

There are more than 70 academic definitions of the concept of trust,<sup>4</sup> which vary in accordance with the focus of the respective scholarly discipline. One definition is frequently cited for the purposes of this article: 'trust is a psychological state comprising the intention to accept vulnerability based on the positive expectations of the intentions or behaviour of another'.<sup>5</sup>

There are different types of trust, such as basic and active trust, that require continuous reconfirmation of their status based on previous interactions.<sup>6</sup> Trust is a key concept in relational exchange and is an important construct catalyst in many transactional relationships.<sup>7</sup>

**'Trust is a non-material asset on which material success depends'**<sup>8</sup>

Several marketing relationship studies have found that trust leads to longer,

## ‘Trust restoration is a critical management competency and can assist in repairing the trustworthiness of a bank if actioned in a timely manner’

### RESTORATION OF TRUST

In the five-stage trust lifecycle, typically consisting of the acquaintance, build-up, continuation, deterioration and termination phases, the restoration of trust often becomes crucial during the continuation and deterioration phases. In these two phases, damaged trust can still be salvaged and the consequences of doing nothing may be detrimental to the business relationship. Studies indicate that broken trust can be restored and that the outcome depends on the response and actions of the violator.<sup>15</sup> Regulation can support the restoration and enhancement of trust.<sup>16</sup> Trust restoration requires the implementation of a systemic framework at all organisational levels, which can be costly.<sup>17</sup>

### TRUST RESTORATION STRATEGY

Restoring trust is a process that involves at least four stages and requires time for due processing.<sup>18</sup>

- In stage one, an immediate response is made in respect to the incident. Regret is expressed, an investigation is communicated by the bank to the FO and resources are committed to prevent future reoccurrence.
  - In stage two, the critical incidents that led to the disruption of trust and the steps that are necessary to restore trust are reviewed.
  - In stage three, reforming interventions of trust, such as the implementation of controls, acknowledgement of responsibility, suspending involved employees and offers of reparations, are proposed to the FO.
  - Finally, in stage four, a regular evaluation that assesses the progress and effectiveness of the interventions is undertaken between the FO and the bank.
- In all stages, accuracy, timeliness and transparency, which are also antecedents of trust, are critical to supporting a positive outcome.<sup>19</sup> Inaction, in respect to a lack of immediate response, can be very damaging.

### CONCLUSION

The process of trust restoration must be actioned early. It is lengthy, delicate, uncertain and resource-intensive. Trust restoration is a critical management competency and can assist in repairing the trustworthiness of a bank if actioned in a timely manner. The management of tension between the need for a timely response and the time to ensure due process is often underestimated and not communicated adequately to the client. The intent of rebuilding trust alone is insufficient for restoring trust. Specific action must be implemented and communicated regularly to the FO in question. Reducing the disconnection between the FO's needs and the strategic goals of the bank ensures that the relationship manager provides objective expertise with trust-based value added to the end customer.

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more stable business relationships,<sup>9</sup> which is what a bank would strategically need to aim for if it were to become the ‘house bank’ of any FO. It is important to note that trust is not discussed here in terms of equities law and involves the process of the trustor trusting the trustee, whereas trustworthiness is a quality pertinent to the trustee,<sup>10</sup> indicating that both are different constructs.<sup>11</sup>

Trustworthiness, which includes the attributes of ability, benevolence and integrity of the trustee,<sup>12</sup> is a strong predictor for a trustor's decision to trust.<sup>13</sup> There are many antecedents or key factors of trust, which are preceding conditions or events that can potentially influence trust, such as the attributes mentioned above: predictability, reputation, consistency, service quality, timeliness and so on.<sup>14</sup> Each antecedent can have a different impact on trust, depending on the context. Trust researchers, who are familiar with these complex intricacies, can be of valuable assistance in the process of trust restoration.

<sup>1</sup> Francois Botha, *Four Strategies that Banks Can Use to Position for Family Offices*, *Forbes* (2020), accessed 8 May 2021, [bit.ly/3iM9dvQ](https://bit.ly/3iM9dvQ) <sup>2</sup> N. Gillespie and G. Dietz, ‘Trust Repair After an Organization-Level Failure’, *Academy of Management Review*, 34:1 (2009), pp.127–145 <sup>3</sup> Roderik J. P. Strobl, ‘The Key Factors that Influence Trust in a Swiss Family Office Banking Relationship: An explorative mixed-methods study in Swiss private banking’, doctoral dissertation (2020), University of Southern Queensland, Faculty of Business, Education, Law and Arts <sup>4</sup> Sandro Castaldo, *Trust in Market Relationships* (Cheltenham: Edward Elgar, 2007) <sup>5</sup> D. M. Rousseau, S. B. Sitkin, R. S. Burt and C. Camerer, ‘Not So Different After All: A cross-discipline view of trust’, *Academy of Management Review*, 23:3 (1998), pp.393–404 <sup>6</sup> S. Gustafsson, N. Gillespie, R. Searle, V. Hope Hailey and G. Dietz, ‘Preserving Organizational Trust During Disruption’, *Organization Studies* (2020), pp.1–25 <sup>7</sup> R. M. Morgan and S. D. Hunt, ‘The Commitment-Trust Theory of Relationship Marketing’, *Journal of Marketing*, 58:3 (1994), pp.20–38 <sup>8</sup> D. W. Miller and M. J. Thate, *Towards a Restoration of Trust?: Preliminary insights and lessons from wisdom traditions* (New Jersey, 2020), [bit.ly/3xoN8ru](https://bit.ly/3xoN8ru) <sup>9</sup> E. Anderson and B. A. Weitz, ‘Determinants of Continuity in Conventional Industrial Channel Dyads’, *Marketing Science*, 8:4 (1989), pp.310–323 <sup>10</sup> G. Dietz and D. N. den Hartog, ‘Measuring Trust Inside Organisations’, *Personnel Review*, 35:5 (2006), pp.557–588 <sup>11</sup> N. Gillespie, ‘Measuring Trust in Organizational Contexts: An overview of survey-based measures’ (2012) in F. Lyon, G. Möllering and M. N. K. Saunders (eds), *Handbook of Research Methods on Trust* (Cheltenham: Edward Elgar), pp.175–188 <sup>12</sup> R. C. Mayer, J. H. Davis and F. D. Schoorman, ‘An Integrative Model of Organizational Trust’, *Academy of Management Review*, 20:3 (1995), pp.709–734 <sup>13</sup> B. Nooteboom, H. Berger and N. G. Noorderhaven, ‘Effects of Trust and Governance on Relational Risk’, *Academy of Management Journal*, 40:2 (1997), pp.308–338 <sup>14</sup> D. Gefen, ‘Customer Loyalty in E-Commerce’, *Journal of the Association for Information Systems*, vol. 3 (2002), pp.27–51 <sup>15</sup> W. P. Bottom, K. Gibson, S. E. Daniels and J. K. Murnighan, ‘When Talk is Not Cheap: Substantive penance and expressions of intent in rebuilding cooperation’, *Organization Science*, 13:5 (2002), pp.497–513 <sup>16</sup> Angus Armstrong, ‘Restoring Trust in Banking’, *National Institute Economic Review*, 221:1 (2012) pp.R4–R10 <sup>17</sup> Above note 2 <sup>18</sup> Above note 2 <sup>19</sup> Above note 2