

Introduction to The Question of Trust

mi2g event: The Athenaeum, London, 18th July 2002

DK Matai, Chairman and CEO, mi2g

My Lords, Ladies and Gentlemen

May I welcome you on behalf of **mi2g** to The Athenaeum Club founded in 1824. The Athenaeum Club has had over 48 Nobel Prize winners as its members both past and present. The purpose of the club is to create a meeting place for those who enjoy the life of mind. Named after Athena, the Goddess of Knowledge. Perhaps today, we may be able to enrich ourselves through the quality of the minds present and the debate which is about to ensue.

Crisis of confidence

I am going to spare you the gory graphs because you are seeing them everyday on your screens and staring at you from the newspaper front pages.

First Enron – a US\$ 70 Billion company at its peak and then WorldCom – a US\$ 38 Billion company at its peak. Both valued at near to nothing at present by the markets.

Arthur Andersen, one of the big five auditors, was founded before the start of the first world war – 1913 – and recorded revenues of over US\$ 9.3 Billion in 2001 and over 40,000 employees worldwide. Nearly 90 years to build a trusted global brand and it has taken less than half a year to destroy the value.

The destruction of value has been enormous at Global Crossing, Tyco, Xerox, and others as well. No wonder the investors have gone on strike!

As one fraud scandal after another emerges it begins to seem almost as if the world is being dominated by corrupt practices. The growing reluctance of investors to take a company's accounts at face value is being reflected in the performance of financial markets worldwide, highlighting the importance of the role that is played by trust in our interconnected world.

As Groucho Marx observed "everyone knows that the secret of success in doing business is trust and fair dealing and if you can fake those two you have got it made!" Lay and Ebbers found that they couldn't fool all of the people all the time.

What is trust?

Trust denotes a feeling of certainty or faith, that a person or entity will not fail. It is the assured peace of mind on the integrity of another and with information security issues increasingly assuming predominance in an ever more insecure and volatile world, trust is rapidly becoming the most important asset we can have.

Impact and key questions

The Enron and WorldCom scandals have precipitated the decline of the FTSE 100 index to its lowest level in six years and it recently breached the 4,000 level, some 30% off its peak, achieved on 30th December 1999.

The Dow Jones Industrial average, has fallen to around 8,500 points, some 25% off its peak charted in January 2000.

The bursting of the dotcom, telecom and media bubbles has contributed to the relentless decline but none more so than the Enron-Andersen-WorldCom developments.

Despite George W Bush's fervent condemnation of corporate fraud, even he seems to be open to reproach as he is hounded by allegations of insider trading while on the board of directors at Harken Energy in the 1980s.

Public trust in the CIA and the FBI was dramatically undermined when it was revealed that the two US government agencies – for all sorts of reasons – had not been able to share and piece information together to the extent that September 11's impact might have been mitigated or at best, avoided.

We know from our own experience at **mi2g** that trust in both corporations and governments can be shattered by public digital attacks resulting in unauthorised access of user profiles or financial information, often significantly damaging reputation and in the case of a publicly quoted company - its market capitalisation.

The key Question in any dealing is always trust. It is the basis for every transaction and exchange both at a personal and business level. As you know, this event is being held to identify and find answers to some key questions with you so that we are all able to anticipate and plan more effectively for the disruptive breaches of trust that are unfolding almost on a daily basis:

- What is the importance of trust at a personal and business level in our interconnected world?
- What are the causes that have made some organizations lean towards shady business practices to inflate earnings figures and how can the situation be rectified now and inhibited in the future?
- What are the implications of the loss of trust and who are the stakeholders – the employees, shareholders, customers and supplier partners – going to hold accountable for the damaging consequences?
- What are the analogies of trust and security in the physical and digital worlds; what are the main vulnerabilities and how does one tackle them?
- How to build trustworthiness of the organisation as seen by all its stakeholders?
- What are the factors that damage trust and so contribute to the risk of failure in the transformation of an organisation into a digitised business?
- How to benefit from the trust engendering possibilities offered by modern information and communication technologies and if so, how can they be exploited to the benefit of the organization?

Speakers

Our first speaker this evening is Charles Tilley, who is the Chief Executive of the Chartered Institute of Management Accounts. He qualified as a Chartered Accountant in 1974 and became a partner at KPMG in 1986. During his time as Group Finance Director of Hambros plc he experienced the impact of the Barings crisis first hand, which impacted on all financial institutions.

Our final speaker this evening is Dr Brian Collins, now a visiting Professor at Southampton University. Brian was the internal director of IT at Clifford Chance up until recently. His responsibilities covered all aspects of IT and telecommunications systems. He is also a Fellow and Vice President of the Institution of Electrical Engineers and a Liveryman of the Worshipful Company of Information Technologists.

Yours truly will be speaking in between and I will keep it short. I hope you will participate in the debate and have some distilled wisdom to take away from this evening as a result.