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An Analysis of The State of Stakeholder Trust in the Financial Services Industry

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FOREWORD

Ask any leader in financial services, and they'll tell you that trust is the cornerstone upon which an effective company is built.

We did just that – in the first of a multi-part research initiative on the topic of stakeholder trust, our Maguire Fellow in Applied Ethics, Caterina Bulgarella, PhD, spoke with over a dozen executive leaders in the industry, asking them about the role that trust plays in their corporate strategy and structural roadblocks to maintaining trustworthiness.

What follows is a distillation of insights from those conversations. Bulgarella presents the concept of "Trust as a Practice" – that is, an opportunity for leaders and practitioners to actively engage in strategies to improve their own trustworthiness. She also presents the Relationship Balance Model, a framework for leaders to gauge the trust gap, or trust opportunity, that lies ahead towards aligning with stakeholders.

The need for leadership on business and society challenges has never been greater.

The COVID-19 pandemic has amplified the perceived divide between Wall Street and Main Street, as more and more small businesses find they can't survive the sustained shutdowns. Employees and investors are demanding better approaches to diversity, equity and inclusion. Meanwhile, the stock market is booming, and retail investors increasingly rely on technology for personal trading. Furthermore, the existential threat of the pandemic brings individual financial security – estate planning, retirement and insurance protection – into clear focus.

Among the many insights shared by executives in these interviews is that while change is inevitable, the accelerating trend towards transparency and accountability is unprecedented. Next in our multi-part research initiative on this topic, we will connect with consumers and clients in financial services through surveys, interviews, and focus groups, to understand their perspectives and continue to help leaders develop strategies to build trust with stakeholders.

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Sincerely,

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TRUST AS A PRACTICE

In casting a long-term shadow on the financial industry, the Global Financial Crisis of 2007-2008 provided an important cautionary tale: failure to build trustworthy relationships in and around the financial system is likely to cost all—the consumer; the financial sector; and the economy. For trust not only bridges the perceived risk in a transaction, it is, potentially, the control mechanism that can minimize the negative consequences of that risk for the entire system.

Trust as a practice, not merely a static norm, can help stakeholders co-create reciprocal expectations and hold each other accountable in a more constructive and consistent way.

The costs of low trust are neither nominal nor hypothetical (Fukuyama, 1995; Putman, 2000; Frankl, 2005). Lehman Brothers' fall and the subsequent government rescue of AIG had the effect of depleting public confidence, especially among those who viewed those failures as the result of unbridled corporate greed and poor corporate governance. It was that rapid deterioration in trust that may have accelerated the initial crisis, extending its proportions to a global recession (Sapienza & Zingales, 2014). Similar to widespread corporate fiascos, fraudulent behavior that affects a large number of stakeholders (e.g., Ponzi schemes, etc.) may end up eroding trust at scale, not just among those directly affected by the fraud, but also among those who witnessed it (Gurum et al., 2016).

Though trust is an invaluable asset, it is invisible in at least two ways: first, because it is intangible in nature; second, because it is deeply ingrained in all aspects of our lives. Unsurprisingly, people may take trust for granted (Ariely, 2018), and they may only appreciate its benefits at critical times—for example, when forming a new relationship or during a crisis. Yet, if it's the absence, not the presence, of trust that stakeholders are most likely to notice, building trust as a practice will require uncovering reciprocal expectations more systematically, and using that working awareness to shape relationships accordingly.

The present research is intended to make progress in that direction. We interviewed 15 senior executives at top U.S. insurance and asset management companies[1] on a wide-ranging set of issues about how the relationship between the consumer and financial institutions has changed over the past ten years. The analysis here integrates their perspectives, offering an examination of the consumer expectations with which financial institutions are strategically aligning today. We also use the insights collected to analyze key industry changes (e.g., younger consumers, diversity, AI, shifts in regulatory behaviors) and their likely impact on consumer trust going forward.

SHIFTS IN CONSUMER EXPECTATIONS SIGNAL A DIFFERENT ROLE FOR TRUST

Views of the Financial Industry Remain Cynical.

Among the executives we interviewed, we found high agreement that expectations towards both the financial industry, as well as business at large, have changed. Executives recognized that consumers today look for brands that make meaningful contributions to societal challenges such as systemic racism and climate change.

The reframing of business' purpose beyond shareholder value is even more consequential for the financial sector since consumers continue to hold the financial industry accountable for its past failures. In this regard, some executives noted that the belief that greed and compensation may influence how financial firms conduct their business remains widespread. Though, compared to ten years ago, the public's fear of self-interested behavior is more dormant, new tales of misconduct or even a new type of crisis (e.g., COVID-19 pandemic) can easily re-awaken it. Most interviewees mentioned that customer behavior

[1] The executives were leaders of U.S.-based insurance and asset management firms, including publicly traded firms as well as mutual insurance companies. 38% of the executives in the current research held the role of CEO and/or President. The remaining 62% had the title of Head of Business or Executive Vice President. Each executive took part in a 45-minute interview designed around a similar set of questions. All the insights gathered through these conversations were first aggregated, coded, analyzed, and then integrated in a single narrative.

has also changed. For example, the fact that people are more likely to doubt the veracity of the financial recommendations they receive is only one of the many ways in which trust in financial institutions remains frail today.

While consumers' general view of the sector is cynical, they are likely to perceive the product provider or the financial advisor with whom they do business in more benign terms, executives believe. When clients focus on the personal relationship with their firm and/or advisor, the concern that big institutions do not care about the 'little guy' is less intense. In this respect, brand equity has the same high value it had in the past. In fact, in a climate of lower trust, being recognized as a long-standing, stable, and highly reputable institution is a key asset that can help propel new customer relationships forward.

Transparency and Shared Value Are Becoming New Requirements.

Most executives noted that, across the industry, transparency, simplification, and a strong digital experience are becoming new minimum requirements. Customers want what they want when they want it, which makes self-service and technology critical. People have little tolerance for bureaucracy and unnecessary paperwork. And they tend to be skeptical of products that are too complicated and hard to understand.

The average consumer is much more educated than in the past, does their own research, and is more likely to participate in the decisions concerning their financial assets. While people are more likely to use a digital interface, they paradoxically demand stronger relationships with firms. Consumers don't want someone who tells them what to do and then leaves. Instead, they seek a partner who works with them over time.

As consumer independence rises, service and relationship are simultaneously held to a much higher standard (see Table 1). Not only are customers turned off by a transactional approach, but they are developing a growing appreciation for the idea of mutuality and shared benefit. In keeping with the belief that business ought to play a different role in society, the consumer is more likely to monitor the type of engagement that financial institutions demonstrate in the communities in which they operate. Executives highlighted that volunteerism, financial commitments, and initiatives that connect benefits and outcomes across different stakeholder groups are as important as offering useful portfolio recommendations.

Change in Consumer Expectations	% Mentioned
Higher-quality relationship/greater mutuality	32%
Greater stakeholder/community focus	22%
Greater transparency / simplification	16%
Strong digital experience	16%
Strong reputation	10%

Table 1. Frequency with which each type of change in consumer expectations was mentioned by the senior executives in the current research.

Consumers Seek Greater Alignment.

The executives we interviewed consistently highlighted that trust, as an accountability mechanism, is destined to become increasingly important. This is likely the case because financial relationships are inherently risky and events like the Great Financial crisis demonstrated that the risk may be compounded when there is a large power asymmetry between firms and average consumers. Unsurprisingly, research has shown that when it comes to the banks, the fear of being taken advantage of and the unequal power between banks and customers lowers the perceptions of trust (Kidron and Kreis, 2020).

Indeed, in their relationship with financial firms, consumers are concerned with the presence of asymmetries, as well as the absence of desirable symmetries. Receiving poor service, being treated with condescendence, observing a lack of punctuality, and other similar negative experiences deplete trust (Kidron and Kreis, 2020). Financial institutions are aware of this, as noted by those executives in our research who emphasized the greater role service, mutuality, and community standing play in consumer expectations today.

Since trust has both an affective (Williamson, 1993) component (e.g., emotional bond) and cognitive (Cross, 2005) elements (e.g., proof of reliability and competence), consumers will likely seek to reduce asymmetries and seek symmetries in both the affective and cognitive realm. For example, looking for simplification in the language used to describe products is a consumer expectation that underscores the need to reduce a cognitive asymmetry. Conversely, seeking genuinely kind customer service or shared values is a consumer expectation that underlines the need to build affective symmetries.

This model (see Figure 1) can help financial institutions gauge the trust gap or trust opportunity that lies ahead. Importantly, it can help leaders frame how consumers are likely to hold firms accountable as they consider staying, deepening, or leaving the relationship with financial firms.

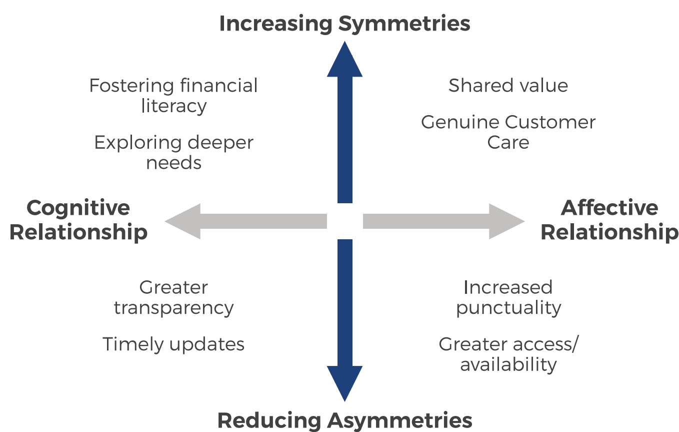

Figure 1. The Relationship Balance Model. In using trust as an accountability mechanism, customers may seek to reduce asymmetries and/or create symmetries. They may do so with respect to cognitive and/or affective components of their relationship with financial institutions.

THE ROAD TO CONSUMER TRUST MUST OVERCOME STRUCTURAL ROADBLOCKS

Several structural roadblocks may get in the way of re-forging the relationship between the public and the financial industry. The executives in our research underscored that the widespread bias against large financial institutions leads people to discount the benefit of reduced risk that these firms, thanks to their stability and resources, can offer. Similarly, the tendency to lump financial institutions together irrespective of sector may obscure the community or main-street involvement of mutual insurance companies and other similar institutions. This, in turn, may shrink the perception of choice that the customer has at their disposal in a way that is not consistent with the options actually available.

For their part, financial institutions have to contend with short-termism, and the unrelenting pressure shareholders put on business. Moreover, while they recognize that some incentives may increase misconduct risk, they may not be in a position to change the underlying structures because of competitive demands. For instance, some lack adequate control over the independent distributors in their networks who don't prioritize ethics. Firms are juggling tradeoffs – between higher costs of greater transparency and increasing trust; between meeting the evolving consumer expectations and pricing financial products in a way that ensures widespread service penetration. And, they may have to deal with the reality of disgruntled employees and agents who, owing to the many demands that regulators have placed on them, may be unwilling to engage with consumers outside of certain market niches.

Firms are also aware that as they double down on PR initiatives designed to communicate what they are doing to enhance consumer trust they are also at risk of losing focus on the underlying challenges. Though the industry is trying to do more to self-police potential wrongdoing and avoid the negative halo effects of new corporate scandals, conduct risk remains a concern. Even with more stringent board scrutiny and greater attention given to financial incentives, a few bad apples can still spoil the whole barrel.

Though most people working in the industry are predisposed to do the right thing for the right reason, especially if situational awareness and appropriate reinforcers are provided, it was noted that the culture has a money-making bias that may trigger self-interested behavior. Research supports this perception. In a recent study with employees from a large international bank, when their professional identity was made salient to them, participants were more likely to cheat at a

competitive coin-tossing game (Cohn et al., 2014). Whether they were cheating out of dishonesty or because they were following a basic competence norm required in their industry—namely, the optimization of strategic risk (Stockl, 2015)— still, higher misconduct risk resulted.

Re-establishing consumer trust will entail overcoming these structural roadblocks, but many firms are meeting the challenge of new customer expectations. As we discuss next, financial institutions wish to do more, and they are doing more in different ways.

INSTITUTIONS ARE ADAPTING THEIR STRATEGIES TO ALSO BUILD TRUST

There Remains a Gap Between Consumer Aspirations and Choices.

A key strategic question financial firms are pondering is whether trust, authenticity, purpose, and values actually influence consumer decisions about financial products. Although people want to do business with more trustworthy institutions, when making purchasing decisions, they may not factor in the elements that they say are important to them. As aptly put by an executive: "What are financial institutions trusted to do? Do consumers want them to have good values or be ultra-aggressive in getting their customers maximum returns?" And though customers may want both, at the end of the day, as some executives observed, it may still be the case that financial value trumps other concerns.

The gap between consumer aspirations and consumer choices that the executives highlighted impacts the firm's strategy. At one level, such a divide might reflect the distance between different consumer profiles—current and untapped—suggesting potential for business opportunities outside of the niches on which firms currently focus. It might also underscore a failure in measuring the role of trust in consumer behavior, making it more difficult to leverage trust for relationship growth. And, yet, at another, it might suggest a lack of financial products that successfully align with customer aspirations, underlining, again, unused opportunities. Finally, it might also reflect a more complex model of consumer behavior. For example, when they purchase financial products, customers might give precedence to financial value. But they might focus on trust, authenticity, and purpose—especially conduct that violates those principles—to make decisions about exiting the relationship with a financial institution.

Customer Loyalty Matters, Too.

Another strategic question some financial institutions are trying to answer is whether consumers discriminate between the financial institution and the financial advisor or agent, or whether consumers lump these two together. In this context, questions about what happens if the financial provider loses the trust of the customer and whether that automatically translates into a loss of trust for the financial institution are important. When it comes to how trust works across relationships—some executives noted—customers tend to be quite discerning, provided the relationship with the financial institution is not newly-formed. This is important as investments in building trust may pay off irrespective of whether or not the relationship with the customer is shared with third parties.

Some Firms Treat Trust as a Competitive Opportunity.

Notably, some executives suggested that, though, in regular times, trust may not actively drive relationship growth, they still view it as a medium-to-long-term strategic differentiator. The cyclicality in corporate scandals that's beleaguered the financial industry offers those institutions with a strong ethical reputation the opportunity to strengthen their position by means of positive contrast. This is why firms who consistently work to build consumer trust are likely to gain from the missteps of their competitors, despite the negative halo effects of scandals.

What we found in our research is that most firms are making some strategic choices explicitly to build trust, and some have proactively redefined their strategy around it because they've seen the benefits trust can bear for their business.

The executives we interviewed highlighted four strategic approaches (see Table 2):

- Simplification and transparency—mainly, through a user-friendly digital experience
- Relationship-building initiatives
- Flexibility and care through a powerful hybrid model
- Optimization of impact through personalization

Strategic Focus	% Mentioned
Simplification through digital	30%
Customer relationship	30%
Hybrid model (digital + on-demand support)	30%
Personalization	10%

Table 2. Frequency of the strategic approaches mentioned by the senior executives in the current research.

Digital Can Help Empower the Customer.

Those financial institutions that are betting on simplicity and transparency also view technology as an empowering tool. Among these institutions, the focus is not on digital per se, but on those aspects of the digital experience that enhance consumer trust. For example, some firms are building supporting tools that make it easier for the customer to break down the products they want to purchase. Others use the digital experience to share information that can equip the consumer with financial proficiency quickly and painlessly.

Some firms treat the digital experience as a means to facilitate connection. These institutions seek to simplify and create transparency mainly by offering accessibility and contact. Finally, some firms are simultaneously leveraging technology and describing their products using a fundamentally different frame. For example, they are moving away from terms like “disclaimer,” “surrender charge,” and others in favor of much more direct language (e.g., “if you get out of this product, we’ll charge you”).

There Are Multiple Ways to Build the Customer Relationship.

While technology plays a critical role, several institutions view the relationship with the customer as key to implementing a trust-building strategy. For some firms, the personal touch of a knowledgeable and caring advisor is irreplaceable because trust is, first and foremost, interpersonal. It is within the realm of the customer-advisor exchange that these institutions start a conversation around personal values and other customer priorities. Additionally, some leaders are also reinforcing a stronger other-oriented or more benevolent focus within their firm’s culture. For example, they have stopped referring to the primacy of shareholders and have started to create strategic priorities and intentional language relating to their policyholders, especially with financial advisors.

Some institutions are also expanding the scope of the relationship with the customer by offering tools that empower people to make better decisions about their health and well-being. Finally, some firms are doubling down on creating symmetries with the consumer by supporting or investing in causes the consumer values, or by demonstrating generosity to distinguish themselves as a giving brand.

A Hybrid Digital Model Provides More Flexibility.

Though customers want digital tools, they also enjoy easy access to an advisor when needed. Some firms have embraced a hybrid model to capture the dual focus on technology and relationship. These institutions use the digital interface to build a collaborative relationship between the advisor and the customer. Customers are not left alone filling out a form; instead, the interface is jointly used by both the customer and the advisor to discuss product options and their implications.

Financial firms may use the hybrid model to reduce their reliance on distribution partners, who can be hard to influence, and to reach out to a more diverse clientele. This, in turn, enables

them to exercise better control on the behaviors and practices that can build, versus erode, trust. Some of the institutions that use a hybrid model have also developed tools to help customers explore options that may align with their needs (e.g., roadmap based on the customer life cycle) and to assess whether, and for what services, they should hire an advisor.

Personalizing Financial Choices Can Make Values Alignment More Tangible.

Finally, there are firms that also offer customers ways to customize their investments by focusing on personal values and purpose. For these financial institutions, this type of personalization is a more tangible way to create symmetries with the customer's values orientation and translating that part of the relationship into trust equity. This is a key advantage since firms, as noted by some executives, struggle to find concrete ways to execute their value proposition in a manner that sounds authentic and truly oriented toward purpose alignment.

Each institution's strategic approach reflects their unique business, product, and market profile. Moreover, each firm's strategy will also stem from its culture and underlying beliefs. As noted, there remains a gap between customer preferences and choices; that gap can have strategic import. Financial institutions that delve deeper into their belief system and their customers' might be better positioned to close such a difference and grow consumer trust accordingly.

EMERGING TRENDS MAY ACCELERATE THE ROLE OF TRUST AS A PRACTICE

Other trends that are reshaping the financial industry are demographic, technological, and regulatory changes. We discussed five trends with the senior executives in our research: the ongoing generational shift to which millennials and Gen Z consumers are giving rise; the impact of digital insurgents on the financial industry; whether the financial industry is poised to meet the needs of a more diverse consumer; the use of AI in financial products; and the influence of regulators on consumer trust.

Trust is a lens through which financial firms can analyze how ongoing changes will likely shape consumer expectations of the industry. For example, changes that create greater awareness of consumer needs may ultimately lead to products and services that are better suited to build trust. Conversely, changes that cause an imbalance in the relationship between financial institutions and the consumer may have the opposite effect.

Millennial and Gen Z Consumers Expect a Different Relationship.

Compared to other age cohorts, both millennials and Gen Z-ers present a more complex consumer profile. For financial institutions—it was noted—the fact that millennials are less trusting of the industry but more likely to trust strangers on social media creates an opportunity. For example, several firms are finding that the digital natives are more attracted to and likely to respond to their digital outreach. This, in turn, raises the question of how early on in their consumer life a financial institution should try to engage with them via digital outreach and with what type of service.

Millennials' lower trust of firms stems from the economic turmoil they've witnessed, and, subsequently, their greater need for security. Financial institutions that focus on building consumer confidence may find that they can build loyalty with this age cohort despite these customers' inherent suspiciousness. To do so, firms may have to make several adjustments to both their offering and their approach to the customer. Yet, given the nature of their demands, the changes millennials are seeking may end up benefiting relationships across all consumer niches, not just the younger ones.

First, to attract younger clients, firms are focusing on clearer and more bite-size information. Millennials demand access to knowledge, often through self-service interfaces, before engaging in a human interaction. Second, the way in which they interact with advisors seems fundamentally different. They may ask for help with long-term decisions, but, otherwise, they may simply want to pick the advisor's brain and manage short-term decisions more autonomously.

The higher level of knowledge/literacy millennials demonstrate by the time they reach out to financial institutions makes them more likely to purchase products and services. Not only do they know what they are interested in, but they also have a clear understanding of how their values fit into their financial decisions. In fact, they are more likely to reject investment opportunities that are not aligned with their ethical priorities. With this age group—it was noted—advisors need to be more transparent about the purpose and ripple effects of the investment. These customers expect their financial advisors to understand their personal values and customize their portfolio consistent with those values instead of using a cookie-cutter approach.

Finally, as idealistic as they may be, millennials are also self-centered and impatient. They want timely responses, and they want to feel listened to—otherwise they will not feel valued. They seek conversations that closely reflect their risk tolerance and personal needs. They don't want to feel lectured at or talked to, and they expect an easy and seamless experience. In other words, millennials, like more and more customers today, seek greater symmetries in their relationship with financial institutions.

Digital Insurgents Are Keeping Older Firms on Their Toes.

Digital insurgents – that is, financial startups –are having an effect on the industry similar to younger consumers. These nascent firms bring strengths and weaknesses to the table. Their digital approach and focus on technology are consistent with some of the needs of younger consumers, but they may lack nuance and awareness of more complex challenges. For example, it was noted that start-ups may lack practices consistent with the regulatory and compliance requirements that larger financial firms are expected to meet. Established institutions look at these disruptors with interest, but—as some executives underscored—they are also concerned that they might not be entirely focused on building a profitable long-term business.

Yet, several interviewees noted that they see an opportunity in the fresh perspective digital insurgents bring to the industry and their business, enabling some firms to invest in starts-ups that demonstrate success in an area where the parent company has been weak. According to these executives, the key to developing a more decisive competitive advantage is the successful integration of established businesses and practices with the new technologies and mindsets—especially in one-on-one advising and personal relationships.

In terms of practices that enable trust, how quickly the industry as a whole can gain from digital insurgents is unclear. On the one hand, these young startups are strengthening the industry's focus on simplicity and transparency. On the other, they may lack the necessary sensitivity to meet consumer expectations about relationship-building and/or to connect with those outside of the younger consumer market niche.

This may be a particularly challenging hurdle for younger firms since affective trust is hard to engender, even for institutions with a well-established history. For example, over the past 12 months, the COVID-19 pandemic forced most firms to increase their online presence. Yet, as the digital experience offered failed to provide adequate emotional components, consumer trust went down (Accenture, 2020).

Serving a More Diverse Consumer Will Require Building the Right Outreach.

While financial firms have done more to increase their engagement in majority-minority communities and to support social justice causes like Black Lives Matter, there is a long way to go to bring minority groups fully into their customer base. This is both an ethical imperative and a business opportunity. Not only has financial exclusion had intergenerational consequences in wealth creation (Trymaine Lee, 2019), but financial inclusion can lead to a substantial revenue increase for financial firms (McKinsey, 2020).

In this area, most financial institutions start with a structural problem—the difficulty to connect with mid-level market consumers, irrespective of ethnicity, because of the lower returns to financial advisors. And that is not even the main roadblock. Some noted that, internally, there is also the challenge of lacking diverse

enough talent in leadership and sales roles. The shortage of diversity in these firms' current salesforce is likely one of the root causes of why it's so difficult to change the status quo. Culturally, minority customers are suspicious of financial advisors who are not embedded in their communities; conversely, they are more likely to trust the recommendations made by someone their friends or neighbors know.

Creating greater diversity in their workforce can help foster trust with consumers while also helping firms play an active role in promoting financial awareness and literacy across minority groups. Educational initiatives matter because they can help communities of color re-evaluate the importance of financial planning and, as a result, help reduce financial exclusion. Firms who will make these types of investments are more likely to build strong foundations for consumer trust. In part, this will have to do with being able to 'walk the talk.' But, as they engage with a more diverse customer base, it will also result from having more meaningful opportunities to learn about the complex expectations that shape consumer trust in the financial industry.

Artificial Intelligence Poses Some Difficult Tradeoffs.

Artificial intelligence (AI)—a powerful data technique that more and more financial firms are leveraging for their services and products (Filabi & Duffy, 2021)—is at the cross-section of the possibilities and risks that new technology can provide the financial industry. In the insurance business—it was noted—AI offers a faster and more convenient process for underwriting policies. This, in turn, results in an improved customer experience and more effective purchasing decisions. Unsurprisingly, customers may be willing to pay slightly more to access a faster, less physically intrusive screening process.

Some of the executives we interviewed noted that financial firms may face a significant learning curve with respect to algorithms. From an ethical standpoint, institutions may have to manage increasing concerns about data privacy as well as the potential risk of discriminating against minority groups. The cost/benefit tradeoff that AI poses may look different depending on the stakeholders involved. For those consumers who look for the most rational purchase possible, AI can be an asset. But for those who value equitable product penetration, it may represent a high cost.

Yet, addressing the tradeoff AI may require for financial inclusion poses the most difficult questions. Firms are aware that some of the variables in the algorithms used have a negative effect on consumer trust. At the same time, they are also convinced that failing to make the underwriting process less burdensome may end up excluding those minority customers who, for historical reasons, are less willing to subject themselves to medical tests.

Notably, some executives acknowledged that AI is shifting the pendulum back toward lower transparency. This is especially the case when financial firms use a third party's "black box" algorithm, as the use of another company's intellectual property creates constraints.

Finally, not all firms rely extensively on AI. Some institutions use it mostly with existing customers to identify the best match for their customer's next purchasing decision. Yet even in those cases—as mentioned by some of the executives in our research—to prevent AI from having adverse effects on consumer trust, many things must be true. For example, trust must already be high; the consumer must be educated; and they must have confidence that the advisor is accurately collecting their data. Finally, the AI system must be agnostic to the advisor and the firm's benefits.

In short, financial institutions who wish to use AI while simultaneously building trust will likely have to engage in a greater balancing act. They'll have to offer more, not less, transparency, promote higher financial literacy, and work to strengthen their advisors' ethical orientation. Lastly, they'll have to make sure that the algorithms they use present little or no bias.

The Dialogue with Regulators May Fail to Build Trust.

Although the regulatory environment continues to evolve, it's not clear whether the ongoing dialogue between the financial industry and regulators has a positive effect on consumer

trust. For example, legislative proposals in the European Union have heavily centered around the idea of restoring trust. Still, legislation in and of itself may not be a suitable means to achieve that goal (de Jager, 2017). Additionally, the regulatory landscape may buttress cognitive trust but weaken affective trust (Colombo, 2010).

Several executives noted that, with respect to consumer trust, the at times contentious relationship between regulators and firms can have negative consequences. In particular, disagreements between the two parties—regulators and financial institutions—may end up reinforcing existing negative beliefs about the industry. On the other hand, the intended benefits from strengthened regulatory frameworks don't engender positive perceptions, as the consumer is not attentive enough to the regulatory regimen to feel reassured by such changes.

Some executives also acknowledged that both regulators and financial firms may come to the table with their respective blind spots and preconceived notions; this, in turn, may affect the quality and the productivity of their dialogue.

On the one hand, regulators have nudged institutions to build better products and create greater transparency; on the other, firms resent being lumped into a negative industry-wide stereotype, particularly given the diversity of service providers in the financial sector. Though the quality of the dialogue between regulators and institutions varies by regulatory agency, the fact that the landscape remains highly fragmented and rather politicized prevents a relationship reframe. In this space, not only are relevant stakeholders sitting on opposite sides of the table, but they are also yet to envision a shared framework of governing principles. This may be the one domain where the more things change, the more they stay the same.

CONCLUSION

While financial institutions today have to work harder to earn consumer trust, they may gain from this reckoning. Trust is no longer a static asset but an accountability mechanism the consumer uses to rebalance the relationship with financial institutions. To build trust is to re-envision that relationship in both the affective and cognitive realm. On the one hand, customers wish to create more powerful symmetries; on the other, they want to avoid unnecessary asymmetries.

Although several roadblocks are likely to prevent a quick reset in the current state of stakeholder trust, financial firms have started adapting their strategies to meet these new expectations. All the while, demographic and technological changes are also accelerating this shift. Yet, as executives in our research noted, the ongoing reckoning does not merely pose new complexities; it also offers new growth opportunities.

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