

# The Trust Economy

## What it is, and How it is Reshaping Our Everyday Work and Social Lives



Philipp Kristian Diekhöner

Philipp Kristian Diekhöner, TEDx Speaker and Author of *The Trust Economy*, believes trust drives our digital economy. Whenever trust leaves a system, value leaves with it. Corporate scandals devalue stock prices, cheating partners devalue relationships and new technologies devalue legacy business models. This makes trust a core condition for capturing and retaining value. Maximising trust in a business is the most effective way of maximising stakeholder value.

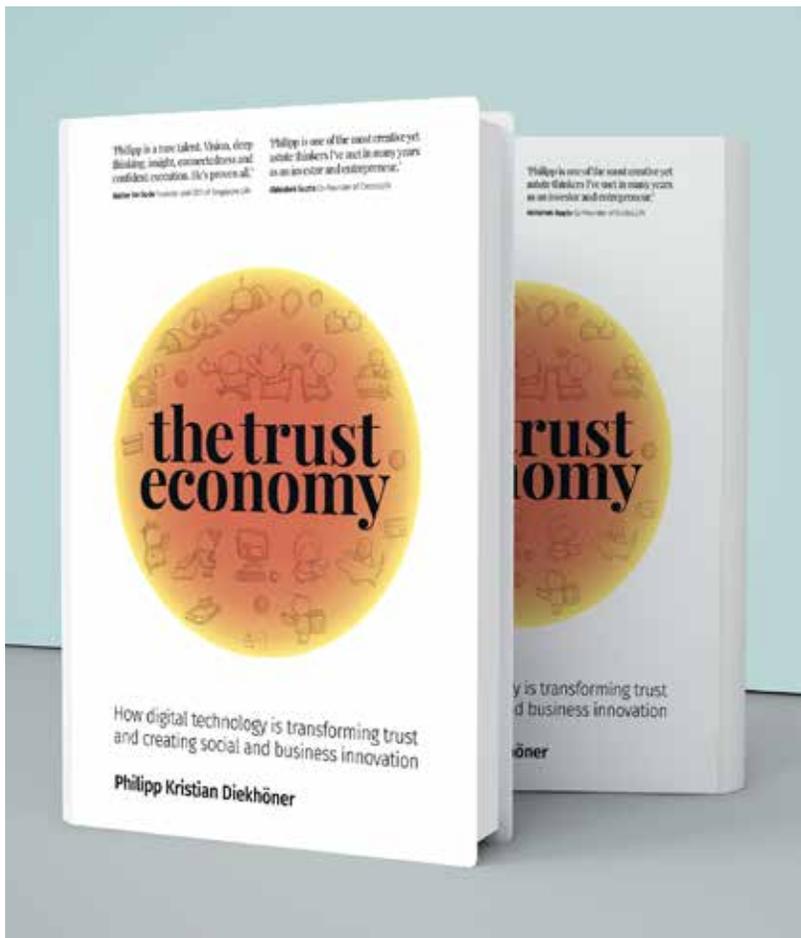
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### KEY TAKEAWAYS:

- ➔ Trust is a core condition for capturing and retaining value.
- ➔ Trust achieves mental monopolies by making customers believe some value propositions are irreplaceable, a gold mine for businesses.
- ➔ Our world changes whenever trust shifts from established to new ideas and as soon as this shift reaches critical mass, it becomes a new status quo.
- ➔ Digital trust intermediaries 'institutionalise' trust in their services to convince users to adopt new behaviours, thus creating the context of an entirely normal behaviour today.

**F**inancial services are on the cusp of transformation. With breakthrough developments such as blockchain and artificial intelligence, the rules of the sector are being rewritten. At the core of it all is the digitisation of trust.

Most people naturally agree trust matters in business. It is the heart of our economy. Currencies, companies and the financial system rely on our collective trust. Doctors, lawyers, consultants and CEOs earn well because we expect to trust their decisions. Whether we hire a job candidate, buy lunch or acquire a competitor, it is our trust in an expected gain that drives economic activity. Money, too, has little to no intrinsic utility other than the symbolic value we trust it to carry. We can only use it to pay because there is a collective human consensus around its value. This becomes



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obvious when we try to lure a monkey in Bali with a stack of 10 million rupiah versus a juicy banana. The monkey has no trust in money. In the absence of trust, value creation is impossible.

Put simply, the perception of trust is linked to an economic reality. Companies, products and services that we trust most realise the most value, because trust creates and sustains demand, both for a company's stock as well as for the goods or services it sells. The world's leading businesses (and people) manage to establish perceived monopolies that position their value proposition as unique and peerless, affording them significant advantage over the competition. Such perceived monopolies are created in people's minds by establishing superior levels of trust. Perceived monopolies are gold mines of value for businesses that manage to create them and future proof against the threat of being rendered obsolete. The more an organisation 'institutionalises' trust, the harder it is to outcompete.

Conversely, whenever trust leaves a system, value leaves with it. Corporate scandals devalue stock prices, cheating partners devalue relationships and new technologies devalue legacy business models. This makes trust a core condition for capturing and retaining value. Maximising trust in a business is the most effective way of maximising stakeholder value. The more trust there is, the more value we realise for ourselves and for others. Despite this mission-critical economic and societal role, trust in business is still barely understood. The problem starts with existing trust definitions, which are vague. For this purpose, the trust economy redefines trust as 'the value realised in socio-economic interactions'. That means whenever a business builds or destroys trust, it adds or subtracts value. That is why all companies need to manage for trust.

The role of trust as a gatekeeper to realising any sort of value also renders it a prerequisite for innovation. Humans only adopt new things if we see value

in it. Our world changes whenever trust shifts from established to new ideas. As soon as this shift reaches critical mass, it becomes a new status quo. Human society and progress are a reflection of where we collectively place our trust. This determines which new ideas become a success, and which are doomed to fail. Think of a change maker you admire. What sets them apart is how they excel at building trust in their vision of the future. It is the very force that advances human civilisation, or keeps things as they are. In times where many legacy business models are massively under threat, trust is the strongest line of defence against being rendered obsolete. Once trust shifts away from your business to an alternative proposition, it is hard to regain.

Indeed, technology and digitisation are migrating our trust to digital, data-driven interfaces. By digitally scaling trust, the trust economy allows humanity to do business with each other in new and better ways. Less than a decade ago, many of us would hesitate before riding in a random stranger's vehicle or staying the night in someone's apartment. Data gives us the context that turns strangers into people we can trust and exchange value with.

Digital services 'institutionalise' trust in their service to convince users to adopt new behaviours, e.g., staying in a stranger's house or shopping for a pension plan online. What distinguishes the likes of Grab and Go-Jek from taxi companies and sets TransferWise apart from most financial institutions is their superior ability to bridge trust gaps with technology. This enables people to transact in new ways. You may have scoffed at the idea of purchasing a car, applying a mortgage or finding a date online ten years ago.

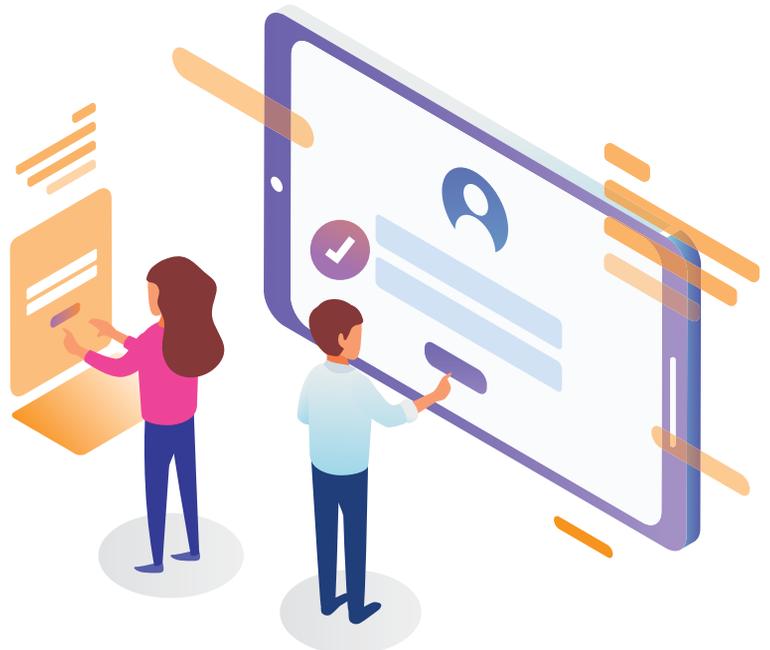
Digital trust intermediaries have created the context for this to be entirely normal behaviour today. That is great news for individuals and technology companies, but it is likely to erode many legacy businesses.

Thanks to a decade or two of vastly beneficial and largely free innovation powered by the internet, we have developed a sort of default trust in technology products. Pretty digital interfaces have set so much of a precedent that we barely think twice before willingly inputting our credit card details to try a new digital service.

This shift towards digital has 'commoditised' trust in a sense, because it allows new players in an industry to 'trust-hack' customers away from incumbents. Unfortunately for legacy players, having the best asset managers or economists is no longer enough if the interface is suboptimal. People today readily invest their savings with fintechs, whose only qualification may be the production of fancy user experiences. This is bad news for organisations that rely on legacy trust in their company or brand as a source of revenue.



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In an increasingly distracted world awash with visual stimuli, great digital interfaces are the perfect place to build differentiation and stand out in the market. As the most convenient, immediate and intuitive access to financial services, they are replacing marble columns and bankers in suits as hallmarks of trust. Beyond aesthetics, the best digital journeys also offer customers personalised insights based on the data they choose to share. Such individual data products create significant value, far beyond what a relationship manager or advisor may be capable of. When people willingly trust companies with their personal data, this can have immense value for both sides.

Trust is as much an external as an internal success factor. Unfortunately, workplaces today are built on the very same bedrock of 'necessary' distrust as modern societies. Key performers indicators (KPIs), reviews, countless approvals, and command and control governance stands in the way of productivity and ignores the possibilities of technology to reorganise our work lives. Such structures disadvantage established organisations in a business environment that is unpredictable, fast-moving and complex. Many startups on the other hand prefer flat, high-autonomy, high-alignment structures that trust people to get the job done and leave the rest to the individual. Augmented by tools tracking progress in real time to ensure everyone is working towards the same goals, these forms of governance show that decision autonomy and agile coordination can lead to high quality outcomes fast. Their natural adaptability also makes them vastly superior at handling the huge complexity every business faces today.



## Companies should put in place a trust strategy, to redesign their work places and value propositions for trust, and to use digital and data effectively in the process.

Corporates wishing for the same must start realising that their structures are becoming obsolete: 'Line managers' seemed like a good idea in a match factory at the turn of the 20th century, but they stand in the way of building a digital bank. The Great Place To Work Institute discovered in decades of research that people experience a great workplace when they trust those they work for. It is a pity many modern companies are still organised like factories in which management feels distrust is the best policy, because this

disallows them from making proper use of the talent in their organisation.

Whether you see the trust economy as a threat or inspiration is ultimately up to you. I advocate companies to put in place a trust strategy, to redesign their work places and value propositions for trust, and to use digital and data effectively in the process. The most trusted organisations are inevitably the most valuable and successful.

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**Philipp Kristian Diekhöner** is a TEDx Speaker, Global Innovation Strategist, Author of *The Trust Economy* and Managing Partner of Denkfabrik Digital (DDX).

### **About Denkfabrik Digital (DDX)**

*Denkfabrik Digital (DDX) is a German innovation foundry established in 1976. We help our clients create the most valuable products and services by resolving the root causes that prevent innovation. Over many years, we've discovered trust is the crucial success factor in this. In 500+ projects, our teams squared the circle for some of the world's most iconic companies, helping them get ahead and stay there. With an equal presence across Europe and Asia, we help companies of all shapes and sizes maximise their potential. Our latest spin-off, OXYTOCIN, enables companies to measure and optimise for internal trust so they can return more value to their stakeholders. [www.denkfabrik.digital](http://www.denkfabrik.digital)*