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How Companies Can Restore Trust in American Business
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It takes a leap of faith to build a skyscraper -- faith that the future will be brighter and that our economy will deliver the jobs to fill all those floors. That's why the 1920s skyscraper boom in Chicago ended with the "Black Tuesday" crash on Wall Street 80 years ago this week. We're not building many skyscrapers these days either.

The economy is slowly emerging from one of the most painful recessions in our history. Yet the recovery is in danger of being crushed by all the people remaining on the sidelines instead of spending or investing because they've lost faith in the future. And one big reason is that they've lost trust in our financial institutions and business leaders.

In the respected Edelman Trust Barometer survey this year, only 38 percent of respondents in the U.S. said they trust businesses to do the right thing -- worse than after the Enron scandal and the dot-com bust. Bleaker still, only 17 percent said they trust information from a company's CEO.

How was trust in business destroyed? A root cause was lack of transparency and, in turn, accountability, particularly with regard to risk. At the height of the credit boom, financial institutions wrapped risk in exotic instruments so complicated that not even the experts could explain them. Accountability was obscured.

So what can we do to restore trust? It certainly won't be by lip-service transparency, the sort that was popular for most of the last decade. Really, all that amounted to was people saying, "I told you I was going to rip you off, so now you can't complain if I did."

The model that today's business leaders must embrace is one of true transparency. One thing that means is a new, comprehensive approach to risk assessment, risk management and risk disclosure. My industry -- insurance -- lives and dies by its ability to identify and assess risks and then help our clients manage them. Only when the risks are fully known is it possible to make good business decisions that preserve and enhance long-term value.

I'm not the only one thinking in this direction. Moves are afoot in Congress to hold directors personally liable for excessive risk-taking. I agree that senior executives and boards need to take a far broader view of risk than they do now and reflect this in their decision-making and oversight. More companies should hire chief risk officers and establish risk committees on their boards. Their CEOs should demand true enterprise risk management, because the risks to doing business are growing and will continue to grow -- from cyber-security to terrorism to climate change, to name just a few examples.

Chicago is a city that understands that yesterday's solutions don't work in today's world and won't keep you in business tomorrow. When I came here in July for the naming of Willis Tower, one thing that struck me about this great city was its ability to reinvent itself. You did it after the Great Fire of 1871 and, more recently, by turning Chicago into a global center for the financial sector and today's service economy.

Of course, some people will stick to the old ways, giving short shrift to risk management and paying lip service to transparency. But the businesses that will lead the way to recovery are the ones that deliver clear value to our society in ways that create jobs and contribute to economic security over the long term. These are businesses that have nothing to hide, including their risks. These are businesses that will thrive based on trust.

Joseph J. Plumeri is the chairman and CEO of Willis Group Holdings, the global insurance broker. This essay is an edited version of a speech he is scheduled to give today to the Executives' Club of Chicago.