



## How board members can help to build trust

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### **The Edelman Trust barometer, an annual global survey which has been running for 17 years, early this year stated that ‘trust is in crisis around the world’.**

Social researcher Hugh Mackay said: “The big picture for Western societies, but especially Australia, is that respect and trust for institutions in general is in decline. That’s not a healthy attitude for any society.”

In 20 of the 28 countries surveyed – including Australia – more than half of the mass population think ‘the system is broken’ and they deeply distrust their institutions and the leaders they associate with them.

The Edelman study revealed the largest ever drop in trust across all four key societal institutions – including government, business, media - in its history.

NGOs, including Not For Profits, are not immune: trust in NGOs fell by a substantive five points in Australia, and two points globally. Given the recent Royal Commission, this is no doubt not a coincidence.

### **Business leaders in Australia fared worst.**

The survey found that leaders’ credibility is at an all-time low. Australia fared even worse than most, with CEO credibility falling to 26 per cent, compared with 37 per cent globally.

According to Edelman, Australia now views chief executives in a very poor light, showing a decline of 13 per cent in a single year since the last Trust Barometer.

Australian CEOs can take some small comfort from the fact that they are in fact viewed more positively than politicians.

## Fear is on the up.

As trust erodes, so fears proliferate - about globalisation, the security of work and employment, corruption and rorting, the 'erosion' of social values, immigration, economic inequity, terrorism and personal safety, and concern over the pace of change.

Add to that in Australia anxiety about housing security. As in other countries, what these are contributing to is a resurgence in populist political parties and greater societal division.

## We're a cynical bunch.

In Australia, the decline in trust in the media has been substantive – in the general population our trust in media at 32% is amongst the world's lowest.

Given the 'confirmation bias' that psychologists tell us is inherent in us all, it is no surprise that the study shows people are almost four times as likely to ignore information that supports a position they don't agree with. In fact we are far more likely to believe information from search engines than from editors who are 'human'.

## The rise of influence.

Despite social media having been a strong presence in the lives of many for some years, its effects are seen in the Edelman study for the first time this year.

According to this study, in the world of social media "a person like yourself" is now hugely influential. Such people are seen as being *at least as* credible as an academic or technical expert, if not more so.

## The risks of losing trust.

So what are the implications of this loss of trust for board members? Stating the obvious, it brings deeply concerning risks.

### RISKS OF LOSING TRUST

- Companies lose their social license to operate
- Shareholders and investors withdraw support
- Government and regulators apply restrictions which impinge on commercial operations (as with the recent Federal Government bank tax)

The World Economic Forum (WEF) has also identified the loss of trust as an issue for business and business leaders. They state, "The era of corporate social responsibility as a cost of doing business has passed; the era of "doing well by doing good" is upon us".

## What does this mean for business?

Most boards and CEOs ponder the question of leadership which is both responsible and responsive. What came through in the Edelman study is that the three most important attributes for building trust in companies are:

1. Treating employees well;
2. Offering high quality products; and
3. Listening to customers.

I'd add a fourth, fifth and sixth to that:

4. Be consistent;
5. Do what you say you're going to do; and
6. Be honest and transparent.

Dithering about in the eyes of your customers – for example saying you will do one thing one week and another the next week – does little to build your brand's credibility. And if you make a promise to a customer, be sure this is followed through.

We have all seen examples of suppliers who promise the world and fail to deliver up to this (that NBN installer who didn't turn up) – it's an exercise in frustration.

And lastly, don't split hairs, lie or obfuscate – you'll be caught out. And the nasty world of social media and press hungry for their latest headline awaits.

## So who do people trust?

With trust in the C-suite and the boardroom continuing to decline, and CEOs being viewed as the least credible of all, it turns out we view employees as the most credible spokespeople for business.

Next most credible in the eyes of the mass population are subject matter experts. It might be time to have your companies' scientists dust off their leather patches and clean up their spectacles. (Disclaimer – some of my oldest and best friends are scientists).

## Trust Takeaways

I was fortunate to be the moderator recently for an RSM board event on trust, and specifically on how boards can influence the development of trust for their organisations. Presenters included Sue O'Connor, Chair of Yarra Valley Water, and Jane Tongs, Director at Cromwell Property Group, AEMO, and others.

At the event panelists described actions which as a board member you can adopt yourself in some cases, and recommend in others, to help your organisations rebuild trust. 'Trust takeaways' included:

**1. Be clear what you and your organisation stands for** – have a compelling purpose and communicate this unambiguously, regularly and consistently,

using channels that are meaningful to your audience. And most important of all, *deliver* to purpose.

**2. Be stakeholder-focused** – put yourself in the shoes of your customers, partners and other key stakeholders, and listen deeply and carefully to them.

Respond and take action on what they share, keeping them informed as you do so. Yarra Valley Water has recently run a 'Citizens Jury' to do exactly this.

**3. Create shared value** by working with key stakeholders in a new way. Michael Porter and Mark Kramer describe shared value as "Creating economic value in a way that also creates value for society, and gets noticed for doing so".

This is a great means to 'do well by doing good' (to quote WEF) in a way that when executed consistently will strongly build trust. Involve stakeholders such as customers and suppliers on your services and products, challenges and opportunities.

**4. Be authentic** – today's audiences expect and demand transparency, sincerity, and integrity. Research tells us that interpersonal authenticity and warmth are key contributors to developing trust – be natural and genuine in communications and interactions with stakeholders.

Think about what your audience want to know as well as what you want to communicate.

**5. Take responsibility** – to quote one of our panellists, "We are all responsible for the trust deficit. What are you going to do about it?"

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Our services include board and C-suite performance, board search, and culture diagnostics and analysis. Our frameworks use proven methodology which is data-driven and evidence-based. We incorporate leading research across governance, behavioural and neuroscience, and draw on technology (AI) and data analytics to provide additional insight.

Our work helps clients to achieve greater alignment and lift contribution, have open and constructive interactions, and build outstanding composition and culture. Ultimately performance can be measured through the value which a board or Executive team contributes to an organisation.