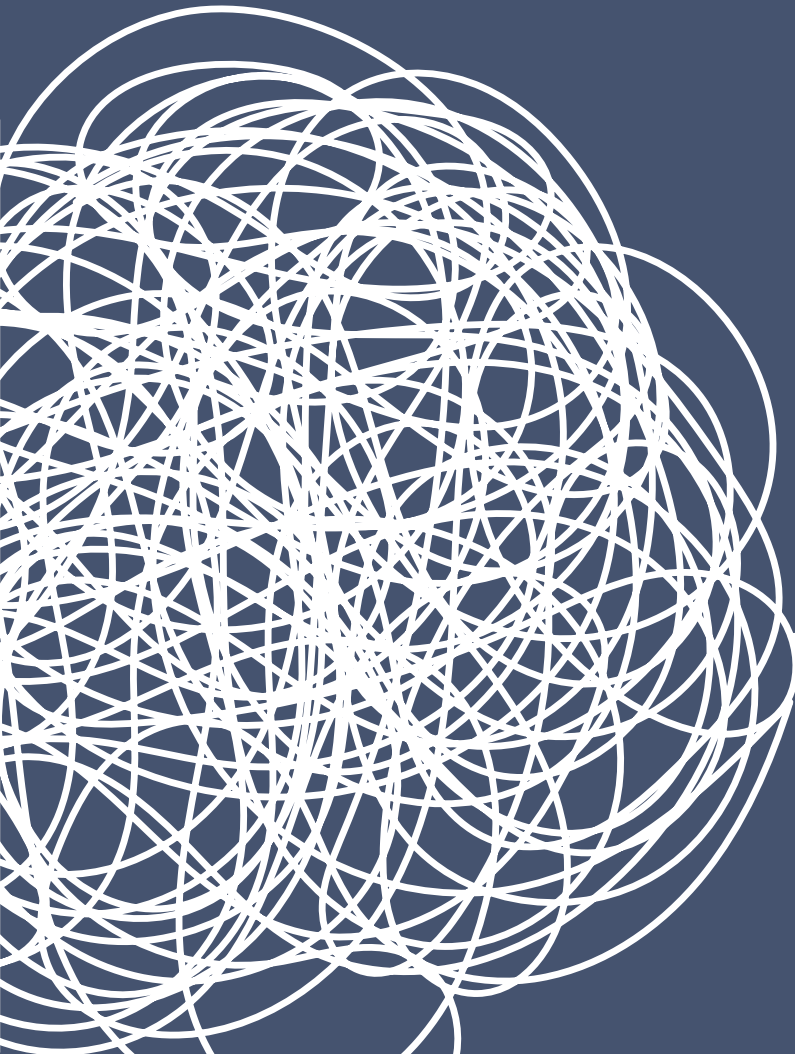




THE IMPORTANCE OF TRUST IN BUSINESS PERFORMANCE

# ARE WE LIVING IN A POST-TRUST WORLD?





# ARE WE LIVING IN A POST-TRUTH WORLD?


---

## Trust throughout an organisation is now seen as an inflection point for success or failure.

Rather than an intangible concept that's impossible to measure, trust can be directly linked to better business performance, from an individual to institutional level. Furthermore, without it, your organisation will suffer from a raft of issues, from poor employee engagement to low customer retention.

For leaders themselves, they now must accept that they work in a world that isn't black and white – they operate in a constant state of grey. This fog of disinformation and uncertainty means that gaining, and directing, followers requires trust. Without it, there is no shared vision or purpose, only competing agendas.

In this month's insights, we'll look at trust levels in the world today, the effect trust has on overall business performance and how to build trust within your organisation and as a leader.



High-trust  
companies are  
2 ½ times more  
likely to be high  
performing revenue  
organisations  
than low-trust  
companies.

Interaction Associates Report, 2015

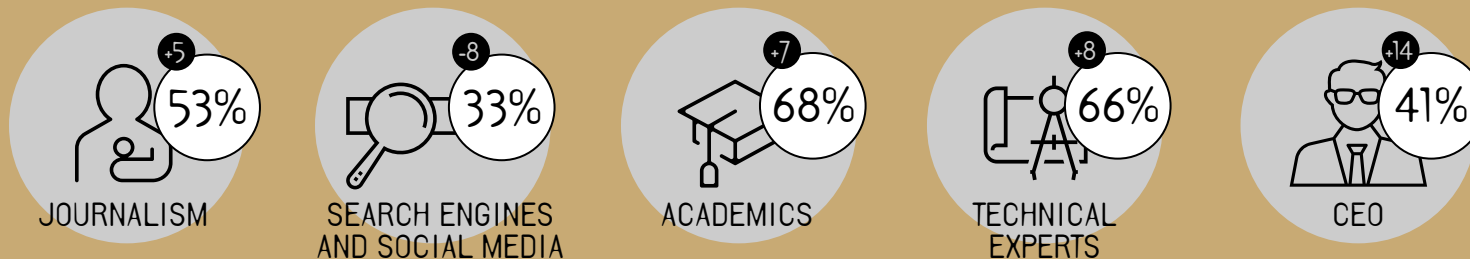
# ARE WE LIVING IN A POST-TRUST WORLD?

## Whom do we Trust?

Trust in institutions is at a real low across the world, and Ireland is no exception. However, there are some clear indicators that trust in Irish institutions is steadily creeping back up, in some cases, there have been significant swings over the last year alone.

For example, in the Irish business world, trust in CEOs increased a significant 14 points to 41% in a single year between 2017 and 2018.

Trust in Irish Institutions – 2017 vs 2018:



SOURCE: EDELMAN IRELAND TRUST BAROMETER, 2017 & 2018

The trends are clearly positive although, interestingly, Ireland ranks competitively low on the overall trust scale (36% trust on average in institutions) compared to the worldwide average (47%), which ranks us behind such countries as South Africa and Malaysia.

**It takes 20 years to build a reputation and five minutes to ruin it.**

Warren Buffett

## Why Trust Matters for Irish Businesses

**For Irish business, building trust with their customers is key. It is becoming more and more of a factor in sales, particularly when it comes to retaining a customer.**

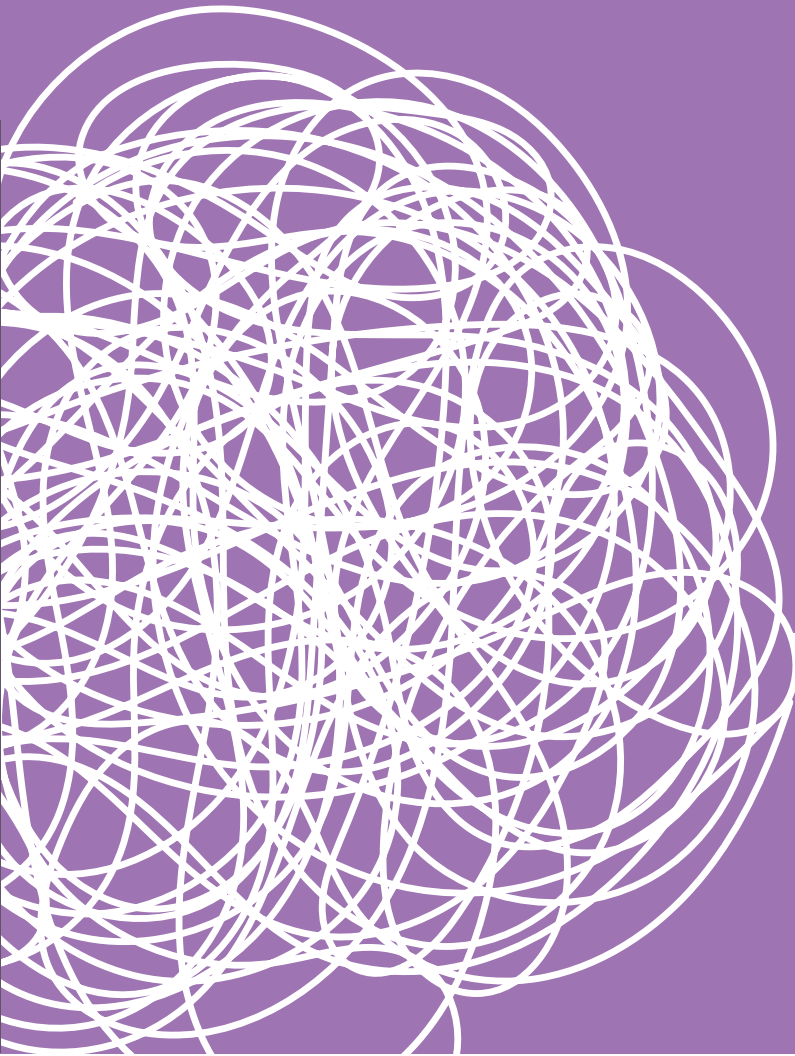
In a business landscape such as ours, where referrals and word of mouth is at the heart of how we do business, it's crucial to understand the critical role trust plays in the purchasing decision.

Returning to the Edelman survey, 75% of respondents believe that producing high-quality products and services should be the No.1 priority for CEOs, followed by ensuring that the company is trusted (73%) and has high ethical standards (66%).

In other words, your current and prospective customers care almost as much about your ethical standards and whether they can trust you to 'be good' than they care about your product and service.

**Earn trust, earn  
trust, earn trust.  
Then you can worry  
about the rest.**

Seth Godin,  
American author and former  
dot-com business executive



# THE EFFECT OF TRUST ON PERFORMANCE

---

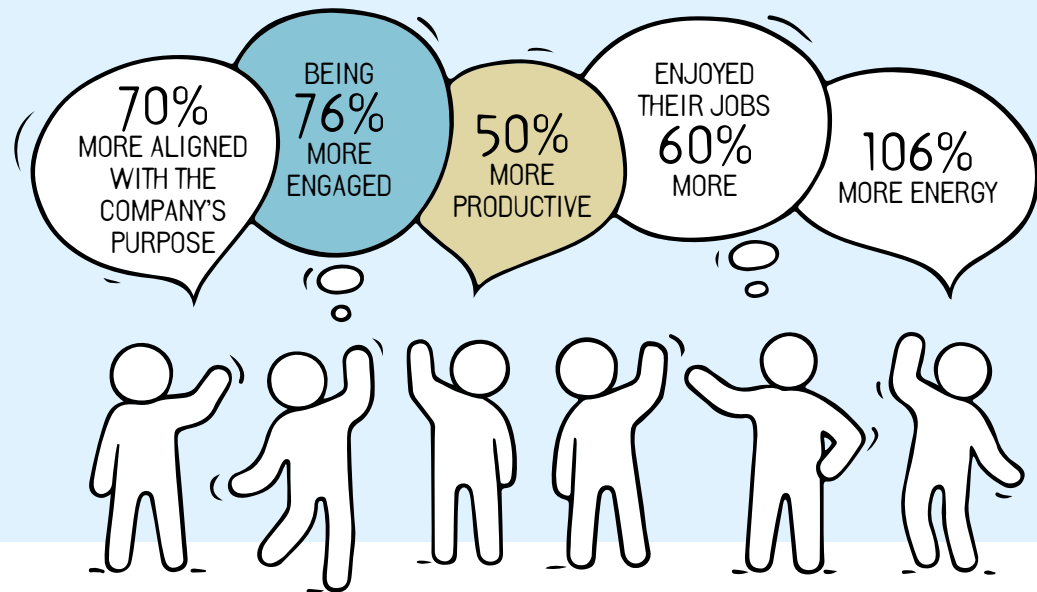
## The Relationship between Trust and Performance

**The level of trust within an organisation is a strong indicator of business performance. Beyond the simple correlation, there is also powerful evidence that one leads to the other.**

When individuals trust their colleagues and leaders they, quite simply, work more efficiently, effectively and innovatively.

Indeed, research suggests that the effects of a high level of trust within an organisation are genuinely profound.

Employees that trusted their leaders and company overall reported:

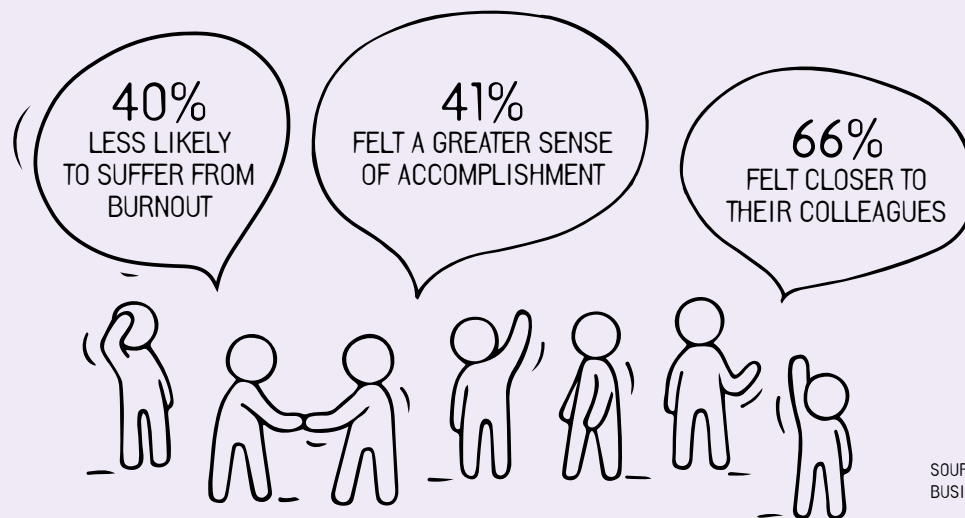


SOURCE: THE NEUROSCIENCE OF TRUST, HARVARD BUSINESS REVIEW, PAUL J. ZAK, 2017



## The Relationship between Trust and Performance

Taking a narrower focus, when we compare people working in a low-level trust organisation, we see that the people in the high-trust organisation were:



SOURCE: THE NEUROSCIENCE OF TRUST, HARVARD BUSINESS REVIEW, PAUL J. ZAK, 2017

For a CEO, HR Director or any leader, these figures are startling. The difference between an organisation with a high-level of trust and that with a low-level of trust is analogous to the difference between a colony of ants and a herd of cats.

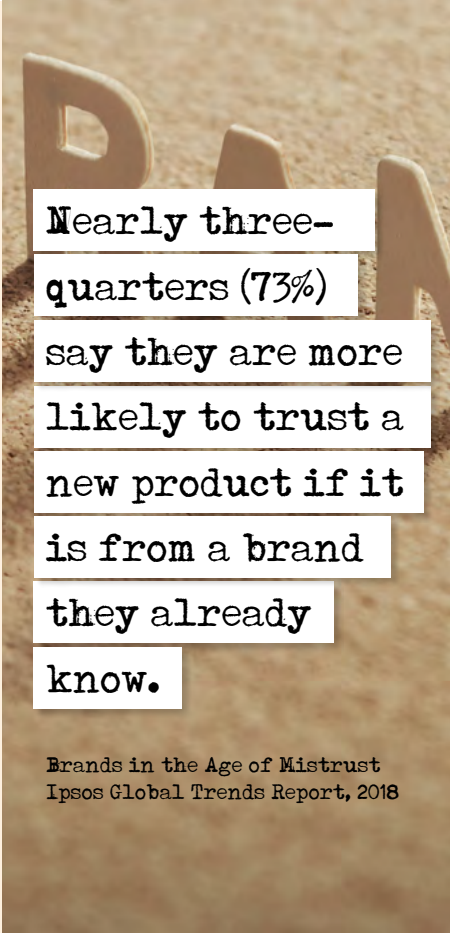
## Trust as an Asset

**In Ireland, manufacturing is one of the most trusted sectors with 61% of people trusting companies to operate ethically and ‘do what’s right’, whereas the financial services sector is trusted to do what’s right by just 29% of people.**

Statistics from the same report show that trust in industry sectors including technology, food and beverage, telecommunications, entertainment, automotive and consumer packaged goods declined over the past five years. Education, at 70%, is the highest rated sector.

Why does this matter? Does Irish manufacturing tangibly benefit from this extra trust?

We do find that companies in the manufacturing sector will spend relatively less on one area important to profitability – retaining and developing existing customers – over their counterparts in the finance sector.



Nearly three-quarters (73%) say they are more likely to trust a new product if it is from a brand they already know.

Brands in the Age of Mistrust  
Ipsos Global Trends Report, 2018

## The Relationship between Trust and Revenues

**Customer retention is highly based on trust of the company and, although there are other factors, trust in a business will directly translate into better financial performance.**

### WHERE'S THE EVIDENCE FOR THIS?

According to Bain & Company, increasing customer retention by just 5% can lead to an increase in profits of 25%–95%. Furthermore, converting an existing customer into a repeat customer is a 60%–70% probability, while converting a new lead stands at 5%–20% at best.

This correlation has become a real focus in the upper echelons of management. In 2014, 37% of CEOs were concerned about a lack of trust in businesses, according the PwC Annual Global CEO Survey. That number had jumped to 55% in 2017.

This growing concern has led to growing action and building trust within an organisation is now a staple of many strategic plans.

WHICH LEADS US TO THE CRUX OF THE PROBLEM, HOW DO YOU BUILD TRUST BOTH AS A LEADER AND AS AN ORGANISATION?



# BUILDING TRUST

---

## Evaluating your Trust Levels as a Leader

**As a leader, it is up to you to build trust with your team, not the other way around. Trust in business is about demonstrating your ability to engage, empathise, understand and lead your team.**

In order to build trust, it is helpful to evaluate what level of trust your team currently has in you. Here are 7 simple questions for managers to build that 'trust profile':

- |  |  |
|--|--|
| 1. Do I show my employees that I feel confident in their skills?   | Yes <input type="radio"/> No <input type="radio"/> |
| 2. Do I show my employees that I care about their welfare?   | Yes <input type="radio"/> No <input type="radio"/> |
| 3. Do I show my employees that I think they can perform their jobs?                                      | Yes <input type="radio"/> No <input type="radio"/> |
| 4. Do I give my employees influence over the things that affect them most on the job?                    | Yes <input type="radio"/> No <input type="radio"/> |
| 5. Do I give my employees the opportunity to take part in making job-related decisions that affect them? | Yes <input type="radio"/> No <input type="radio"/> |
| 6. Do I encourage my employees to take risks?  | Yes <input type="radio"/> No <input type="radio"/> |
| 7. Do my words and deeds convey how much I trust my employees?   | Yes <input type="radio"/> No <input type="radio"/> |

SOURCE: WANT YOUR EMPLOYEES TO TRUST YOU? SHOW YOU TRUST THEM, HARVARD BUSINESS REVIEW, BROWER, LESTER AND KORSGAARD, 2017

IF YOU ANSWERED 'NO' TO ANY OF THE ABOVE QUESTIONS,  
THEN YOU MAY HAVE A TRUST DEFICIT WITH YOUR TEAM.

## 8 Techniques for Building Trust as a Leader of Teams (and in your Organisation)

### 1. Demonstrate Passion

If you don't care, why should others? It may grate against the Irish culture but demonstrating your passion about the purpose of your business is crucial to allowing others to feel safe and do the same.

This passion should always fit your authentic self – faking it won't work long-term – but it is essential; people will only follow leaders that can articulate a vision that they believe in themselves.

### 2. Show Vulnerability (and Ignorance)

Traditionally, leaders had all the answers. When we look back on certain industries, this may have been possible for individual geniuses (particularly in technical roles). However, in today's world of niche brilliance, it is impossible for one person to know even a fraction of what's required to lead teams diverse in both culture and skills.

The new leader will ask for help when it's required and, indeed, studies show that people see this as a sign of strength and not weakness; it taps into the fundamental human psychology of wanting to help and co-operate with others.



Don't be afraid  
to show your  
vulnerability.  
Be transparent  
with your team,  
even when the  
truth may be  
unpopular or  
inconvenient.

Bill George, Former Chairman  
and CEO of Medtronic

### 3. Induce 'Challenge Stress'

When a manager assigns a team a difficult but achievable job, the moderate stress of the task releases neurochemicals, including oxytocin and adrenocorticotropin, that intensify people's focus and strengthen social connections (source: The Neuroscience of Trust, Harvard Business Review, 2017).

The crucial aspect of this 'stress' is that the task is achievable. Vague or impossible goals will cause people to give up and achieve nothing, so it's up to the leader to give a clear end goal and expected results at the end of the task.

### 4. Give Away Control

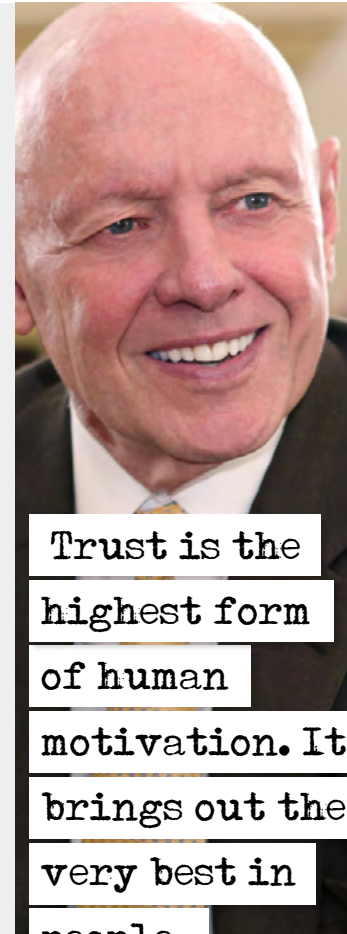
All leaders, by definition, give away control to some degree. In today's professional environment where job roles themselves are constantly shifting, it's crucial for a leader to allow their employees to shape their roles and respond to those rapid changes or risk becoming defunct.

Extending beyond their roles, allowing freedom to people to work on the projects that engage them will help with keeping your star employees and getting innovative results. Google's famous 20 per cent Time (where employees could spend 1 day working on individual projects) resulted in Gmail, Google Maps and Adwords – not a bad return.

### 5. Be Transparent and Communicate Widely

If your team members are to have a purpose, it's vital that they know where you're going. By communicating the strategic thinking and planning of your organisation widely, you'll reduce uncertainty and combat those that begin planning their exit because of an uncertain future.

Simply publishing internal annual reports, strategic white papers and sharing information in a group setting can engender trust throughout the organisation, as well as giving a clear direction to where the company is going.



Stephen Covey, Former professor at the Jon M. Huntsman School of Business, Utah

## 6. Be Authentic and Self-Aware

Building trust can be a tight-rope act. When does feedback become criticism? When does checking in on how a project is going become an act of distrust?

The truth is, leaders today need to be emotionally intelligent enough about when to come down on either side of the fence. For those that feel they don't have these skills, all is not lost – there are plenty of techniques to improve this side of your professional armour.

## 7. Be Risk-Averse

Organisations that are explicitly built to avoid risk will stifle innovation and make people fearful of risk-taking. If employees are in fear of risk-taking, that will grow and permeate until they are in fear of sending an email to their manager.

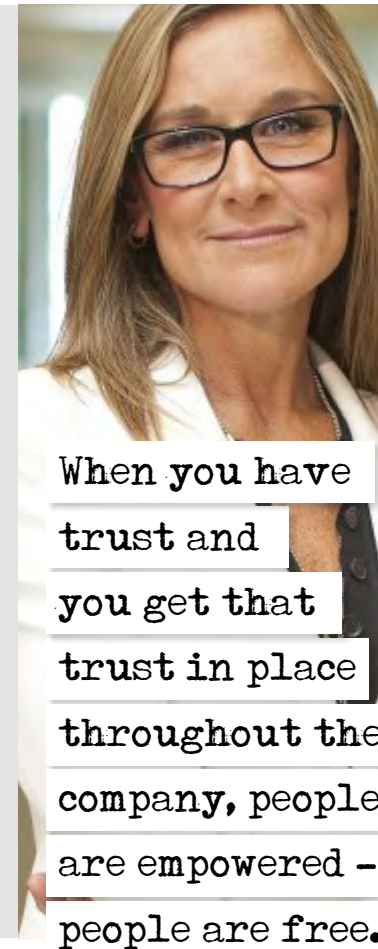
Large bureaucratic structures, centralisation of authority and restricting information within the organisation will engender a culture of fear. Allowing employees to make mistakes, while holding them accountable for them, will make them trust you as a leader and the organisation you are trying to drive forward.

And moving forward is always a risk.

## 8. Have a Bottom-Line Mentality

Many salespeople will sympathise here. If all the line manager cares about is immediate results and the bottom-line (no matter what the external circumstances), then it will be to the detriment of other vital activities that help build team cohesion, such as developing relationships and empowering employees to find solutions to the problem.

This way of thinking is sometimes felt that it 'has to be done' – managers' report to other managers after all – but a true leader will take that heat upon themselves and allow their team to work towards sustainable solutions, not short-term fixes.



Angela Ahrendts, Senior Vice President of Retail, Apple



## Being an Authentic Leader

**To navigate the changing business landscape, it is incumbent on leaders to build trust with their followers to give them real purpose in an often confusing environment.**

To do this, a leader must rely on their 'soft' skills linked to emotional intelligence rather than the traditional, results-only orientated leader of the past. An effective leader must build their legitimacy with their followers through honest, open relationships built on an ethical foundation.

Authentic leadership emphasises openness to new ideas rather than direct orders, having the ability to acknowledge your weaknesses, clear and honest communication, being driven by organisational and not personal ambitions, and being prepared to fail and accept failure from others.



## IV

## CONCLUSIONS

**In an environment where nearly everything is uncertain, trust can be the guiding light for a leader and their organisation.**

For the leaders that do build trust with their followers, they will see a purpose-led team enthusiastic about the variety and scope of challenges they face. This organisational trust will translate directly into happier customers and a better bottom line.

One of the things as a leader that you can really build a company around is trust, authenticity. You are demonstrating every day that you are who you say you are. The day you say one thing and do something else, you lose the whole trust of the organisation.

Jack Welch, one of Forbes 100 Greatest Business Minds



# BUILDING TRUST IN A POST-TRUTH WORLD

## THE IMPORTANCE OF TRUST IN BUSINESS PERFORMANCE

Whether you are looking to develop the capabilities of your people in areas critical for growth or are considering a deeper organisational transformation, the IMI customised solutions team can partner with you at every step.

In this uncertain world, it is vital to give your people the tools they need for your organisation to thrive. To learn more about how IMI can partner with you, please contact the team at:

[www.imi.ie/customised](http://www.imi.ie/customised)

[www.imi.ie/customised](http://www.imi.ie/customised)

[www.imi.ie](http://www.imi.ie)

