



Driving Business Results by Building Trust

Findings from 2013 Forum Global Leadership Pulse Survey



Forum

Asia

“ Leaders can no longer trust in power; instead they rely on the power of trust.¹ ”

Charles Green, *Forbes Magazine*

In today's fast and flexible business world, managers can no longer rely on positional authority alone to get things done. As organisations have become flatter, decentralised and geographically dispersed, with more employees working virtually, it is harder for managers to even know what their people are doing, much less to control work as rigorously as in the past. The “employment contract” has also been re-written, where neither companies nor employees have an unwritten expectation of a long-term relationship. And yet, tackling the business challenges that most companies face requires higher levels than ever of innovation, knowledge, interpersonal skill and motivation. How can managers build a high-performing team in this new environment?

The secret is trust

Research shows that employees who have high levels of trust in their leaders tend to have greater loyalty and higher business performance than those with less trust. For example, one study linked companies' trust levels directly to their Price/Earnings ratios.² While trust has obvious business benefits, it is also in short supply and easily eroded. The UK-based Chartered Institute of Personnel and Development (CIPD) reported recently that more than one in three employees (34%) had weak trust in their senior management.³ Nevertheless, some leaders are able to build a solid foundation of trust among their employees and experience the payoff of a loyal, engaged team that delivers results. Double digit increases in productivity and profitability, plus reductions in turnover nearing 40 percent are just some of the results enjoyed by organisations with an engaged workforce.⁴ In this survey, we aimed to find out more about how leaders and employees view trust, the most effective actions leaders can take to enhance it and its link to engagement.

¹ Charles Green, *Forbes Magazine*, “Why Trust is the New Core of Leadership,” April, 2012

² Andy Atkins, *Fast Company*, August 7, 2012

³ “Employee Outlook: Focus on Trust in Leaders,” Chartered Institute for Personnel Development, October 2013

⁴ “The State of the Global Workplace,” Gallup Consulting, 2010



About the Survey

Forum conducted an online survey of a global sample of almost 1,000 leaders and employees. Of the 948 respondents, 711 were leaders and 237 employees. The sample reflected a range of industries, company sizes and geographic regions (see breakdowns in appendix). 190 of the respondents were from Asia representing 12 countries including China, India, Singapore, Hong Kong and the Philippines.

The survey asked leaders to assess the level of engagement and trust among their employees and to describe their views on the importance of trust and how they build it. We also asked employees similar questions, so we could compare their views with those of leaders.



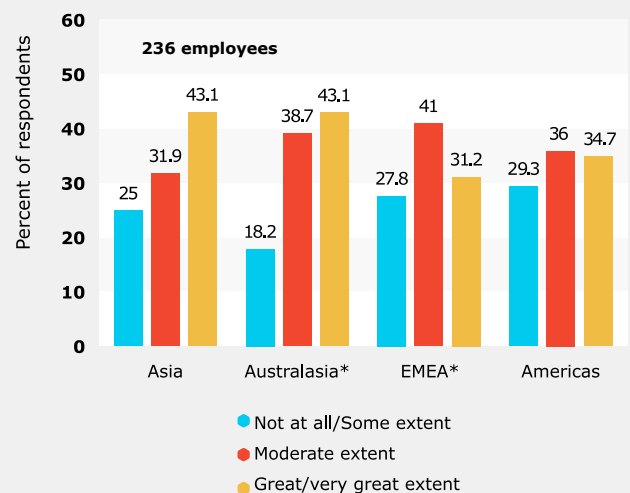
Findings

Almost two out of three employees (63.6%) rated their level of trust as moderate at best and less than 10% had very high levels of trust. While employees in general experienced only moderate trust, they nevertheless considered it highly important; over 90% gave it the highest importance rating.

Trust Around the World

Trust in leaders appeared relatively low throughout the world: the mean trust level was 3.1 on a five-point scale and 18 to 30% of employees had little or no trust in the leaders in their company. However, there are regional differences. Employees in Asia and Australasia were remarkably similar in the higher levels of trust they reported. Notably the number of employees in Australasia who reported that they had little to no trust in their leaders was approximately 10% lower than their counterparts in the Americas or EMEA. Since ratings of the importance of having a leader one can trust were consistently high (mean = 4.9 out of 5) there is an enormous opportunity for building trust in all regions of the globe.

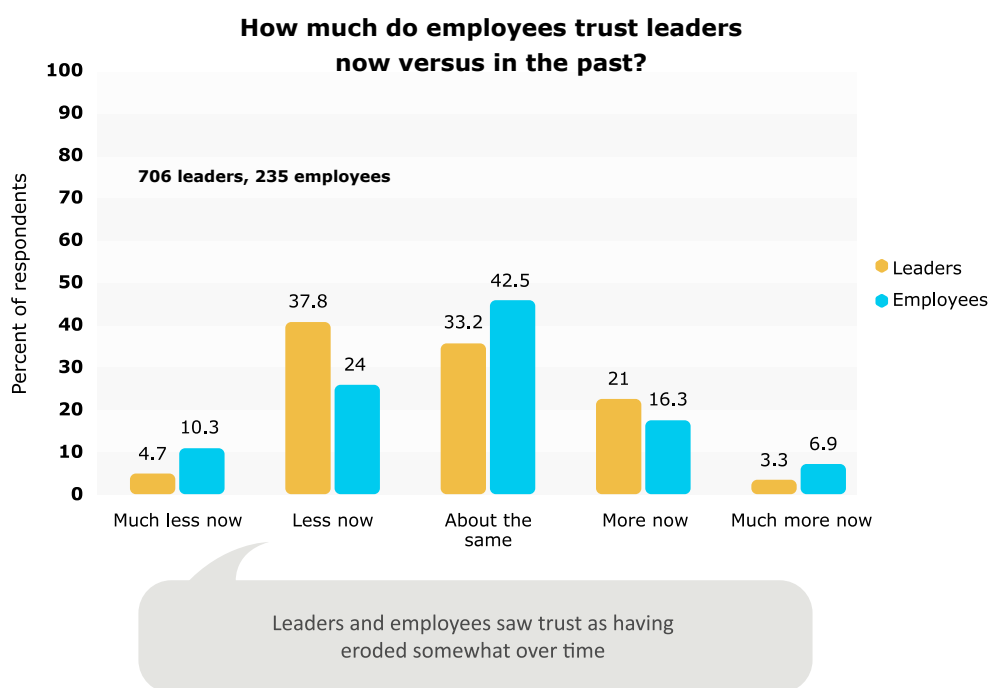
Overall, how much do you trust leaders in your company?



*EMEA is defined as Europe, Middle East & Africa

*Australasia includes Australia & New Zealand

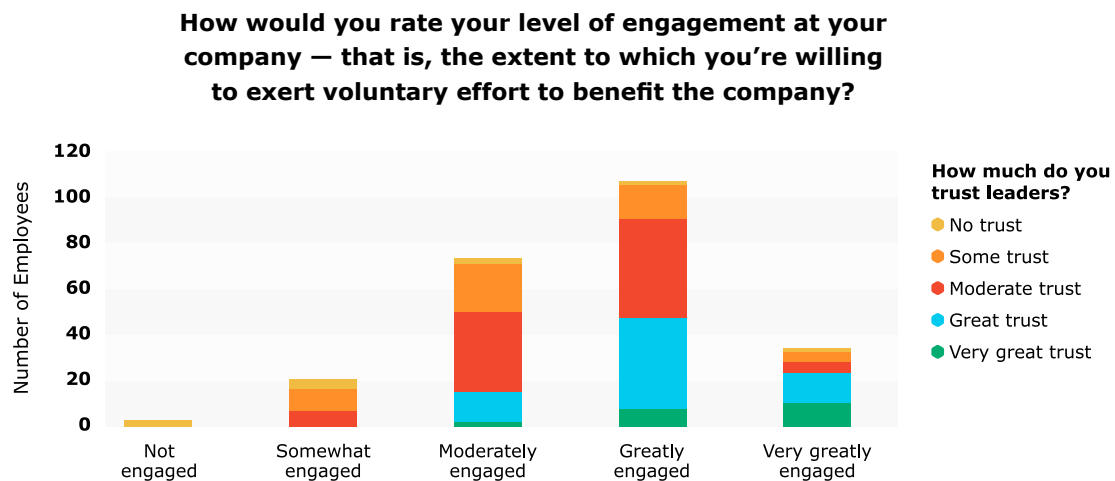
There is a global “trust gap” between leaders and employees. Employees rated trust as more important than did leaders (although half of leaders also considered trust highly important). Even though employees considered trust more important now than ever, their actual trust seems to have eroded.



We can speculate that this erosion of trust is a result of both macro events, such as the global recession, as well as micro-level events, such as losing confidence in ones' manager's ability to address the "people side" of business challenges.⁵

Trust correlates with employee engagement

We found a strongly positive relationship⁶ between trust in leaders and employee engagement; Employees who had low trust had an average engagement score of 2.8 (moderate engagement), while those with high trust had an average engagement score of 4.5 (high engagement).

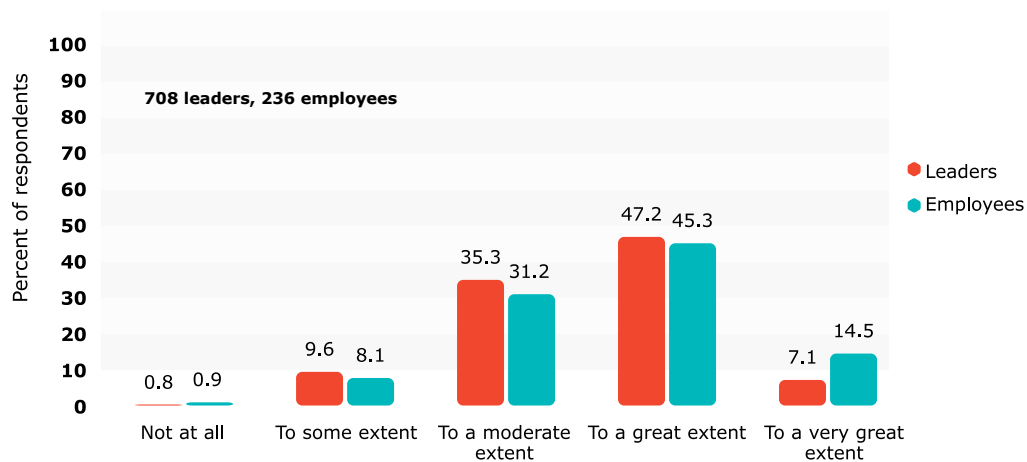


⁵ Employees made a range of comments about mistakes their managers had made that eroded trust.

⁶ Pearson Correlation Coefficient = .46; statistically significant at $p < .001$.

Furthermore we found, as have others⁷, that employee engagement overall is quite weak: only a relatively small percent (10 to 15) of employees are highly engaged. The vast majority are only moderately engaged and up to 10% have little or no engagement.

How would you rate the extent of employee engagement - that is, willingness to exert discretionary effort for the company?

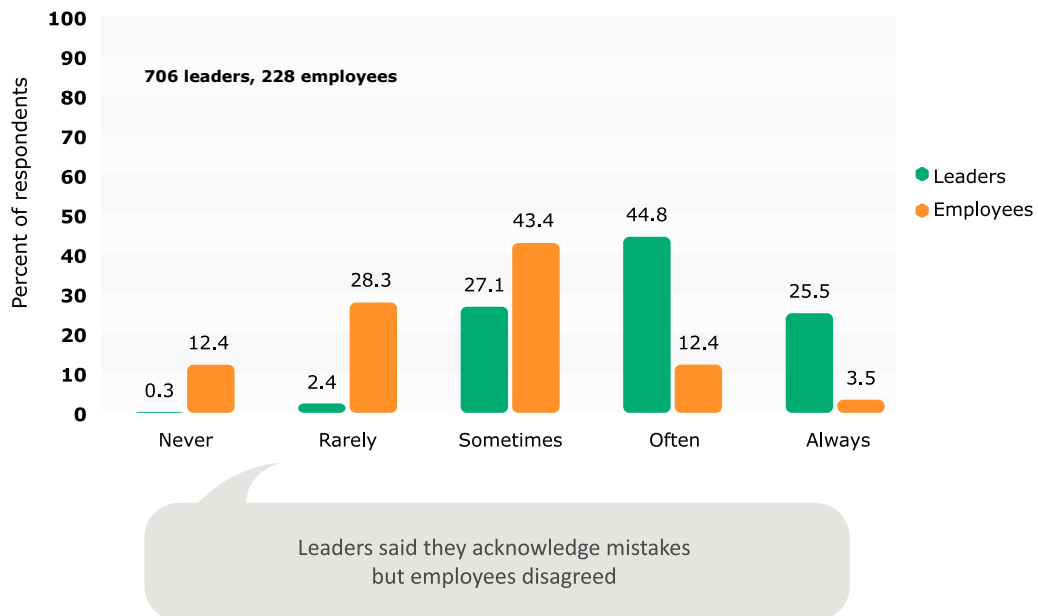


Leaders and Employees view handling mistakes differently

We explored the topic of “mistakes” as a way to better understand how leaders might build (or erode) trust during the course of daily business. Most leaders (about 75%) rated themselves as encouraging employees to learn from mistakes and about the same percentage indicated that they acknowledge their own mistakes “often” or “always.” Employees however, viewed leaders differently: only 46% saw leaders as encouraging learning from mistakes and just 16% indicated leaders acknowledged their own mistakes often or always.

⁷ “How can leaders increase employee engagement?” T. Atkinson, J. Davis, M. Walsh, Research Brief, The Forum Corporation, 2012; “Employee Engagement: What’s Your Engagement Ratio?,” Gallup Consulting, 2010.

How often do leaders acknowledge their own mistakes?



When asked whether leaders apologised to employees for their mistakes, the differences were even more stark: 87% of leaders responded that they often or always apologise, while only 19% of employees indicated leaders did so. When we asked leaders why they were reluctant to apologise, the most frequent comments related to their image or reputation: **they didn't want to look weak or incompetent.**

Leaders and employees view handling mistakes differently

Since mistakes are a natural part of business, as many pointed out, leaders have many opportunities to incorporate "moments of trust" into their working day: where they use mistakes to build trust and foster learning. Trying to bury mistakes or punish others for making them has a damaging effect on trust. We found strong correlations between employees' ratings of trust and their ratings of their managers' willingness to acknowledge their own mistakes, apologise for them and encourage employees to acknowledge and learn from mistakes.⁸

⁸ All correlations were greater than .50 and significant at $p < .001$.

Building trust is on the “radar screen” of most leaders

The findings on trust and engagement reinforce the observation that leaders have a major opportunity to increase employee engagement by building trust, and thereby enhancing business performance. The good news is that we found that most leaders gave building trust a high priority: over 95% rated it as “great” or “very great” in importance. This leads to the question of what leaders do that builds trust and what they may do inadvertently that erodes trust.

How leaders most often erode trust

We asked employees to provide examples of mistakes that their leaders had made that led to a loss of trust. Seven types of mistakes accounted for more than 80% of their responses. The most commonly cited mistake was being inconsistent (almost 1/3 of all responses), followed by lying or lacking transparency, lacking leadership skills, taking undue credit or passing blame, talking behind employees’ backs, not “walking the talk”, and having generally poor communication or interpersonal skills. Below are examples of each type of mistake:

Mistake	Example (actual survey responses)
Being inconsistent	“Talking ‘team’ and ‘participation’ but leading in a directive, hierarchical style.”
Lying/lacking transparency	“Advising two people they were being developed for a single position.”
Lacking leadership skills	“Not following through on their commitments or holding others accountable for meeting their commitments.”
Taking undue credit/passing blame	“Taking praise for others’ work. Letting employees take blame for managers’ mistakes.”
Talking behind employees’ backs	“Bad mouthing another team member. It makes you wonder what they might be saying about me?”
Not “walking the talk”	“Asking employees to do things the manager won’t do. Not delivering on promises.”
Poor communication/interpersonal skills	“Not listening to employees and people closest to the customer.”

How leaders most often erode trust

Advice from Employees: When we asked employees the advice they would give to leaders for engaging employees and earning their trust, their responses fell into the following seven main categories in order of frequency of mention:

Act with integrity—be open and transparent
Listen/Demonstrate care
“Walk the talk”
Demonstrate trust and empowerment
Encourage/recognise hard work
Provide clear and consistent messages/vision
Give constructive feedback/coaching

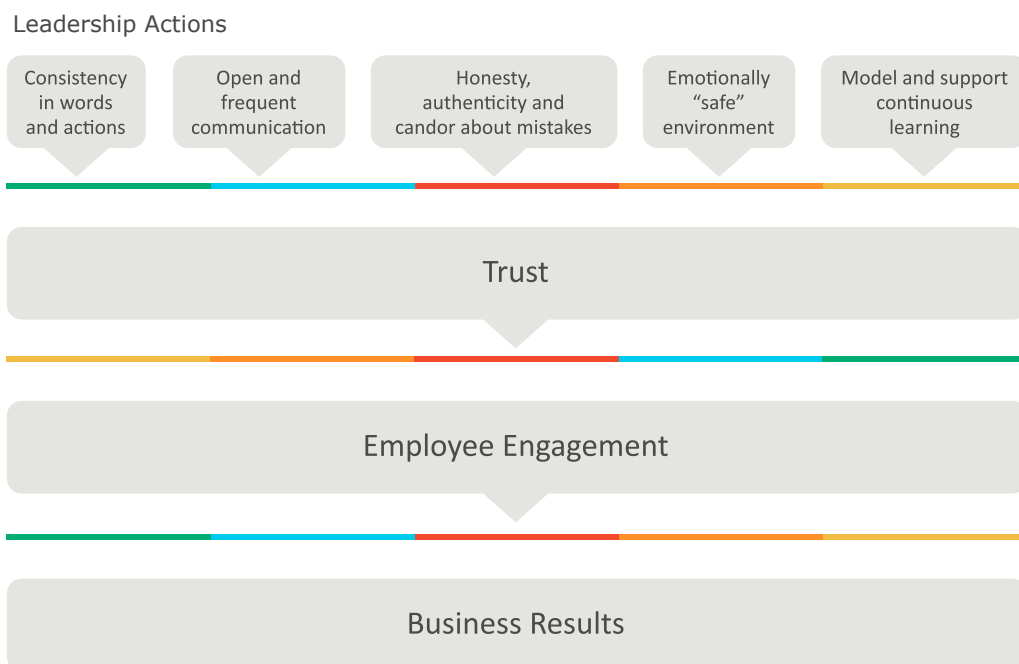
The employee comments echoed the main themes for leaders who aim to build trust: be consistent in messages and actions; communicating openly and frequently; demonstrating interest in employees and their ideas; be candid about mistakes; create an environment that is emotionally “safe,” and model and support continuous learning.



Summary and Implications

Establishing trust of employees is critical to business success, as most leaders recognise. Trust sets the foundation for high performance by creating an environment in which employees are willing to take risks, learn continuously, support and motivate each other and strive to meet challenging business goals. Put simply, leaders build trust and trust leads to engagement, which drives business performance. Leaders have an opportunity to close the “trust gap” and enhance engagement and results by focusing their attention on the actions identified in this report. Building trust pays off not only in the “soft” value of a happier workplace, but also in the hard results that stem from the distinct competitive advantage gained by tapping an enormous source of underused human potential.

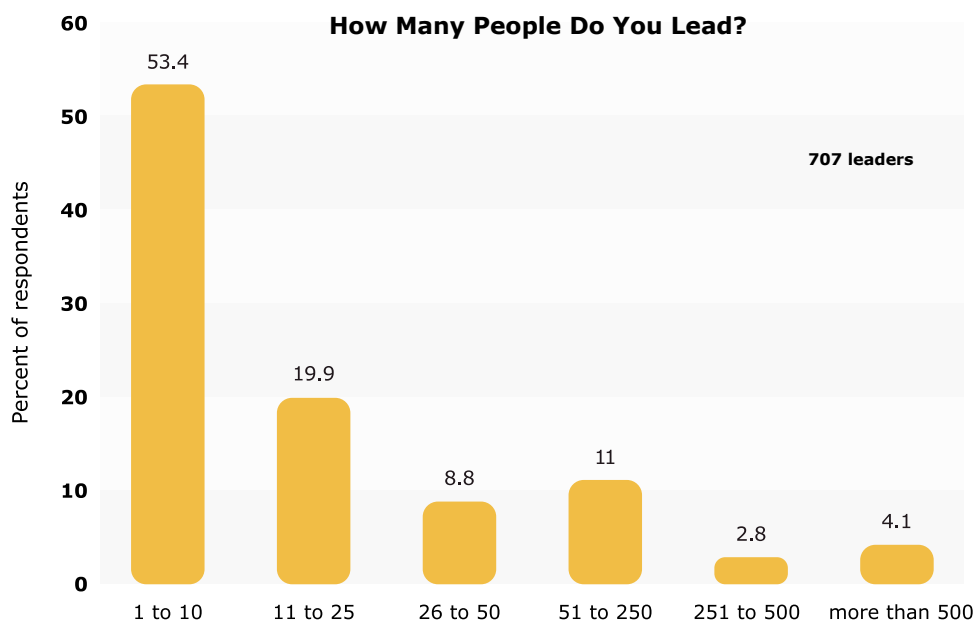
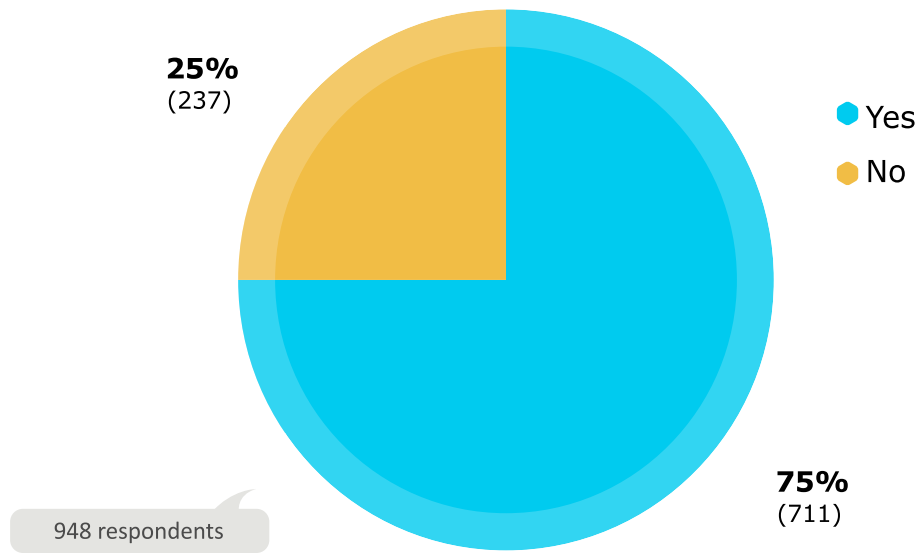
How Leaders Drive Results Through Trust

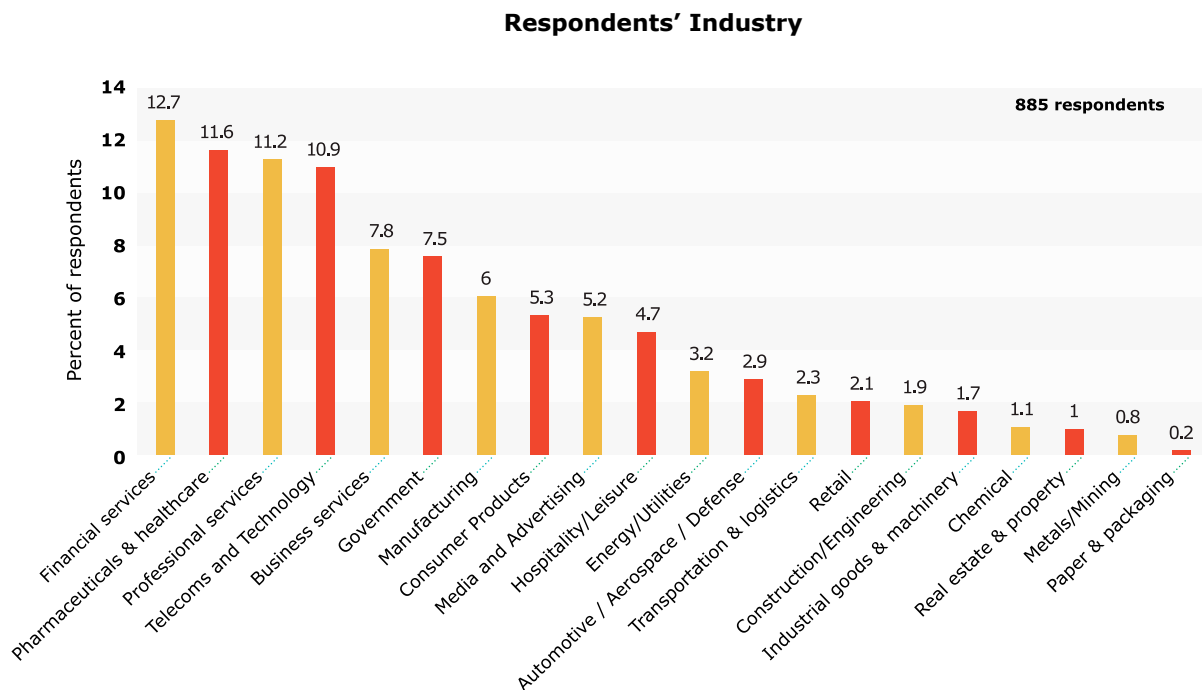
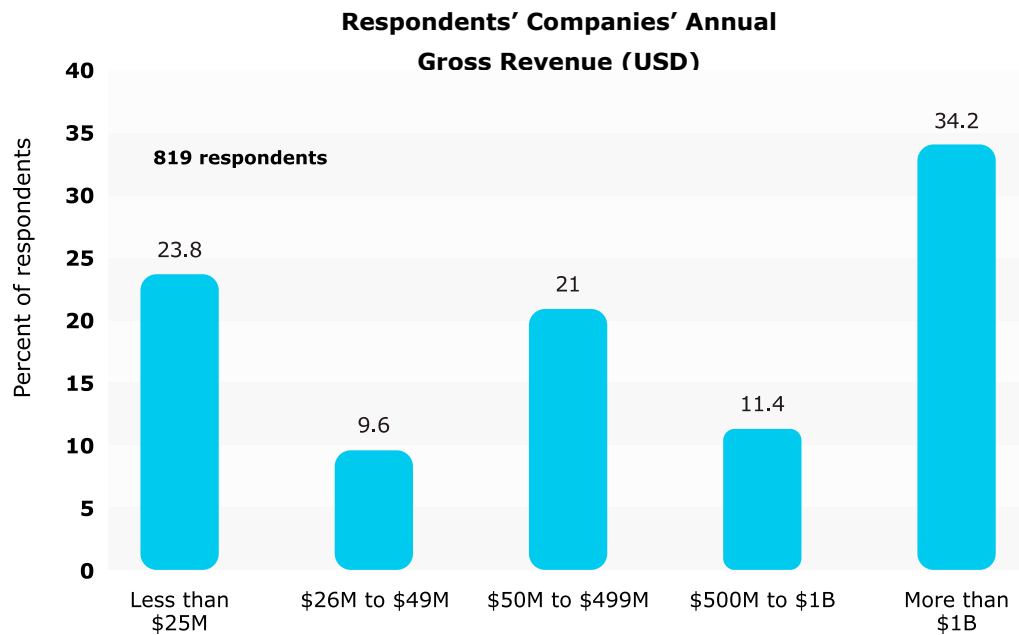




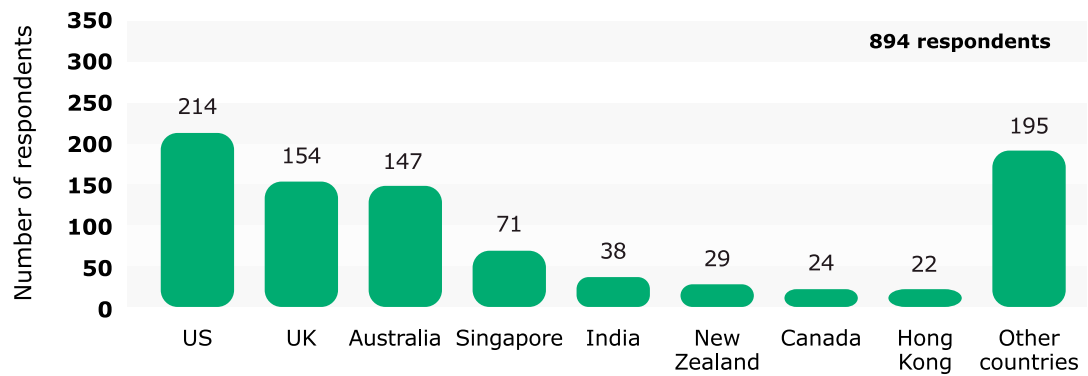
Appendix

Do You Lead or Manage People in Your Company?

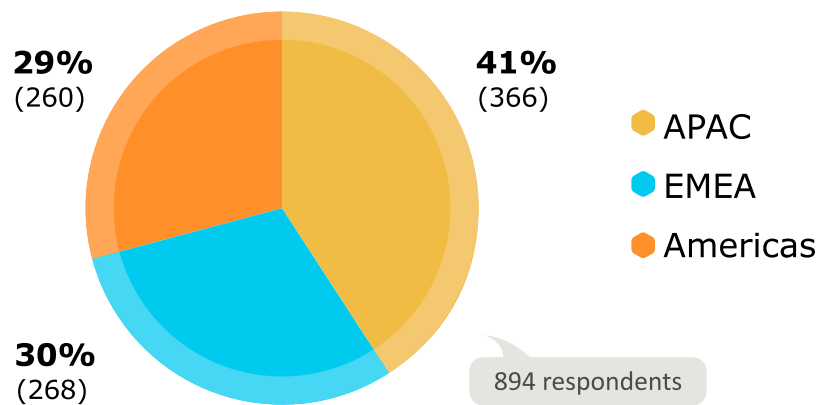




**Respondents by Geography
Selected Locations**



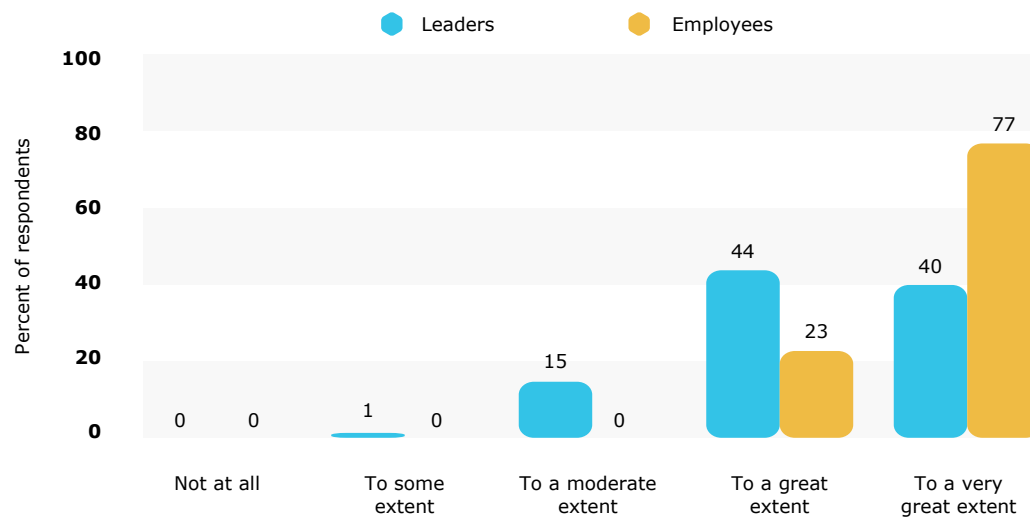
**Respondents by Geography
Major Regions**



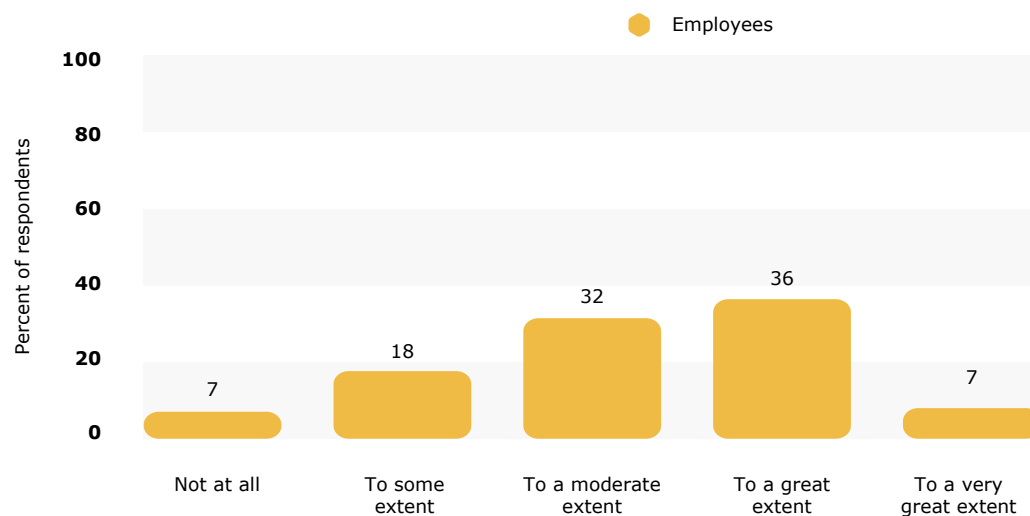
Asia Regional Data

Asia results are from respondents across 12 countries including China, India, Singapore, Hong Kong and the Philippines.

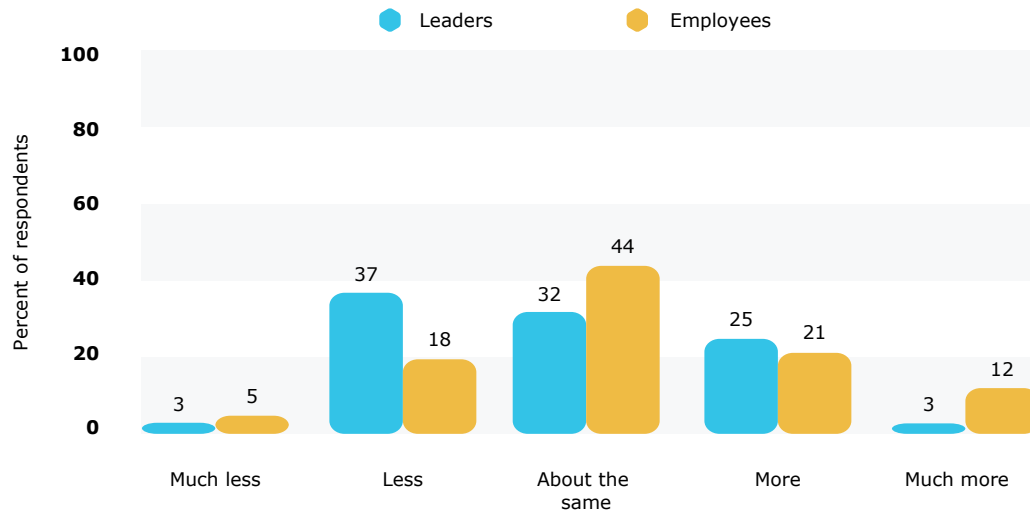
How important to employees is having leaders they can trust?



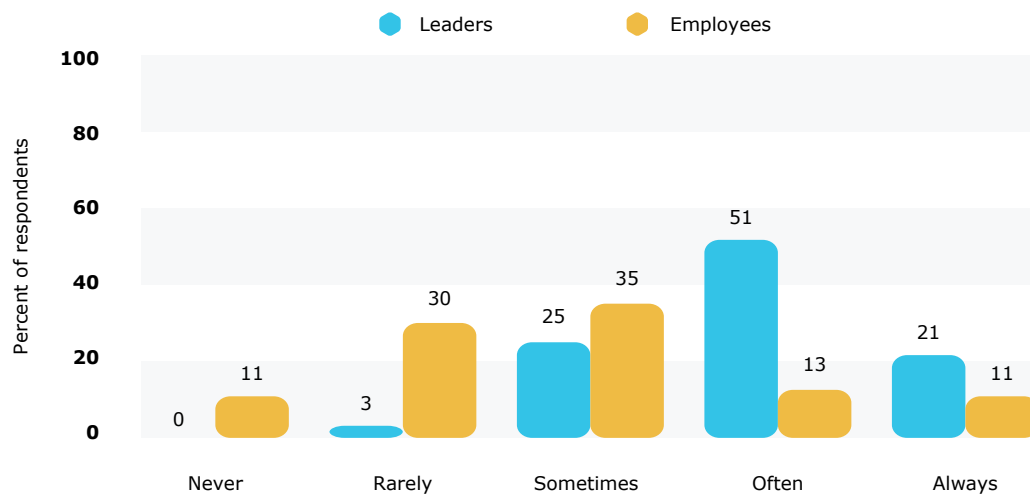
Overall how much do you trust leaders in your company?



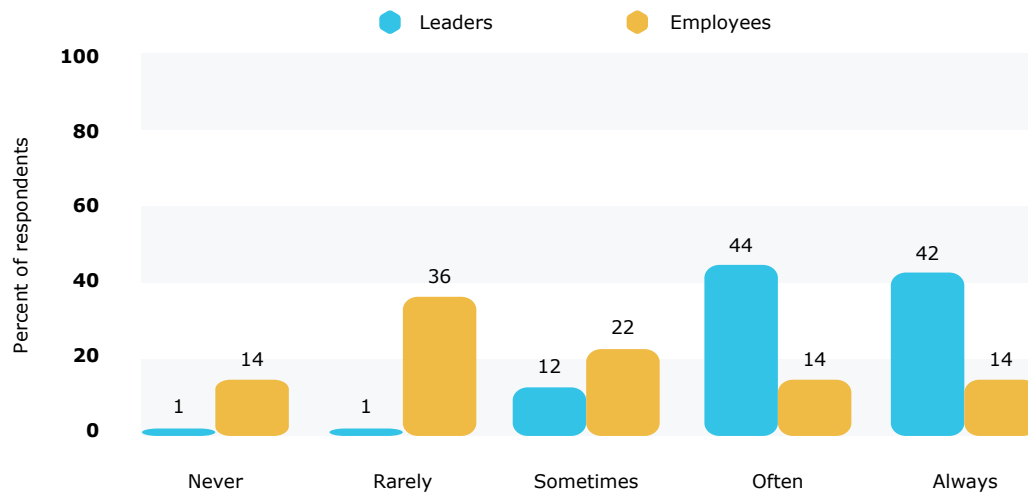
How much do employees trust leaders now versus in the past?



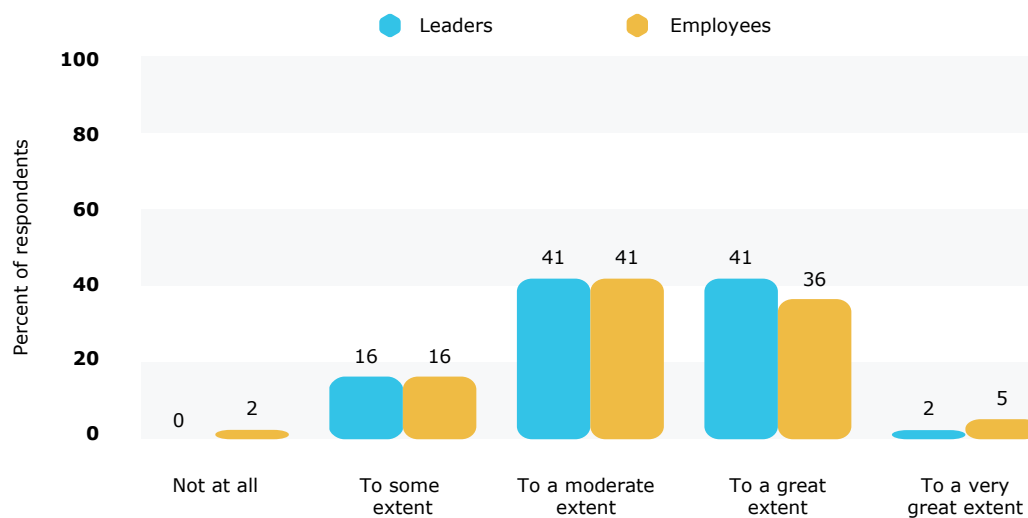
How often do leaders acknowledge their own mistakes?



When leaders in your company make mistakes, do they apologise?



How would you rate the extent of employee engagement – that is, the willingness to exert discretionary effort for the company?





About Forum

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