Why does trust matter?

Businesses live in an age of unprecedented scrutiny. Clients, customers and other stakeholder groups are increasingly demanding greater transparency and ethical behaviour from the businesses with which they interact. Reputation, the sum of past interactions with stakeholders, used to be seen as integral to the ongoing success of a business with its stakeholders. But reputations are frequently failing as a bulwark against sustained scrutiny. Many businesses are now realising that reputation alone is not enough and that something more is needed. That something is trust.

Recent surveys have highlighted an increasing lack of trust that exists in the workplace between employer and employee. However, trust is essential for an effective and high performing workforce and leadership has a key role to play in developing this in a lasting and engaging way.

There is nothing new in leadership, as human nature has not changed. What is new, is the world in which leadership operates. Relationships are built on trust, on conversations with clients and employees. The world is becoming an increasingly complex working environment and today’s leaders need to learn new skills and approaches to deal with this. Ongoing trends in the workplace, ‘megatrends’, impact every area of life and shape the environment in which the leaders of any business operate in.

In October 2014, Baker & McKenzie hosted the Trust Matters forum, bringing together senior executives from across the world to explore how organisations can build trust in order to meet the expectations of the law, their stakeholders and the communities in which they operate. At the forum, senior executives attended a roundtable to discuss how leadership and trust are intertwined. The individuals discussing this topic came from a wide range of industries but all were leaders in their respective fields. The debate took place under the ‘Chatham House rule’ and discussed the following:

- How is the world changing and how do successful organisations adapt to the megatrend storm?
- What can an organisation’s leadership do to weather the megatrends?
- What makes a good leader?
Dealing with the future – identifying the megatrends

The future is unpredictable. Organisations are grappling with the challenge of building trust, developing sustainable long term relationships and the changing face of work. All of these challenges and more are underpinned by the exponential rate of change that comes with being at the tipping point of the digital era.

Organisations are also dealing with human resource challenges. As the world becomes more globally connected, the expectations of the past no longer hold true. Employees no longer want to spend time travelling to far flung corners, employers are looking to their cost base and restricting travel, yet the need to build human, commercial relationships has never been stronger. Additionally, the environmental considerations are increasingly shaping decisions about how organisations think, act and do.

All of this takes place within the context of the emerging global ‘megatrends’. These can vary depending on an organisation’s ‘home’ market, industry and regulatory and legal environments but essentially six central megatrends have been identified;

1. Globalisation 2.0: the East coming West and the creation of a global middle-class with its own tastes, needs and wants.

2. Environmental crises: global warming, volcanoes, hurricanes and tornadoes, with resources becoming increasingly hard to obtain.

3. Demographic shift: employees are working into their 70s and 80s and are unable to retire due to the economic crisis. The world as whole is aging with one example for this being the one child policy in Japan. This in turn places more pressure on social systems; health care, and an onus on, particularly, women to look after an aging workforce.

4. Individualisation and values plurality: there is more choice than ever before. Everyone is striving for what they want, how they want it and expectations have increased. There is more choice for young people; the younger generations are now told that they are special, which leads to different expectations within the workforce.

5. Digitalisation: the average business executive now carries multiple, online, devices; we now live our lives half virtually. In the past, it was only possible to work at your desk, whereas technically now individuals can work whenever and wherever. As a leader, this makes it increasingly difficult to track what is happening, to develop trust, and manage expectations. A US study revealed that the amount of close friends that the average person has decreased from 2.3 in the 1970s, to 1.8 in present day. Whilst ‘close friendships’ have therefore decreased, social media connections are on the rise, which changes the trust dynamic and how individuals build relationships.

6. Technological convergence: neurological, cognitive, digital technologies; all are making technology easier to use and increasing dependence on connectivity.

What can leadership do to weather the storm?

Has leadership always faced these challenges? Every generation of leaders have had to face their own unique set of challenges but in an increasingly global market, these challenges are becoming more complex. So whilst current leaders are dealing with recent and ongoing technological advances, for example, the rise of the ‘always on culture’, in the recent past leaders dealt with the issue of dealing with the length of time communications used to take to get to a recipient. There are always thematic challenges for leadership but the underlying approach to building trust remains the same.

Leadership is all about ‘walking the talk’. Leaders need to ensure that they are living the values of their organisation, not just in word but in deed. Every organisation has mission statements and values but how many really mean more than a list of aspirational statements? A global media organisation had a 66 page code of conduct, but experienced a systemic failure of trust right through the organisation. The important thing is ensuring that employees at all levels of an organisation adhere to upholding their particular values in practice.
But how do leaders address this when enforcement of values is lacking? The role of leadership has not changed. What is different now is the speed of change, which makes the process more complex. Speed of communication has added to the complexity and in some way, the avoidance of accountability. Leaders need to be consistent in thought and action. Leaders are still responsible even though the traditional view of hierarchy has changed.

What makes a good leader?

No one person can have all the detailed knowledge of a global business but one thing that is essential is that they understand how the business makes money. They need to see the bigger picture and ask intelligent questions of the people that they are managing. In large organisations however, it is hard to have a depth of technical knowledge to test every employee or group.

However, do leaders need to be specialists? Recent thinking leans towards leaders as ‘thought leaders’, the people with the ideas. Leaders need to understand the organisation’s purpose and to keep reinforcing the vision and values of the company. In this way, leaders can develop and increase levels of trust internally.

Leaders also need to get the balance right between strong control and allowing employees to develop and grow in their personal lives where work and home more frequently intersect. This is made harder in global organisations that have different cultures and practices that are entrenched and hard to break down. Younger generations have a different view of their careers. Gone are the days of life long employees and leaders need to create an environment where you allow for aspiration. A greater number of women in the workforce now, rightly, want to have a career and family and not have to choose between them. Young people entering the workforce, want to have challenging and inspiring careers but maybe not non-stop and with the same organisation for 25 years or more.

Ultimately its about “Reinterpreting what leadership can be”. Having the ability to flex between thinking about the long-term for the organisation and the employees’ perspective. In building trust within the organisation, good leaders need to have the following attributes:

• They do not need to be the expert
• But they need to understand the economic engine of their organisation
• Whilst having a clear vision
• An appropriate level of control
• Whilst creating autonomy
• And not restricting others
• Giving people an ambition that suits them
• And visibly living the values
• Ultimately ‘Walking the talk’.

For more information, please visit: www.bakermckenzie.com/trustmatters

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