

**ST.GALLEN
SYMPOSIUM**



BCG

TRUST MATTERS WITHIN ORGANISATIONS

A NEXT GENERATION CALL FOR ACTION

Joint perspective from
the St. Gallen Symposium and Boston Consulting Group



March 2021

Felix Rüdiger, Daniel Kessler and Can Schnigula

TRUST MATTERS

WITHIN ORGANISATIONS

A NEXT GENERATION CALL FOR ACTION

Joint perspective from
the St. Gallen Symposium and Boston Consulting Group

March 2021

Felix Rüdiger, Daniel Kessler and Can Schnigula

Trust matters within organisations

The Covid-19 pandemic confronts organisations around the world and across sectors with enormous challenges. In an environment marked by uncertainty and complexity, trusting work relationships are indispensable for organisations in navigating the storm. During the crisis and beyond, trust within organisations boosts productivity and employee engagement,^{1,2} helps leaders and teams to focus on what is important and reduces friction. Furthermore, while an issue of cross-generational relevance, organisational trust is particularly important to the younger members of the workforce: millennials and members of Gen Z. Transparency, enablement and a culture of trust boost their loyalty and commitment, while a lack thereof can be a primary reason to leave an employer.

Therefore, building trust within organisations is not only key to withstanding current challenges, but will pay off in the future. To inspire decision makers to lead with the next generation in mind, we surveyed more than 150 young leaders³ and substantiated the findings with interviews of junior and senior leaders on the topic. All of them see a strong link between organisational trust and performance, personal satisfaction levels and the ability to focus on relevant tasks. Their perspectives also amount to a call for action: Leaders have more work to do to leverage the power of trust in their organisations, and the disruptions stemming from Covid-19 open up the opportunity for new paradigms.

To support decision makers in deliberately strengthening relationships of trust within organisations, and to lead with the next generation in mind, we have synthesised our research into a comprehensive trust model. It provides a holistic view of trust-building measures along three guiding principles: First, transparency is key. Trust increases if the organisation's goals are aligned with a coherent overall strategy and leaders communicate authentically in an honest, realistic and targeted manner. Second, enablement of the organisation with the least surveillance and control mechanisms creates ownership and fosters positive behaviours. We advise employing simple, well-reasoned principles instead of complex and rigid rules to encourage an output-oriented mindset and to consider individuals' specific situations and needs.

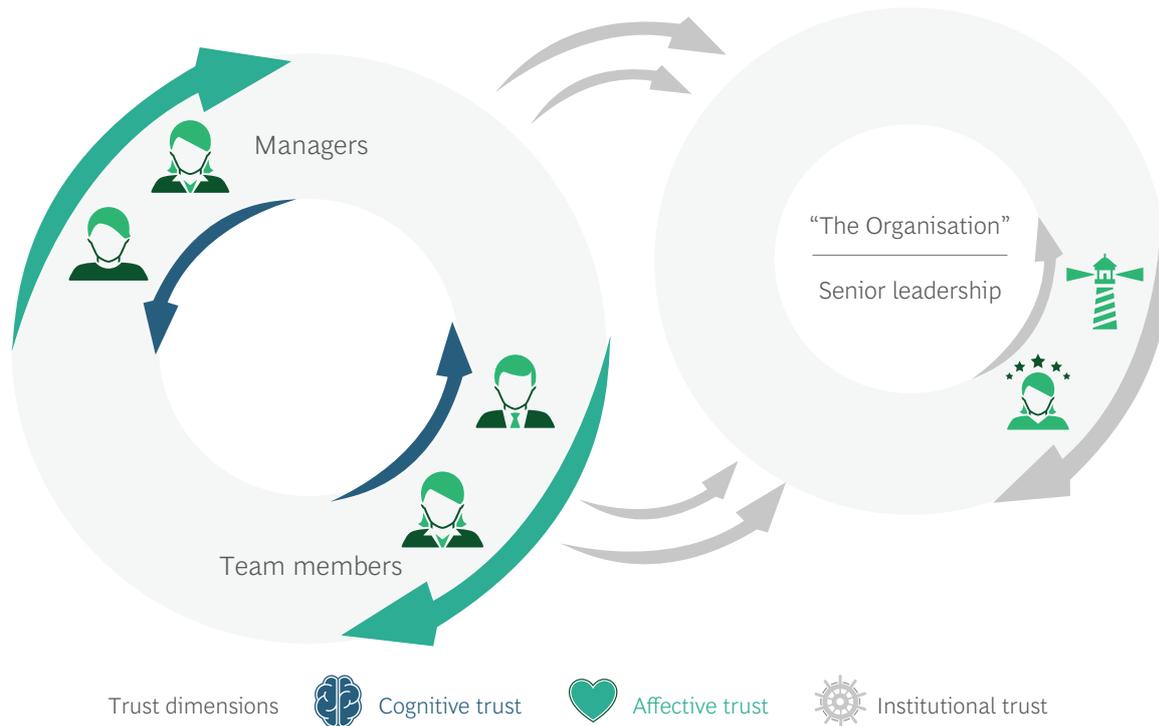
Third, leaders should promote a culture of trust. Reciprocal trust flourishes when leaders embrace their own vulnerability, trust their team members by default and orchestrate informal relations of trust.

In addition, leaders should think about building cognitive and affective trust (i.e. trust emerging out of direct relationships) in combination with institutional trust that embeds trust into the workings of the organisation. Additional research on the role of trust by BCG's Henderson Institute⁴ highlights the relevance of designing an organisation for trust as it paves the path towards competitive advantage. In light of company boundaries becoming more fluid and employees turning into partners, this requires companies to become a self-organising (eco-)system. The north star of these systems emerges out of the cooperation among autonomous agents (i.e. a far less rigid hierarchy). In that context, leaders' profiles and roles gravitate towards orchestrating such autonomous agents, whereby trust is a fundamental tool.

**“Trust within companies
is no different than trust
outside of them.
Companies are simply a
group of people that come
together to achieve a
common goal.”**

Senior executive

EXHIBIT 1 | Trust relationships within organisations



Source: St. Gallen Symposium and BCG analysis

Why trust matters, now more than ever

To trust means to rely on someone to meet their commitments and behave according to expectations or agreed-upon shared norms.⁵ Trust has a cognitive and an affective dimension that together shape someone's trustworthiness towards others.⁶ Cognitive trust is based on the rational assessment of another person's ability, benevolence and integrity. Affective trust builds on reciprocal emotional bonds and investments in personal relationships.⁷ Within organisations, both trust dimensions operate simultaneously in four main relationships: trust of team members in their managers, trust of managers in their teams, trust among peers and trust in the overall organisation with its senior management.⁸

A high level of trust in these relationships brings tremendous benefits to organisations. It can improve team members' self-reported productivity by as much as 50% and mean better performance of leaders and teams alike.⁹ Team members in trustful organisations report fewer sick days and experience less negative stress.¹⁰ Viewed from a cultural lens, trust lets people communicate more openly. Team members who perceive trust in themselves and their work are more engaged and exhibit higher organisational commitment.¹¹ Together with innovation trust is a crucial ingredient in organisational transformations. A sustainable adoption of agile working and related methodologies, for instance, requires high levels of interpersonal trust.^{12, 13}

With technology transforming workplaces and ways of working, all this will become increasingly important for the effectiveness of virtual teams and global organisations.

Trust also affects the bottom line of organisations, benefiting not only internal relationships, but also those with customers and other external stakeholders. Team members in high-trust organisations are more likely to advocate authentically for their company and products, for example.¹⁴ So, it comes as no surprise that trust also correlates with higher revenues and returns for shareholders.¹⁵

Importantly, trust is integral to recruiting and retaining talent. Particularly for the younger generation, trust is at the top of their minds, and a lack thereof can be a primary reason to leave an employer. While millennials and members of Gen Z are generally more open to new opportunities and change jobs more often than older generations, a high-trust environment can increase their loyalty significantly.¹⁶ Organisations need to be aware of such nuances and intergenerational gaps to foster an environment of mutual trust for all generations. Trust within organisations also supports an inclusive work environment, helping organisations realise the moral and business imperatives and benefits of diversity.¹⁷

EXHIBIT 2 | Identified main benefits of organisational trust



Source: St. Gallen Symposium and BCG survey 2020
 Note: n=125

For young leaders, fulfilment and satisfaction at work and better team results are key benefits of a high level of trust. Moreover, those who describe themselves as core staff highlight improved learning as an important trust outcome, while a majority of young leaders in executive positions would join or leave employers based on mutual trust within the organisation. Despite these clear benefits of organisational trust, only about two-thirds of young leaders rate the trust relationships with peers and managers as strong or very strong. Only half of them see trust between managers and in senior leadership as strong or very strong. One in seven even considers these trust relationships as rather weak or very weak.

That leaves significant room for improvement, particularly as the global Covid-19 crisis has reinforced trust as a priority for organisations.¹⁸ Particularly its positive impact on organisational resilience and effective leadership in a remote working environment are top of mind for many managers. Trust and respect are also core components of psychological safety,^{19; 20} a concept that is widely discussed in connection with the pandemic's effects on well-being. It's evident that organisational trust will play an essential role in the broader post-Covid economic recovery.²¹

Of all survey respondents, 62% believe that trust of managers in their team members has become more important.

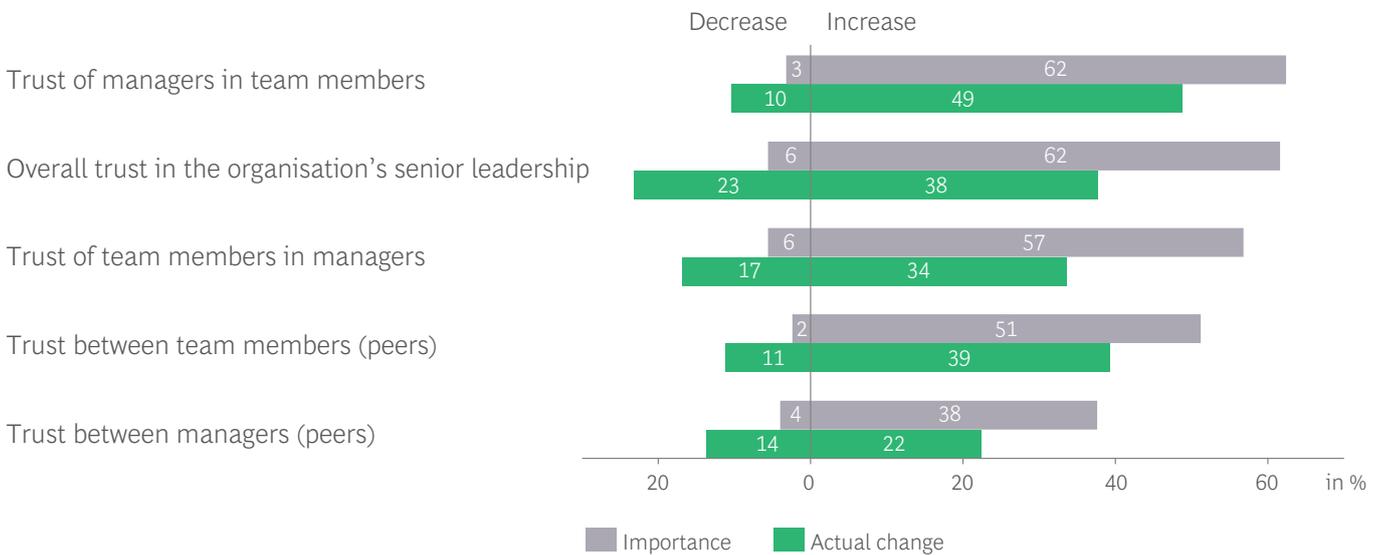
More than half of them agree with the statements that overall trust in organisations' senior leadership, team members' trust in their managers and trust between team members have increased in importance, too. We contrasted this perception of an increased importance of trust with the actual changes in trust levels in leaders' respective organisations since Covid-19. Fortunately, we observe a boost in trust levels across all relationships. Yet, two questions remain: First, how can this increased baseline of trust be preserved beyond an eventual end of the crisis? Second, what can organisations and their leaders do to go from good to great and close the still visible mismatch between reality and aspiration?

Only about a third of young leaders report an increase in trust of team members in their managers, while 57% see it as a necessity. A similar disparity becomes evident in the respondents' view on overall trust in their organisations' senior leadership. Here, 23% of respondents even observed decreasing trust levels during the crisis.

Above all, the response to Covid-19 continues to be an opportunity for organisations to improve relationships of trust and demonstrate caring, authentic and inspiring leadership with the next generation in mind. But how?

EXHIBIT 3 | Changes in trust relationships in light of the Covid-19 crisis

Since the Covid-19 crisis, how has the importance / actual level of trust in the following relationships changed in your organisation?



Source: St. Gallen Symposium and BCG survey 2020
 Note: n=125; "No change" answers not visualised

Actionable measures to strengthen trust

Based on our research, we have developed a comprehensive trust model for leaders. It structures actionable measures targeted at increasing organisational trust along three guiding principles.

1 Enhance transparency

In order to promote integrity and consequently increase trust, leaders should enhance transparency within the organisation. This is primarily achieved by effectively communicating clear goals and a vision. Transparency is valued by team members, as it gives them clarity on topics that matter to them and as it clearly states a promise to deliver on them (this includes company purpose and vision).

Be honest to others and yourself, and don't over-promise. Sometimes, leaders need to communicate hard truths, and softening them to get a more pleasant reaction can be tempting. However, that would be an unsustainable communication strategy. Instead of committing to unrealistic promises, providing context to decisions and their consequences helps people to deal with a given situation. During a crisis such as the current

one, honesty may also include bad news about a company's performance and market dynamics. People sense when things are not going as usual. So, being honest to team members about decisions impacting them and the underlying (business) reasons should be an imperative for effective leaders.

“Crises like this one are perfect for firms to show their effort in building trust. Nothing beats sticking to commitments, promises and visions with very limited resources at hand.”

Young leader

Example: M&A transactions and subsequent integration efforts are a prominent example where open communication can be uncomfortable in the beginning, but it conveys honesty, integrity and authenticity in the long run.

Know your audience and communicate in a targeted manner. Coming up with an inclusive yet targeted way of addressing one’s diverse audiences can be challenging, but it is worthwhile. As a rule of thumb, it’s advisable to think about the main recipients of a given piece of information, identify what is likely on top of their minds and then try to tailor the message to make it as relevant for the recipient as possible.

Example: Consider the example of a manufacturing company with a workforce consisting of both blue-collar and white-collar workers. When a senior HR executive interacts with such a diverse audience, she or he should acknowledge that people have different viewpoints and priorities. While some employees may be thankful for extensive background information about the overall company strategy, others may be more interested in its immediate impact on their everyday work, including safety and health in a manufacturing plant.

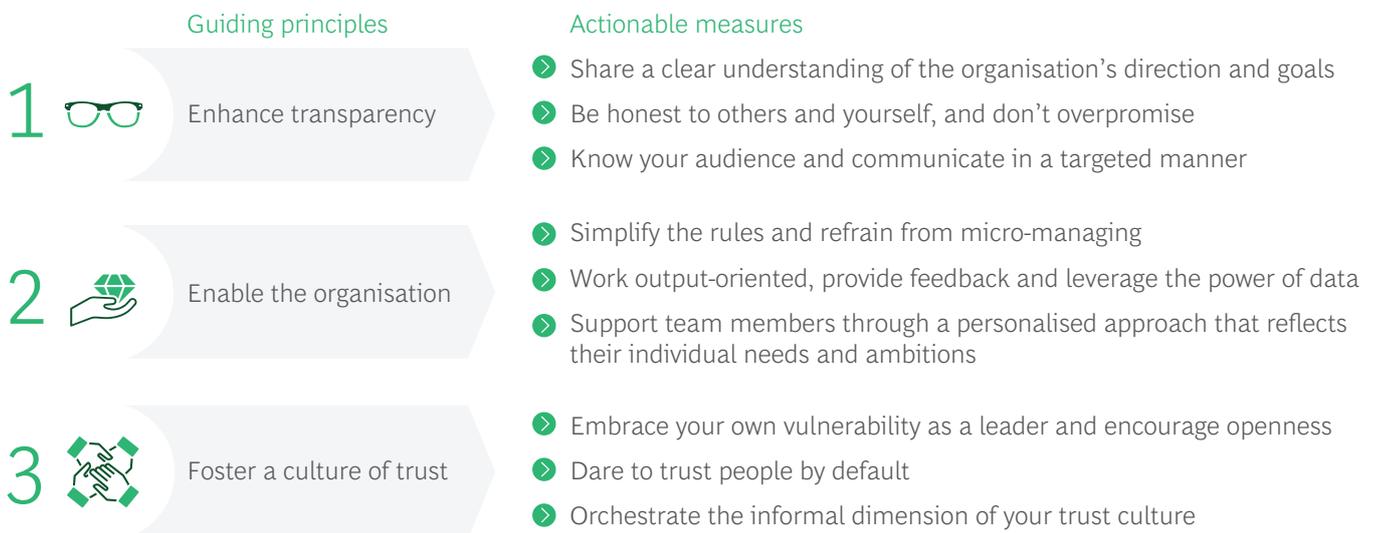
2 Enable the organisation

Leadership based on trust starts from the assumption that your team members are competent and well intentioned. The main priority is not control, but how to enable your team members to take decisions independently and use their competence and motivation in the best possible way.

“Increasing transparency, in terms of hiring, promoting and tracking outcomes, is key to building trust within the organisation.”

Young leader

EXHIBIT 4 | Three guiding principles to establish trust within organisations



Source: St. Gallen Symposium and BCG analysis

Simplify the rules and refrain from micro-managing.

There's a fine line between steering a team and contributing to a project on the one hand and micro-managing it on the other. Leadership should focus on enabling independent decision-making. Keep in mind that principles are easier to follow than policies. A code of conduct may be written by the very team members who should follow it. Instead of a vast set of detailed, bureaucratic rules, you might focus on a few thought-through principles tailored to your organisation.

Example: One example where this has worked well is a large European company's reaction to the Covid-19 social distancing requirements. Instead of coming up with a complex occupation management tool or urging everyone to work from home, this company simply communicated the basic rule that any given facility must stay below 50% workforce capacity, leaving the individual teams to decide how to implement the rule. Because the reason behind this rule was clear, teams organised themselves and frustration potential was much lower than in cases with stricter, more complex policies. In addition, this team empowerment significantly freed up time of team leaders that were occupied with intra- and inter-team resolutions beforehand as fewer challenges required an escalation.

Work output-oriented, provide feedback and leverage the power of data.

Enabling people does not mean losing touch with them and their work. Leaders need to be available when things do not go as planned and make sure their valuable experience and insights are leveraged. Overall, the organisation should be geared towards high-quality output. This requires dedicated channels for feedback, respect for people's work and a sensible incentive scheme. Regular touchpoints of team members with their leaders are required to increase trust.

Example: A fixed, weekly cadence of one-on-one meetings with all direct reports allows both sides to interact beyond the most urgent business topics and gives them the chance to provide mutual feedback. Such feedback should be based on plausible criteria and, in the case of negative feedback, accompanied by actionable recommendations. Periodic feedback, fair recognition and goal-oriented incentives provide team members guidance to grow in their role and can be greatly effective in strengthening mutual trust. Workplace analytics which protect individual privacy have great potential for supporting leaders in these efforts.

Support team members through a personalised approach that reflects their individual needs and ambitions.

Beware of cookie-cutter approaches to managing your teams. Instead, try to understand your team members' specific circumstances, needs and challenges, related to gender and family models, for instance. In the current situation, many organisations have been confronted with the issue of a sharply reduced availability of physical workspace and a need for partial remote work. Here, rigid rotation rules often do more harm than good. Even if it is not always possible on the level of the individual team member, you should try to consider individual limitations and needs.

Example: In light of Covid-19, many organisations have to limit the workforce at their offices. Instead of rigid rotation rules, some of the leaders we surveyed took the specific needs and limitations of their employees into account. This may include concerns of parents during a time when schools are closed or the specific requirements of a task at hand. While a programmer might have no problem working from home, sales and marketing teams may experience greater challenges, including a lack of personal interaction with both customers and fellow team members.

3 Foster a culture of trust

In addition to the measures that can be taken to promote integrity and leverage competence, trust is a key component of organisational culture. Mutual care among team members, emotional bonds and benevolence thrive in a culture of mutual trust. For leaders, this boils down to embracing vulnerability to promote openness, giving people an advance in terms of trust, and supporting trusting relationships that exist beyond reporting lines. When achieving this state of mutual trust in the organizations, open and constructive challenges for the benefit of each individual and the organization will become the norm.

Embrace your own vulnerability as a leader and encourage openness.

Leaders are perceived as role models. This doesn't mean that they need to be perfect. To the contrary: Showing one's own vulnerability as a leader by admitting doubt and mistakes, promotes an open work environment. Mistakes and concerns are not covered up, with potentially harmful consequences for the organisation – but voiced and discussed early on.

Example: Openly voicing doubt about the way forward or admitting as well as apologising for one's own mistakes is hardly part of the standard repertoire of leadership. Yet, instead of undermining their image among peers and team members, the leaders we interviewed who had openly communicated their own vulnerability won respect among their team and encouraged far greater openness from others as well. If team members do not speak up when things go wrong, or if no one takes responsibility for bad decisions, organisations tend to fail quicker and harder.

Dare to trust by default. Trust is reciprocal, and how much you trust someone influences how much they trust you. Considering the capabilities, experience and knowledge present in an organisation, you are well advised to give your team members the benefit of the doubt. This creates a win-win situation: Teams feel empowered, and the organisation saves resources on monitoring and control. Try to thoroughly assess someone's trustworthiness and alignment with the organisation's values right at the beginning of their affiliation with the organisation.

If you deem the person trustworthy, appreciate the fact that you can trust her or him and express this in all subsequent interactions. Only if there is clear reason to believe that the relationship of trust has been violated, this default trust should be withdrawn. If leaders across the organisation, including senior leadership, lead and act along this convention, trust no longer remains something only compliance officers need to worry about, but a positive force that holds the entire organisation together.

Example: A large company kept its focus on individual freedom and responsibility throughout extreme growth phases and beyond going public. In accordance with the principle of keeping rules simple, this organisation got rid of elaborate vacation and expense policies. Instead, managers simply asked their employees to act in the best interest of the company. Despite this advance in trust, employees typically don't misuse their freedom. Rather, the company saves large sums every year which they would have otherwise spent on monitoring and compliance. For such a measure to have the intended effect, it's crucial that leaders act as role models, set an example and communicate the necessary context. Otherwise, team members might incorrectly interpret implicit messages into the new flexibility.

Orchestrate the informal dimension of your trust culture. While trust can flow from organisational structures, processes and routines, its informal dimension – mostly unique to every organisation – is equally important. There is no recipe for success on how to cultivate these interpersonal relationships of trust that emerge over time, but it is helpful for you as a leader to make yourself aware of their existence and importance. Facilitating informal exchanges among peers and across seniority levels provides insights that would be lost in any formal process. Senior leaders often actively empower informal trust leaders and leverage their ability to feel the pulse of the organisation. Try to orchestrate these multipliers of trust to the best of your ability and appreciate the contribution they make to a healthy organisational culture.

“We have various places that people go to when they have problems – not necessarily HR, but rather those colleagues who are the most trusted.”

Senior executive

Moving towards high-trust organisations

The Covid-19 crisis and its consequences for organisations around the world have re-emphasised the imperative of nurturing trust within organisations. Leaders ought to seize the window of opportunity the pandemic has created and double down on building and maintaining trust.

Most importantly, organisations that get trust right will gain a competitive edge in the ongoing war for talent. Based on the insights and success stories from young leaders and senior executives, we have extracted a set of guiding principles with hands-on measures that foster trust: lead honestly and transparently, enable your people to work independently and embrace an authentic trust culture. These aspirations are meant to guide you towards achieving higher productivity levels, winning and retaining talent more effectively and increasing resilience. Effectively managing trust will also be pivotal for the economic and societal rebound from Covid-19 and help in setting up any organisation for long-term success.

“It's really simple – be good people. Hiring genuine people rather than overconfident loudmouths is the best step to take”

Young leader

About the Authors



Felix Rüdiger is Head of Content and Research at the St. Gallen Symposium. You may contact him by email at felix.ruediger@symposium.org



Daniel Kessler is a Managing Director and Senior Partner at Boston Consulting Group and leads BCG in Switzerland. You may contact him by email at kessler.daniel@bcg.com



Can Schnigula is a Principal at the Zurich office of Boston Consulting Group. You may contact him by email at schnigula.can@bcg.com

1. Dirks, K. T. & Ferrin, D. L. (2002). Trust in leadership: Meta-analytic findings and implications for research and practice. *Journal of Applied Psychology*, 87(4), 611-628. <https://doi.org/10.1037/0021-9010.87.4.611>
2. Hickman, B. A. (2020, 5. November). How to Build Trust With Remote Employees. Gallup.com. <https://www.gallup.com/workplace/236222/build-trust-remote-employees.aspx>
3. The survey was targeted at the St. Gallen Symposium's "Leaders of Tomorrow" community, a carefully selected community of promising young talent. Each year, 200 carefully selected young academics, students, policy makers, entrepreneurs and professionals participate in the cross-generational debate at the St. Gallen Symposium as "Leaders of Tomorrow". This survey focused on Leaders of Tomorrow 35 years old or younger.
4. Aguiar, M., Pidun, U., Lacanna, S., Knust, N. & Candelon, F. (2021; 10 February). Building Trust in Business Ecosystems. Boston Consulting Group
5. Candelon, F., Aguiar, M., Hsu, J. T., Lee, K. J., Meyer, M., Lacanna, S. & Bondt, M. (2020, 22 July). The Role of Trust in the Covid-19 Economic Recovery: Lessons from Asia. Boston Consulting Group. <https://www.bcg.com/publications/2020/lessons-from-asia-economic-recovery-post-covid-19>
6. Mayer, R., Davis, J., & Schoorman, F. (1995). An Integrative Model of Organizational Trust. *The Academy of Management Review*, 20(3), 709-734.
7. McAllister, D. (1995). Affect- and Cognition-Based Trust as Foundations for Interpersonal Cooperation in Organizations. *The Academy of Management Journal*, 38(1), 24-59.
8. Costigan, R., Iyer, S., & Berman, J. (1998). A Multi-Dimensional Study of Trust in Organizations. *Journal of Managerial Issues*, 10(3), 303-317.
9. Zak, P. J. (2019, 27. November). The Neuroscience of Trust. *Harvard Business Review*. <https://hbr.org/2017/01/the-neuroscience-of-trust>
10. De Jong, B. A., Dirks, K. T. & Gillespie, N. (2016). Trust and team performance: A meta-analysis of main effects, moderators, and covariates. *Journal of Applied Psychology*, 101(8), 1134–1150. <https://doi.org/10.1037/apl0000110>
11. Cuddy, A.J.C.; Kohut, M. & Neffinger, J. (2013, July/August). Connect, Then Lead. *Harvard Business Review*. <https://hbr.org/2013/07/connect-then-lead>
12. Petrén, M. G. (2012). Trust – the key for successful delivery using agile methods. Paper presented at PMI® Global Congress 2012 – EMEA, Marsailles, France. Newtown Square, PA: Project Management Institute.
13. Lencioni, P. (2002). *The five dysfunctions of a team: A leadership fable*. San Francisco, CA: Jossey-Bass, A Wiley Imprint. <https://doi.org/10.1108/k.2011.06740aae.002>
14. 2016 Edelman Trust Barometer. (2016, 16 January). Edelman. <https://www.edelman.com/research/2016-edelman-trust-barometer>
15. Covey, S. M. R., Conant, D. R. (2016, 18 July). The Connection Between Employee Trust and Financial Performance. *Harvard Business Review*. <https://hbr.org/2016/07/the-connection-between-employee-trust-and-financial-performance>
16. Charles Thompson & Jane Brodie Gregory (2012) *Managing Millennials: A Framework for Improving Attraction, Motivation, and Retention*, *The Psychologist-Manager Journal*, 15(4), 237-246.
17. Lesser, R., Reeves, M., Whitaker, K. & Hutchinson, R. (2020, 5 August). A Leadership Agenda for the Next Decade. Boston Consulting Group. <https://www.bcg.com/en-ch/publications/2018/winning-the-20s-leadership-agenda-for-next-decade>
18. Lesser, R. & Reeves, M. (2020, 10 November). Leading Out of Adversity. Boston Consulting Group. <https://www.bcg.com/publications/2020/business-resilience-lessons-covid-19>
19. Edmondson, A. C. & Lei, Z. (2014). Psychological Safety: The History, Renaissance, and Future of an Interpersonal Construct. *Annual Review of Organizational Psychology and Organizational Behavior*, 1(1), 23-43. <https://doi.org/10.1146/annurev-orgpsych-031413-091305>
20. Edmondson, A. C. (2018). *The Fearless Organization: Creating Psychological Safety in the Workplace for Learning, Innovation, and Growth*. Wiley.
21. Bersin, J. (2020, 27 May). Resetting Employee Trust in a Post-Covid World. *Forbes*. <https://www.forbes.com/sites/joshbersin/2020/05/27/resetting-employee-trust-in-a-post-covid-world/?sh=16076bdf149e>



Acknowledgements

The research described in this publication was conducted in the context of the partnership between the St. Gallen Symposium and Boston Consulting Group.

The authors would like to thank Gunnar Hauptmann, Frauke Kops, Josephine Kniffka, Jan Riehemann, Armin Salihovic, Tillman Hofrichter, Orsolya Kovács-Ondrejko, Marcos Aguiar and Santino Lacanna for their contributions to the research and analyses, as well as the young leaders and senior executives who shared their valuable experience with us through our survey and interviews.

