YPO

Stakeholder Trust:
A New Frontier In Business Leadership

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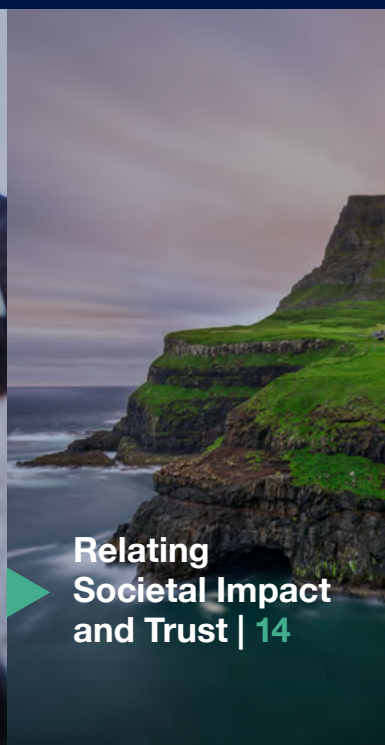
This YPO Global Pulse Report explores:

▸ Chief executives' perspectives on the importance and challenge of stakeholder trust

▸ The actions chief executives are taking to build employee trust within their organizations

▸ Chief executives' views on the role of societal impact in building trust with stakeholders

▸ Actionable insights for chief executives to move ahead

▶ Introduction

Business leadership is facing a new frontier. Chief executives are under pressure to demonstrate transparency and trustworthiness to a wide range of stakeholders. Forward-thinking business leaders are moving away from the traditional, command-and-control style of leadership toward a new, people-centered approach. Gaining stakeholders' trust has become a central priority.

Although chief executives today recognize the importance of stakeholder trust for business success, they also report building and maintaining trust is no easy task. Competing priorities, lack of time, and lack of alignment within senior leadership threaten the effectiveness of trust-building efforts. And although chief executives are personally working hard to build and maintain employee trust, only one-third report that their businesses have defined specific plans and processes to build and maintain that trust.

The chief executive of the future will define, measure, and scale trust, within and outside of their organization, with determination and enthusiasm.
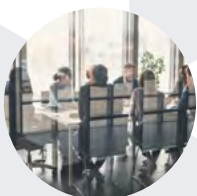
2,960
CHIEF EXECUTIVES

115
COUNTRIES

38
INDUSTRY SECTORS

▶ Key Findings

Nearly all (96%) chief executives rate building and maintaining trust with stakeholders a high priority, with nearly half (42%) saying the importance they place on building trust with stakeholders has increased in the past five years.

Chief executives report communication and transparency as the most important actions they take to build trust with employees.

Though leaders are generally renowned planners for matters of importance, just one-third (34%) have defined specific plans for building employee trust within their organizations.

Ninety-seven percent of chief executives are taking action to address societal issues that concern them, demonstrating movement from talk to action.

Chief executives of large organizations are the most likely to agree that addressing societal concerns builds employee and public trust in their business.
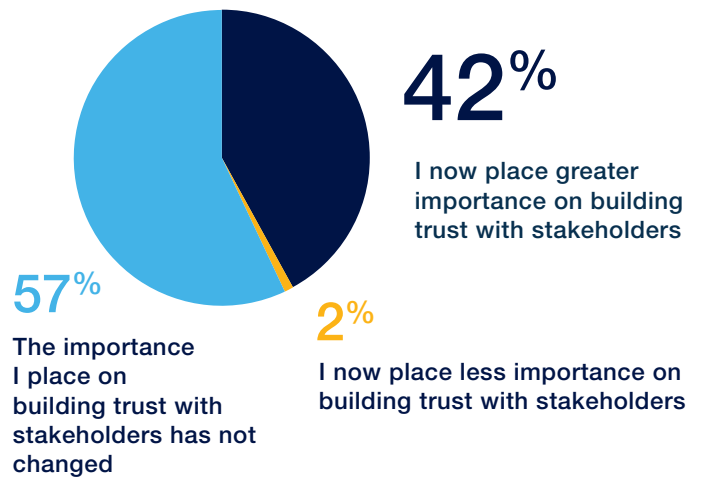
▶ Striving Toward Stakeholder Trust

What are chief executives' perspectives on the importance and challenge of gaining stakeholders' trust?

Today's chief executives recognize the importance of stakeholder trust

96%
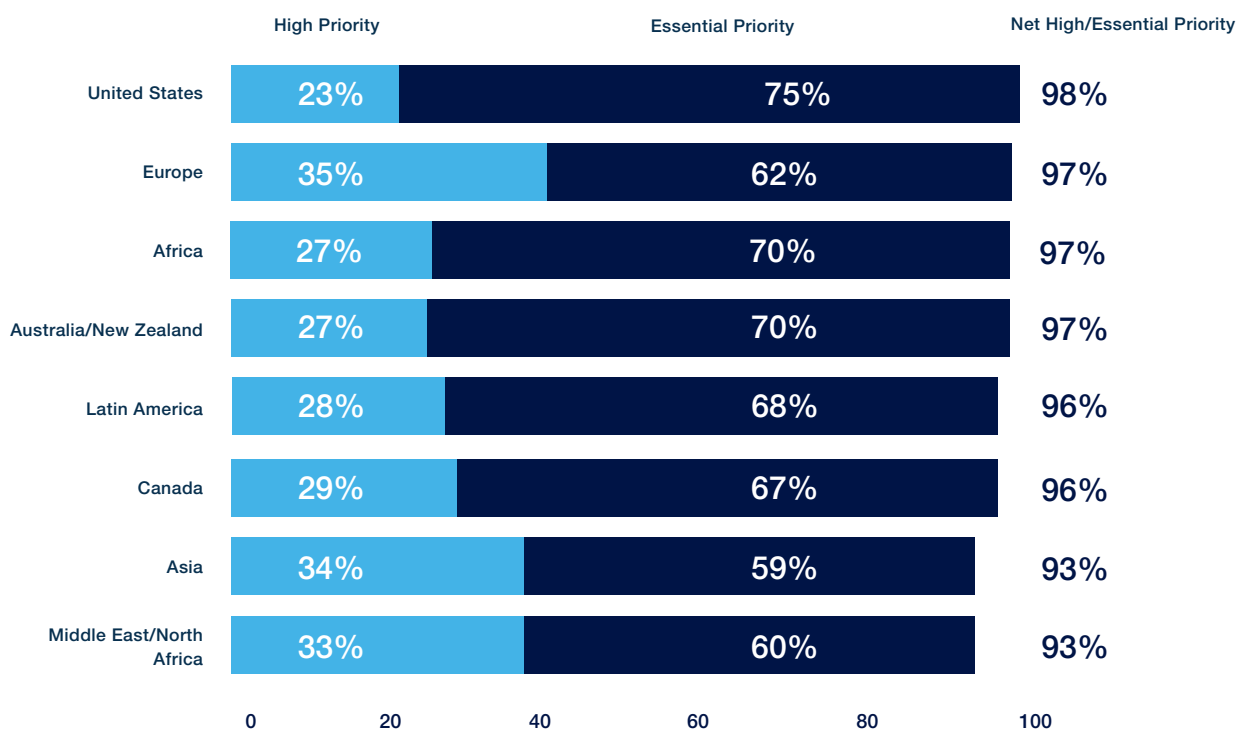of CEOs rate stakeholder trust as a high or essential priority

Nearly all chief executives rate building and maintaining trust with stakeholders as a high or essential priority, compared to their other business priorities.

42%
I now place greater importance on building trust with stakeholders

57%
The importance I place on building trust with stakeholders has not changed

2%
I now place less importance on building trust with stakeholders

Fourty-two percent of chief executives say they've increased the importance they place on building and maintaining trust with stakeholders in the past five years, supporting the notion that business leadership is experiencing a paradigm shift.

Across the globe, stakeholder trust is a top priority for chief executives

% of chief executives who say, compared to their other business priorities, building/ maintaining trust with stakeholders is a high or essential priority:

	High Priority	Essential Priority	Net High/Essential Priority
United States	23%	75%	98%
Europe	35%	62%	97%
Africa	27%	70%	97%
Australia/New Zealand	27%	70%	97%
Latin America	28%	68%	96%
Canada	29%	67%	96%
Asia	34%	59%	93%
Middle East/North Africa	33%	60%	93%

0   20   40   60   80   100

Chief executives are feeling pressure to engage in trust-building actions with stakeholders
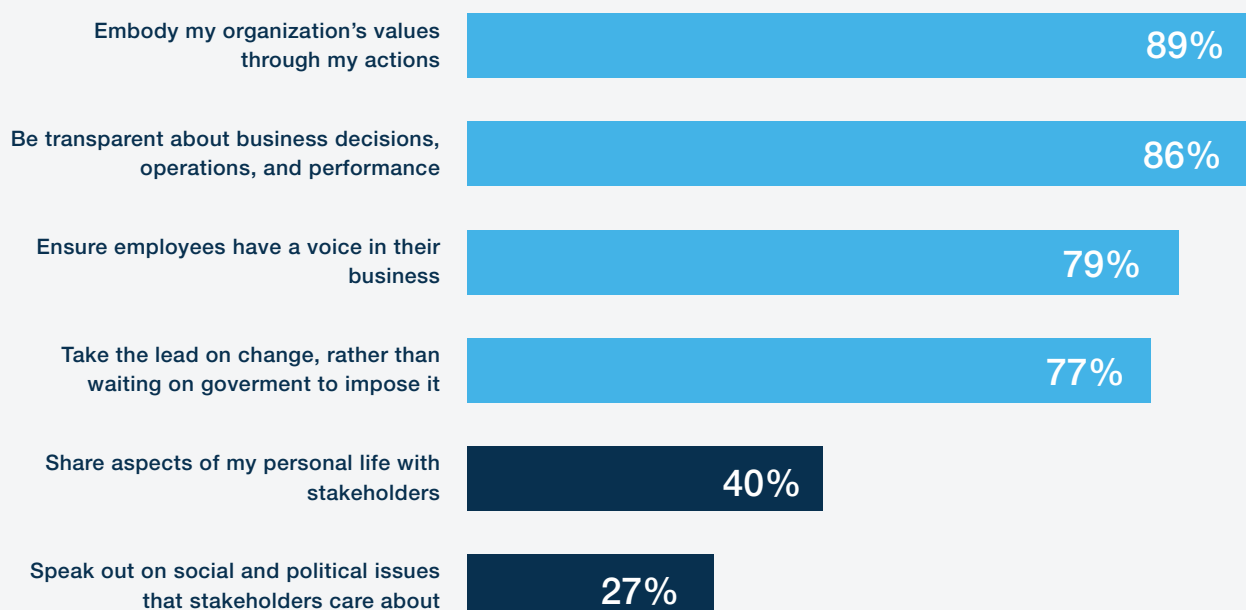

Chief executives are feeling the pressure to embody their organizations' values, demonstrate transparency, ensure employees have a voice, and take the lead on change.

However, most chief executives are not feeling pressure to share aspects of their personal life with stakeholders or speak out on social and political issues.

Still, chief executives should consider sharing their personal values and story with employees and the public. According to *Edelman's Trust Barometer CEO Report (2019)[1]*, most people say knowing a CEO's personal success story and values is important to building trust.

Chief executives are under pressure to meet stakeholders' expectations

% of chief executives who agree or strongly agree that, as business leaders today, they are under pressure to...

Embody my organization's values through my actions	89%
Be transparent about business decisions, operations, and performance	86%
Ensure employees have a voice in their business	79%
Take the lead on change, rather than waiting on goverment to impose it	77%
Share aspects of my personal life with stakeholders	40%
Speak out on social and political issues that stakeholders care about	27%

Building trust with stakeholders is important but not easy

Although chief executives rate trust with stakeholders as a high priority, they also report that building this trust is not easy. Across nearly all stakeholder groups, less than half of chief executives say it is easy or somewhat easy to build trust.

Fifty-eight percent of chief executives say that it is easy or somewhat easy to build trust with their senior leaders, whereas only 40% find it easy or somewhat easy to build trust with employees.
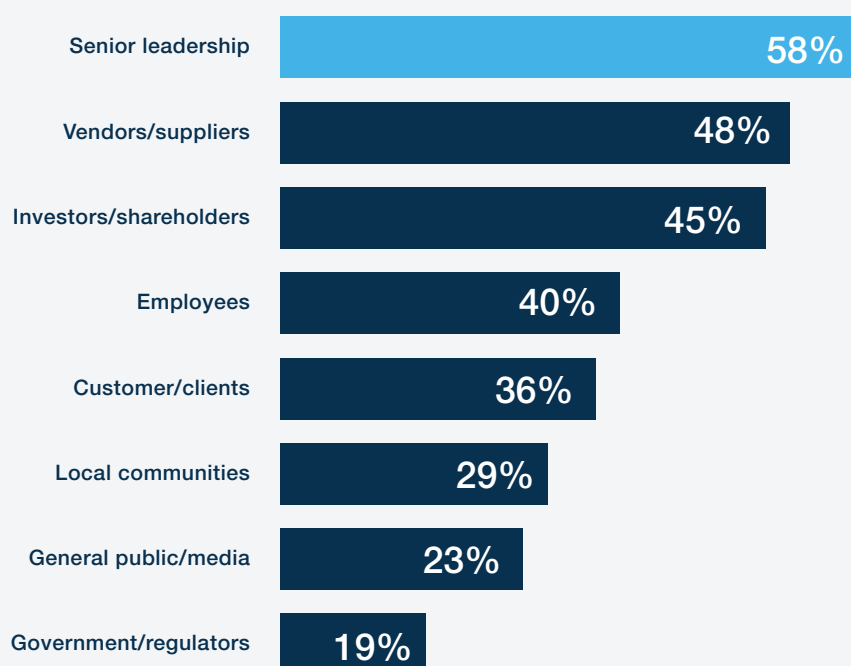
In fact, chief executives find it easier to build trust with their vendors (48%) and investors[1] (45%) than employees (40%) and customers (36%).

The most difficult groups for chief executive to build trust with are societal stakeholders – local communities (29%), government (19%), and the general public (23%).

Chief executives report building trust with stakeholders is no easy task

% of chief executives who rate building trust with each of the following stakeholders as easy or somewhat easy:

Stakeholder	%
Senior leadership	58%
Vendors/suppliers	48%
Investors/shareholders	45%
Employees	40%
Customer/clients	36%
Local communities	29%
General public/media	23%
Government/regulators	19%

Note: "N/A" responses not included in analysis.

[1]The majority of chief executives surveyed lead private businesses. See survey demographics at the end of report for more information.

Activating Employee Trust

Trust starts at home. When organizations build trust with employees, the effect ripples outward as employees become ambassadors for their organizations. What actions are chief executives taking to build employee trust within their organizations?
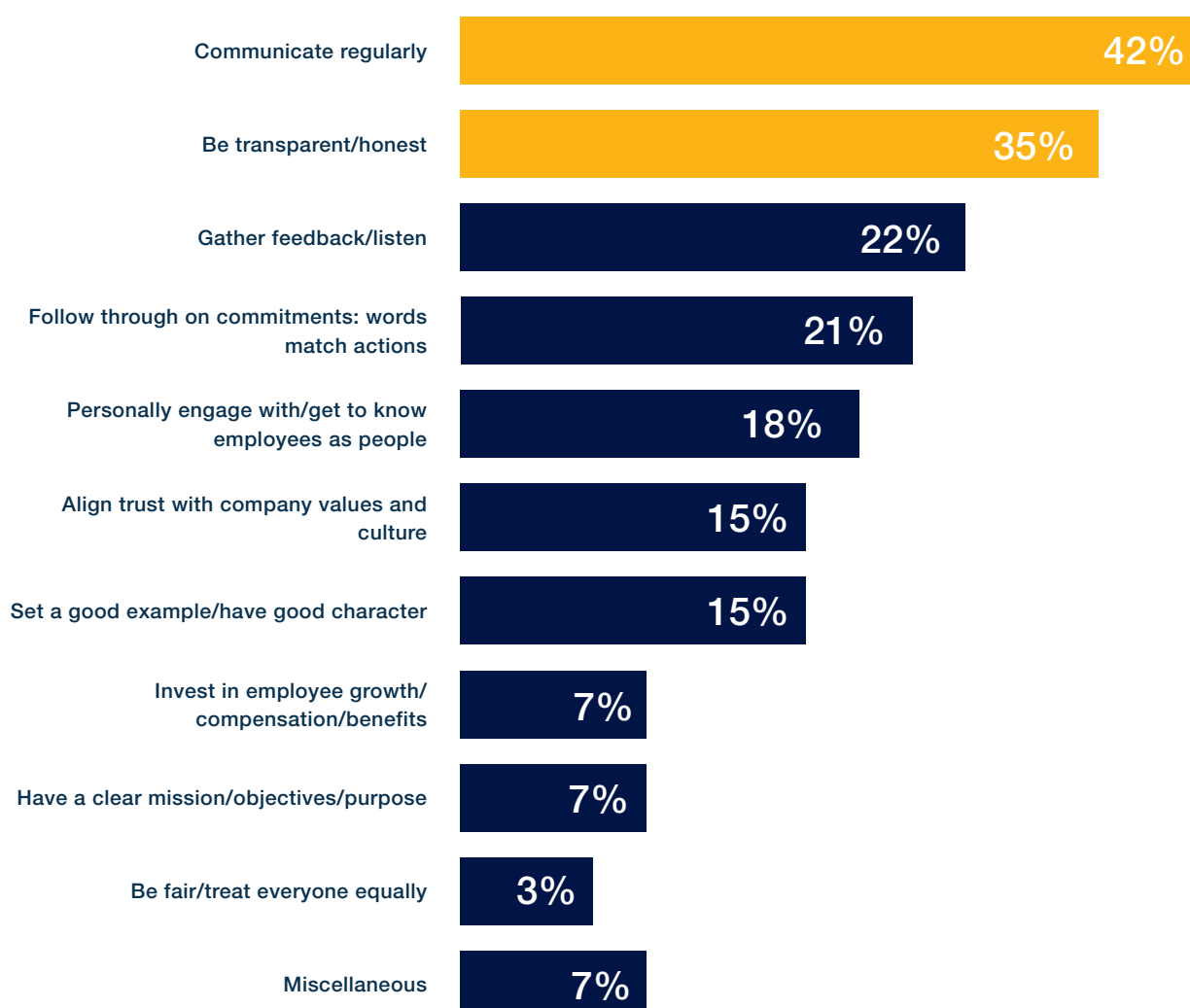
Chief executives report communication and transparency as most important actions they take to build employee trust

Regular communication and transparency are the top themes to emerge from chief executives' open-ended responses on how they build trust. Chief executives recognize the trust-building effects of sharing information openly and frequently.

According to the *2019 Edelman Trust Barometer (p. 29-31)[2],* having a clear company purpose and investing in employee growth are also key drivers of employee trust. These themes came up less often in the current survey, potentially representing an opportunity for greater focus for chief executives.

What are the most important actions you take to build/maintain employee trust within your business?
(Themes from 2,016 open-ended chief executive responses)

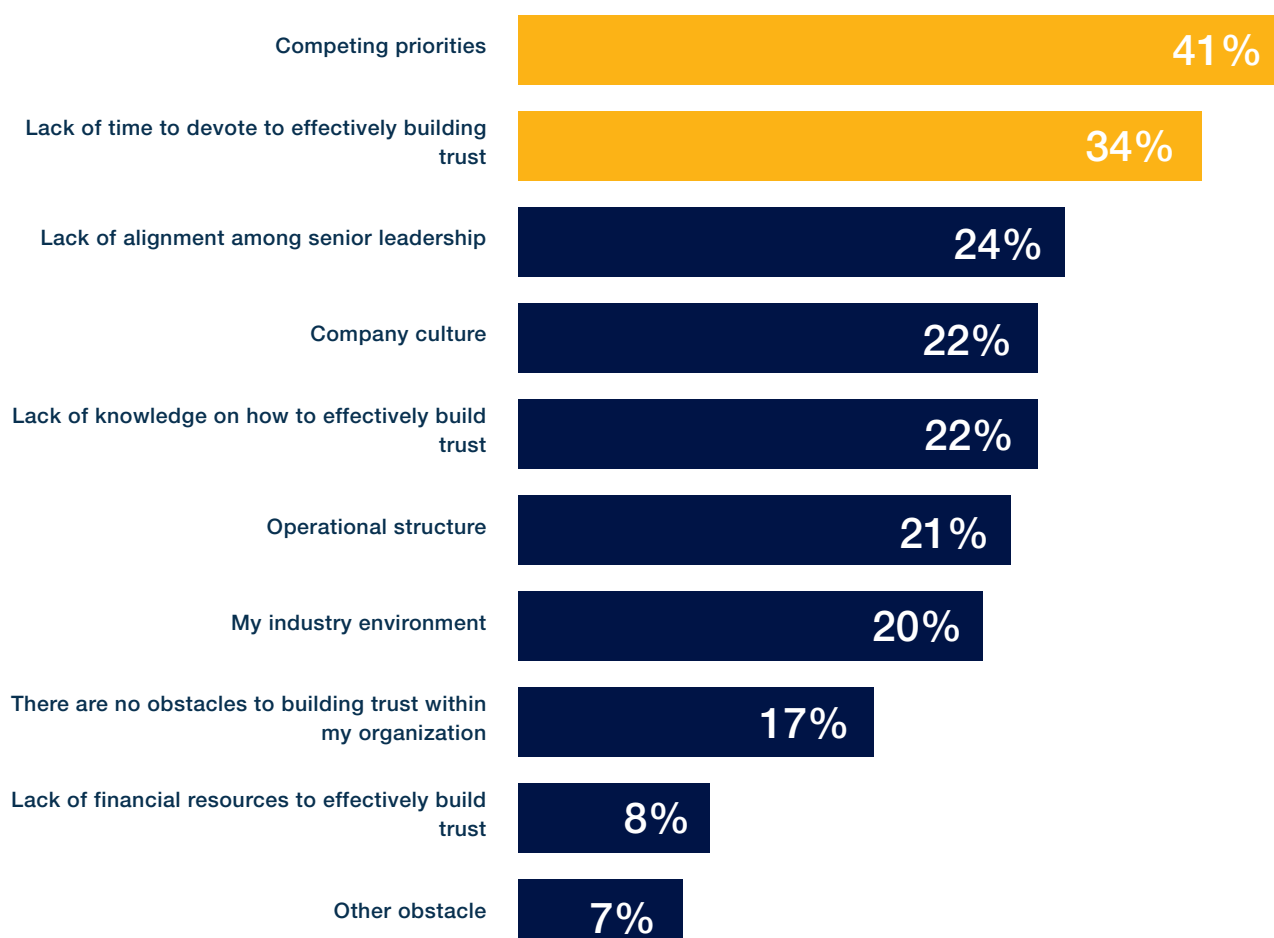| Theme	Percentage
Communicate regularly	42%
Be transparent/honest	35%
Gather feedback/listen	22%
Follow through on commitments: words match actions	21%
Personally engage with/get to know employees as people	18%
Align trust with company values and culture	15%
Set a good example/have good character	15%
Invest in employee growth/compensation/benefits	7%
Have a clear mission/objectives/purpose	7%
Be fair/treat everyone equally	3%
Miscellaneous	7%

Competing priorities and lack of time are chief executives' biggest obstacles to building employee trust

Although chief executives view trust as a top priority, the majority say building trust with employees is not easy. What obstacles are getting in their way?

Competing priorities and lack of time are the biggest obstacles chief executives are facing. In short, chief executives face many demands, and time is a scarce resource.

Among chief executives who selected "other obstacle," communication challenges were a common theme. So, although chief executives recognize the importance of communication, effective communication is difficult to achieve.

What are the biggest obstacles to successfully building or maintaining employee trust within your business? Please select up to three choices.

Obstacle	Percentage
Competing priorities	41%
Lack of time to devote to effectively building trust	34%
Lack of alignment among senior leadership	24%
Company culture	22%
Lack of knowledge on how to effectively build trust	22%
Operational structure	21%
My industry environment	20%
There are no obstacles to building trust within my organization	17%
Lack of financial resources to effectively build trust	8%
Other obstacle	7%

# Most businesses have not defined specific plans for building employee trust

Another challenge that may be making employee trust difficult to achieve is a lack of planning and measurement. Although 95% of chief executives report that they actively work to build employee trust within their business, only one-third of chief executives report that their business has defined specific plans and processes for building/maintaining employee trust.

Do you actively work to build/maintain employee trust within your business? Select the choice that best applies.

6% No

34%
Yes, I actively work to build/maintain employee trust within my business, and **my business has defined specific plans/processes for building/maintaining employee trust**

61%
Yes, I actively work to build/maintain employee trust within my business
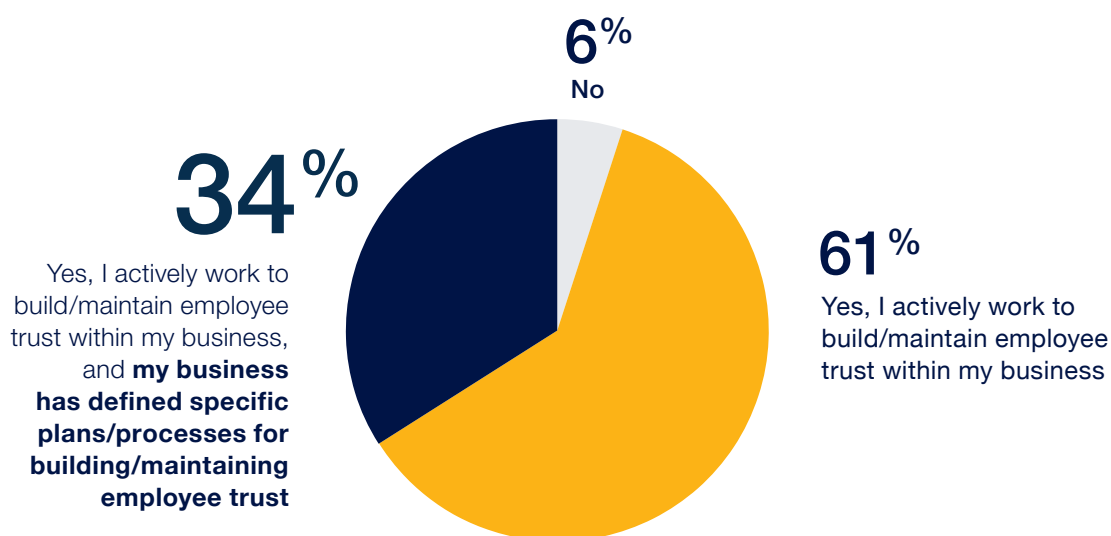
Have you measured employee trust within your business?

When it comes to measuring employee trust, just 37% of chief executives report doing so. However, most chief executives who have not measured employee trust say that they are interested in doing so.

20% No

43%
No, but I am interested in doing so

37% Yes
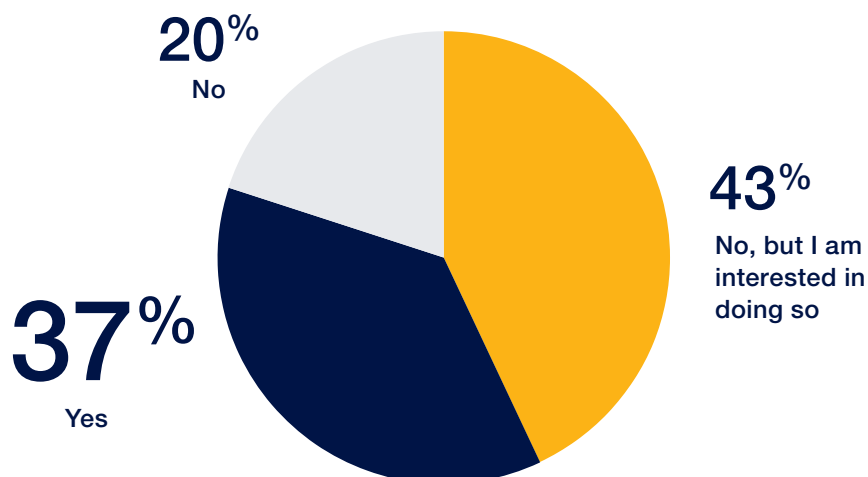
Chief executives of businesses with defined plans for employee trust report greater effectiveness of trust-building efforts

Creating a plan for scaling employee trust across the business matters because chief executives cannot build a culture of trust alone. Chief executives who report their business has defined specific plans/processes for building employee trust report greater effectiveness of their trust-building efforts.

In addition, according to *Gallup News* research[3], 70% of the variance in employee engagement can be explained by the relationship between the employee and their direct manager. Empowering managers to build high trust relationships with their direct reports is critical to building employee trust.

% of chief executives who say their efforts to build employee trust have been very or extremely effective:

I actively work to build employee trust, and my business has defined specific plans/processes for building employee trust
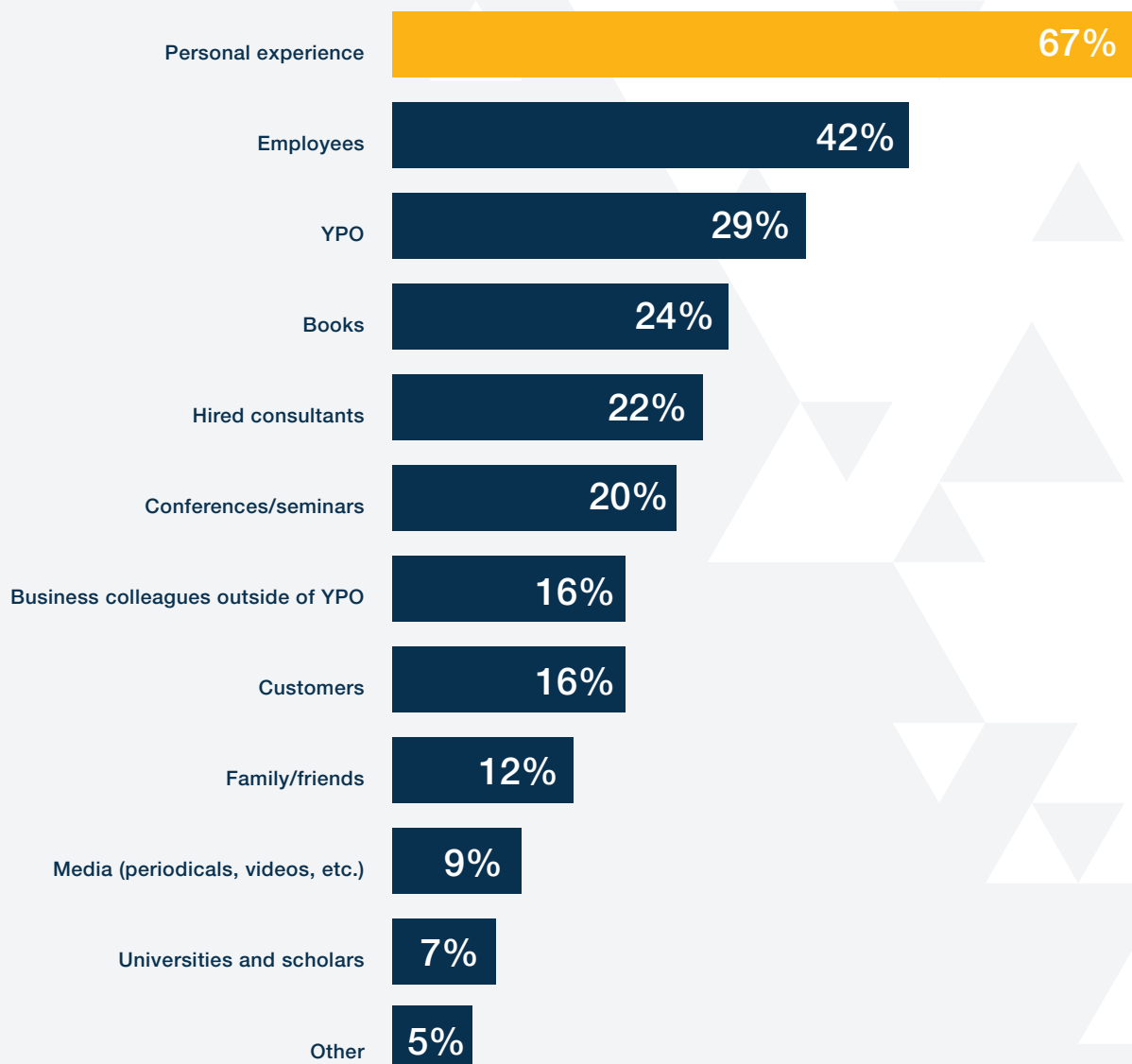
77%

I actively work to build employee trust

56%

Personal experience and employees are top sources of information chief executives use to learn how to build employee trust

Personal experience is the most common source of information chief executives use to learn how to build employee trust, followed by employees and YPO.

Although personal experience is a valuable source of information, research indicates that all people, including leaders, can have blind spots in how to build trust effectively *(The Trust Project, Northwestern University).*[4] Chief executives should regularly seek outside resources to expand and stimulate their thinking on trust.

What are the top sources of information that you've used in your efforts to learn how to build/ maintain employee trust within your business? Please select up to three sources.

Source	Percentage
Personal experience	67%
Employees	42%
YPO	29%
Books	24%
Hired consultants	22%
Conferences/seminars	20%
Business colleagues outside of YPO	16%
Customers	16%
Family/friends	12%
Media (periodicals, videos, etc.)	9%
Universities and scholars	7%
Other	5%

▶ The Relationship Between Positive Societal Impact And Trust

In YPO's 2019 Global Leadership Survey, 93% of chief executives agreed that the purpose of business is to have an impact on society, beyond pursuing profits and wealth. Later in 2019, the Business Roundtable – an association of CEOs of America's largest companies – released a statement declaring that the purpose of a corporation is to serve all stakeholders, not just shareholders.

To serve all stakeholders and gain society's trust, businesses must ensure that the actions they take have society's interests at heart.

Do chief executives see a relationship between acting on societal issues and building stakeholder trust? What actions are they taking to address societal concerns? The current survey shows that company size plays a key role in chief executives' views and actions related to societal impact and trust.

Most chief executives agree their business can have a positive societal impact without sacrificing profits

71%

agree

"My business can take specific actions that both increase profits and improve economic and social conditions in the communities where it operates."

Fewer chief executives agree that acting on societal issues improves employee or public trust in their organizations

56%
agree

"Taking action on societal issues positively impacts employee trust in my organization."

57%
agree

"Taking action on societal issues positively impacts public trust in my organization."
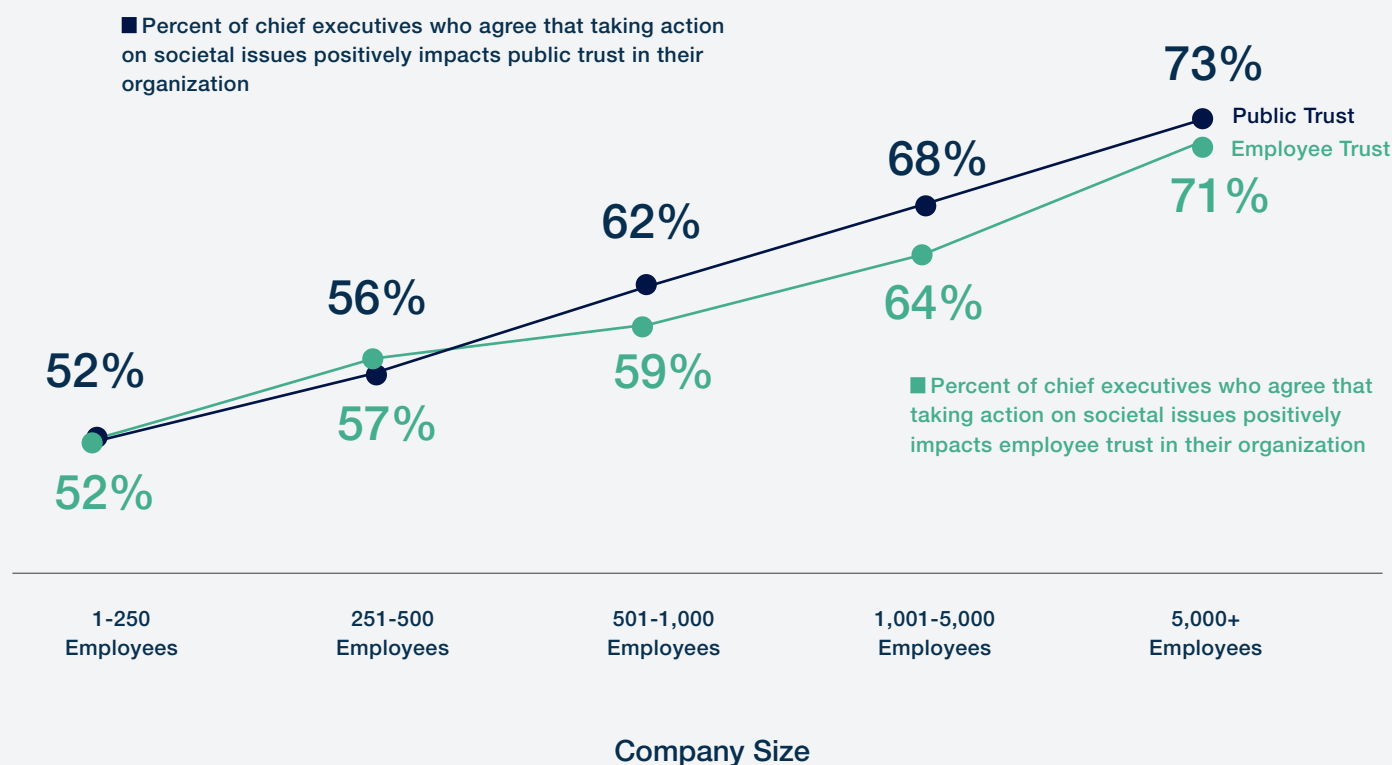
Chief executives of large companies are more likely to recognize the trust-building effect of acting on societal issues

Chief executives of larger organizations are more likely to view positive societal impact as a means through which to build trust with their employees and the public. Chief executives of smaller organizations are significantly less likely to see this link.

Although chief executives of large organizations may face greater expectations from stakeholders around societal impact, all companies can benefit from communicating their business's contributions to society with employees. According to the *2019 Edelman Trust Barometer (p. 28)*[2], employees expect their work to have a meaningful societal impact, and societal impact is the most effective communication topic for increasing employee trust.

At companies of all sizes, chief executives have an opportunity to capitalize on the trust-building effect of communicating their business's greater purpose and societal contributions with employees.

■ Percent of chief executives who agree that taking action on societal issues positively impacts public trust in their organization

73%
Public Trust
Employee Trust
71%

68%

62%

64%

56%

59%

■ Percent of chief executives who agree that taking action on societal issues positively impacts employee trust in their organization

52%

57%

52%

| 1-250 Employees | 251-500 Employees | 501-1,000 Employees | 1,001-5,000 Employees | 5,000+ Employees |

Company Size

Nearly all chief executives are taking action to address societal issues

Regardless of whether they agree that it builds trust, nearly all chief executives (97%) are taking at least one action to address the societal issues that most concern them. Most chief executives are taking more than one action, with the average chief executive engaging in four of the actions listed in the chart below.
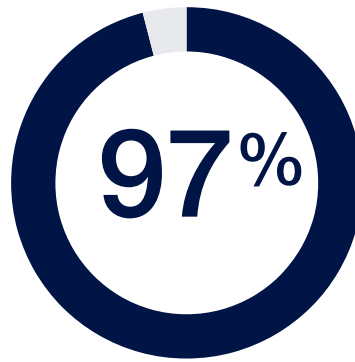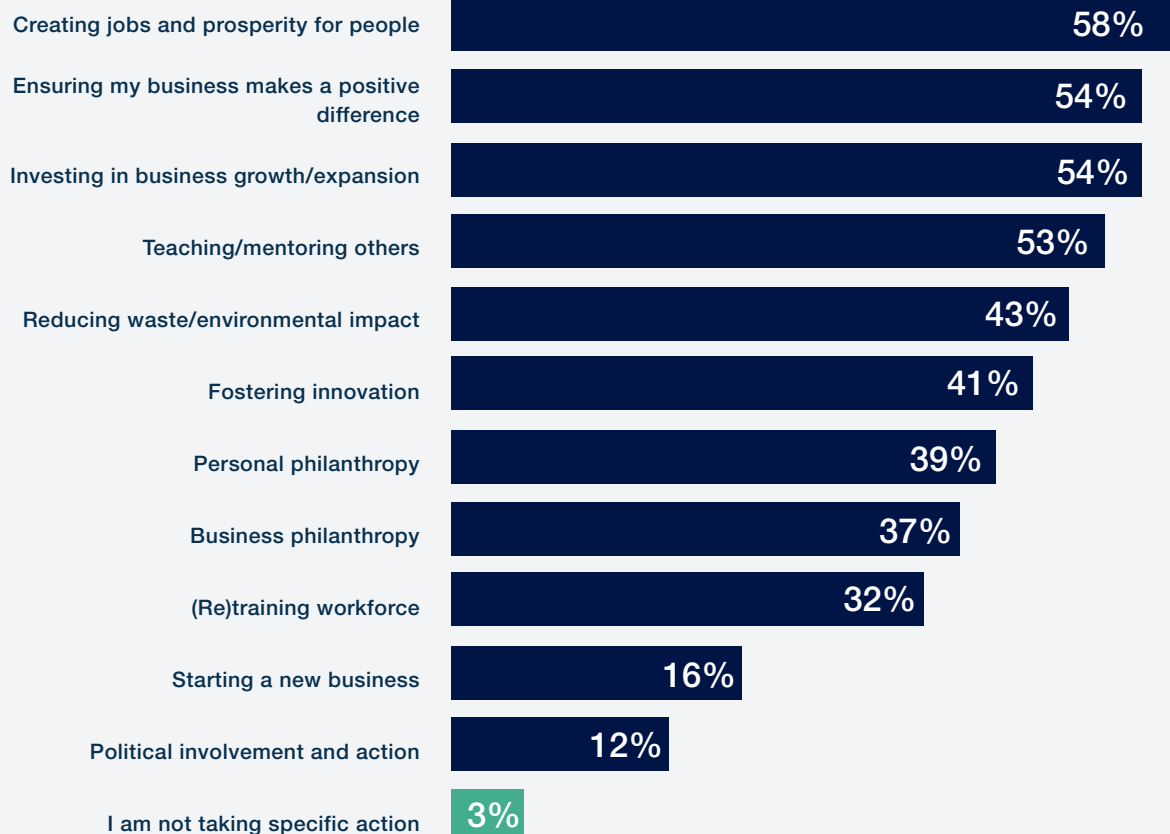
97% of chief executives report taking at least one action to address societal concerns

4 Average number of actions chief executives are taking to address societal concerns

What action(s) are you taking to address the societal issues that most concern you for our future?

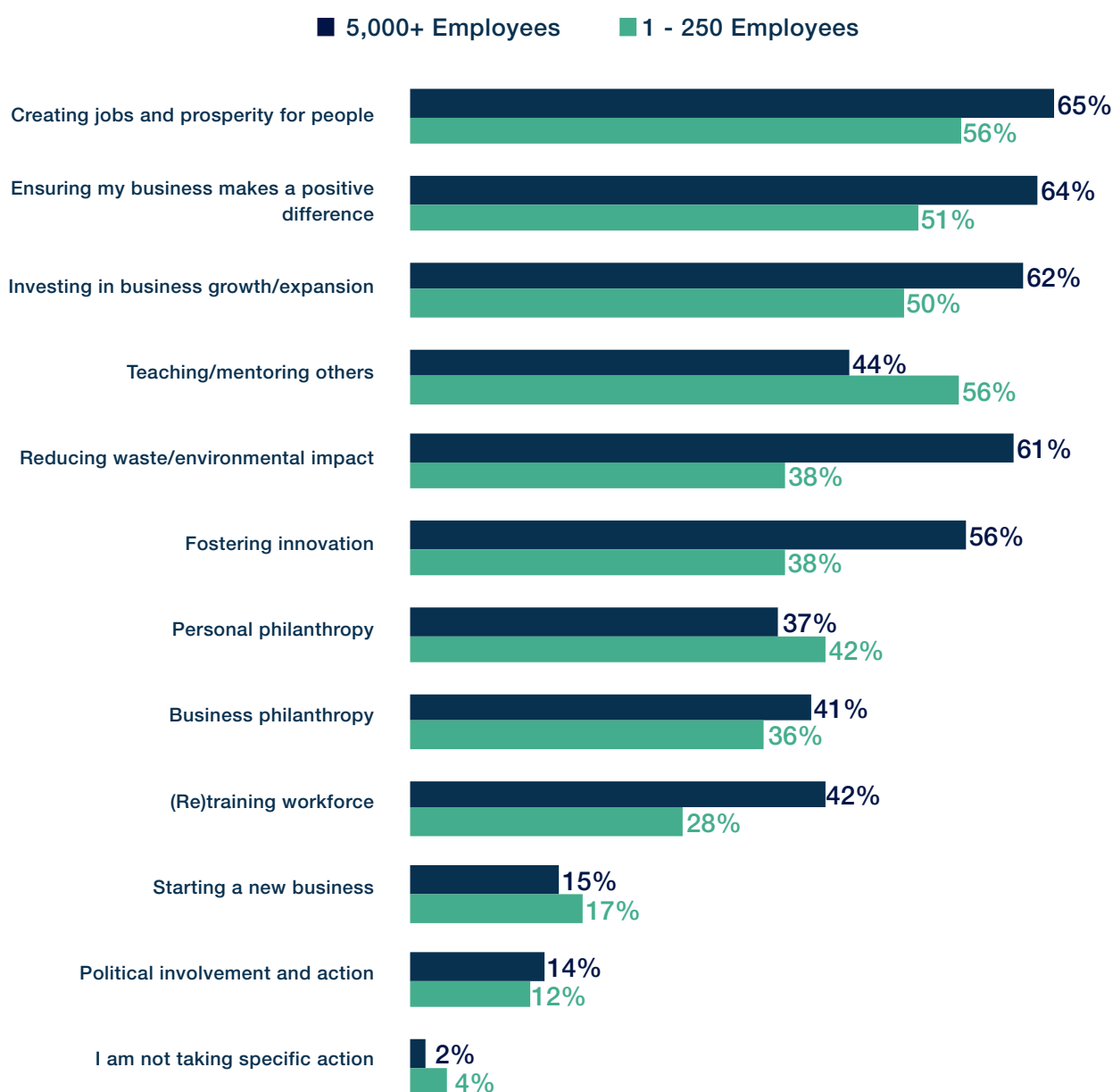| Action	Percentage
Creating jobs and prosperity for people	58%
Ensuring my business makes a positive difference	54%
Investing in business growth/expansion	54%
Teaching/mentoring others	53%
Reducing waste/environmental impact	43%
Fostering innovation	41%
Personal philanthropy	39%
Business philanthropy	37%
(Re)training workforce	32%
Starting a new business	16%
Political involvement and action	12%
I am not taking specific action	3%

The actions that chief executives take to address societal concerns differ based on their company size

Chief executives of businesses with more than 5,000 employees are significantly more likely to be reducing environmental impact, retraining their workforce, and fostering innovation, whereas chief executives of smaller businesses (1-250 employees) are more likely to be teaching/mentoring others and engaging in personal philanthropy.

Chief executives of large businesses are also slightly more likely to ensure their business makes a positive difference than chief executives of small companies.

What action(s) are you taking to address the societal issues that most concern you for our future?

■ **5,000+ Employees**   ■ **1 - 250 Employees**

Action	5,000+ Employees	1 - 250 Employees
Creating jobs and prosperity for people	65%	56%
Ensuring my business makes a positive difference	64%	51%
Investing in business growth/expansion	62%	50%
Teaching/mentoring others	44%	56%
Reducing waste/environmental impact	61%	38%
Fostering innovation	56%	38%
Personal philanthropy	37%	42%
Business philanthropy	41%	36%
(Re)training workforce	42%	28%
Starting a new business	15%	17%
Political involvement and action	14%	12%
I am not taking specific action	2%	4%

Four Trust-Building Imperatives For Chief Executives

1. **Establish and communicate your organization's greater purpose and societal contributions.** Employees expect purpose and meaning from their work, and organizations that meet these expectations earn high employee trust. Provide employees with opportunities to recognize the ways in which their job has a meaningful societal impact.

2. **Demonstrate authenticity and transparency as a leader.** Show commitment from the top. Share your personal story and values with your employees. This will create deeper, more trusting relationships within – and beyond – the organization.

3. **Make trust an important foundation for your business and brand.** Create and implement a plan for building a strong culture of trust across your organization. Understand that cultivating a culture of trust is a group effort, and chief executives who define a plan report greater effectiveness of their trust-building efforts. Be sure the plan includes metrics for measuring trust and progress toward greater trust.

4. **Seek and engage with resources to inform your thinking and actions on trust.** Learning from not only your own experience but also the experiences of others speeds individual learning and effectiveness.

Additional trust resources

We hope you found value in our January 2020 Global Pulse Survey Report on Trust. We invite you to explore selected YPO resources, designed to help you cultivate more trust as you continue your leadership journey.

www.ypo.org/trust

About YPO

YPO is a global leadership community of chief executives driven by our belief that the world needs better leaders.

Members grow stronger as people and leaders through peer learning, life-changing experiences and important relationships. Trust and authenticity have been the foundation of YPO learning since it was founded 70 years ago.
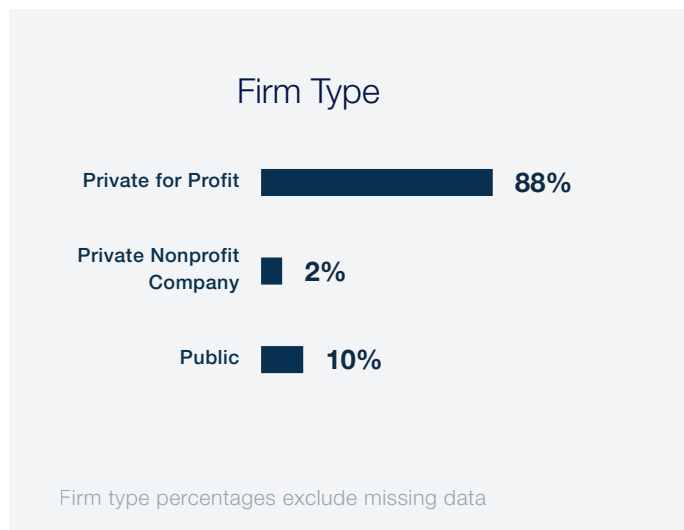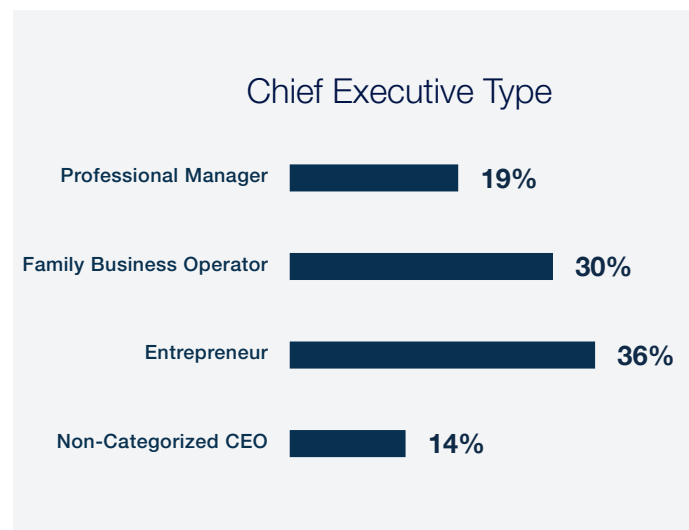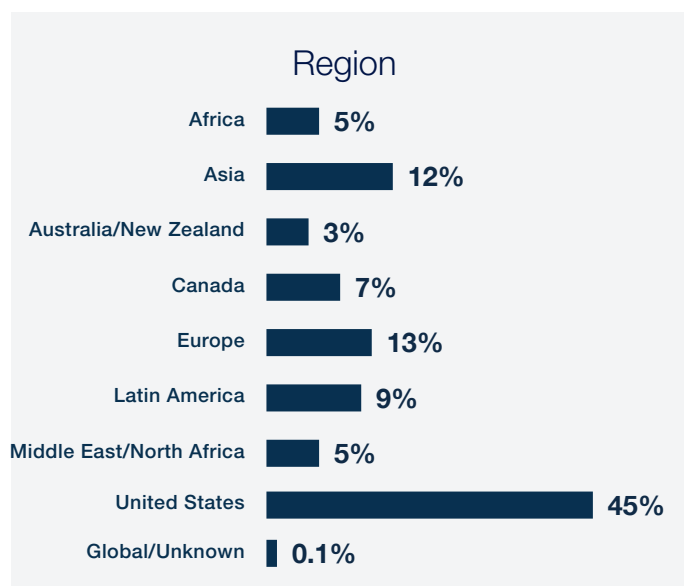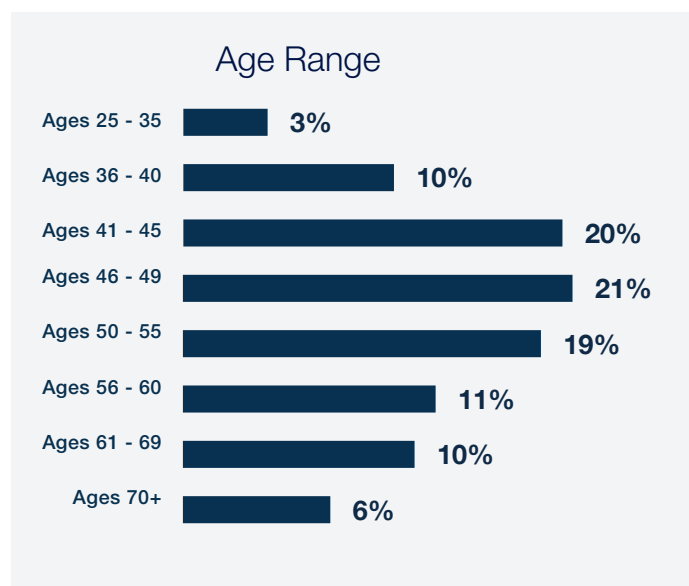
We are eager to help inspire and support leaders to make a meaningful impact on lives, businesses, and the world.

We are pleased to share some selected YPO materials to expand your thinking and actions toward trust in your leadership.

About the Survey

The 2020 Global Pulse survey on trust was sent to all YPO members on 1 November 2019 and closed on 18 November 2019. At total of 2,960 chief executives responded to the survey (11% response rate, margin of error +/- 1.84%). The survey sample is representative of the larger YPO population across a range of demographics, including region, age, chief executive type and firm type. The members in this sample come from 115 different countries and range in age from 25 to 92 years old.

Additional survey information is available upon request by emailing YPOGlobalPulse@ypo.org

Age Range

Ages 25 - 35	3%
Ages 36 - 40	10%
Ages 41 - 45	20%
Ages 46 - 49	21%
Ages 50 - 55	19%
Ages 56 - 60	11%
Ages 61 - 69	10%
Ages 70+	6%

Region

Africa	5%
Asia	12%
Australia/New Zealand	3%
Canada	7%
Europe	13%
Latin America	9%
Middle East/North Africa	5%
United States	45%
Global/Unknown	0.1%

Chief Executive Type

Professional Manager	19%
Family Business Operator	30%
Entrepreneur	36%
Non-Categorized CEO	14%

Firm Type

Private for Profit	88%
Private Nonprofit Company	2%
Public	10%

Firm type percentages exclude missing data

Note: Due to rounding, not all percentages add up to 100

The global leadership community of extraordinary chief executives

YPO is the global leadership community of more than 28,000 chief executives in 135 countries who are driven by the belief that the world needs better leaders. Each of our members has achieved significant leadership success at a young age. Combined, they lead businesses and organizations contributing USD9 trillion in annual revenue. YPO members become better leaders and better people through peer learning and exceptional experiences in an inclusive community of open sharing and trust. Visit ypo.org for more.

Endnotes

1. Edelman, 2019. 2019 Edelman Trust Barometer, Expectations for Chief Executives, https://www.edelman.com/research/trust-barometer-expectations-for-chief_executives-2019

2. Edelman, 2019. 2019 Edelman Trust Barometer, Global Report, https://www.edelman.com/sites/g/files/aatuss191/files/2019-02/2019_Edelman_Trust_Barometer_Global_Report.pdf

3. Beck, R. and Harter, J., 2015. Managers Account for 70% of Variance in Employee Engagement, https://news.gallup.com/businessjournal/182792/managers-account-variance-employee-engagement.aspx

4. Grayson, K. (2016). Cultivating Trust is Critical-and-Surprisingly Complex, https://insight.kellogg.northwestern.edu/article/cultivating-trust-is-critical-and-surprisingly-complex

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