

Today's Boards Have a Role to Play in Building Employee Trust

By Sharon Allen

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When boards provide independent management oversight and compelling strategic input, the positive impact on

business performance can be felt by consumers and investors. Today, in the midst of the most challenging economic environment in decades, the impact of board governance must register with another vital group—employees in general and, specifically, a growing percentage who simply do not trust their employers anymore.

If there is anyone who thinks that the loss of employee trust doesn't rank as a critical business issue, take just a moment to consider what we discovered from the Deloitte 2010 Ethics and Workplace Survey conducted earlier this year. In this fourth annual survey that I've commissioned since 2007, we interviewed 300 Fortune 1000 executives and more than 750 employees from outside our organization.

Among our key findings, 34 percent of employed Americans plan to look for a new employer when the economy gets better. During a time when unemployment is running at some of the highest levels since the end of World War II, one in three current jobholders say they will eventually seek work elsewhere.

Perhaps more troubling are the reasons these employees are considering a move.

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Nearly half—some 48 percent—cited a loss of trust in their employer as a major factor. Another 46 percent pointed to a lack of transparent communication from company leadership. Furthermore, nearly two-thirds of the Fortune 1000 executives we surveyed believe that employees' loss of trust in their employers will contribute to increased voluntary turnover in the coming months.

Trust is a vital aspect of the relationship between employers and their employees that cannot be held but certainly can be felt—and it does carry a bottom line impact. Several studies indicate that replacing employees can range between 25 to 250 percent of their annual salary, depending on industry and job type—costs that include attracting, recruiting, and training them—not to mention the “hidden costs” that come when productivity wanes, institutional knowledge is lost, and your talented employees are hired by a competitor. The cost of replacing a valued employee should be considered just as important as the cost of replacing a valued customer.

Clearly, the loss of employee trust is a situation that calls for decisive leadership—and not just from the C-suite. I believe that the influence of boards can have a positive impact on employee trust. In fact, 83 percent of executives

in our survey agreed that boards have a significant responsibility in this regard.

Boards Can and Must Get Involved

While the directors of high performing boards exhibit trust in each other during their boardroom deliberations, seldom, if ever, is trust designated as an agenda topic for boardroom discussion. To help focus management on the importance of employee trust, boards can set the proper tone by sending an unmistakable message to management that building employee trust is an expectation that must be met.

Effective management communication is critical to building trust with employees. A survey conducted last year revealed that corporate leaders and employees shared little agreement when it came to understanding which key employees were leaving, why they wanted to leave, and what it would take to retain them. In this “tale of two mindsets,” employers focused on compensation increases and other financial incentives as important retention tools. However, employers did not appear to understand the significant non-financial priorities of their employees. “Besides effective communication, employees also expressed a desire for job security,

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strong leadership, and career advancement opportunities.” With these non-financial priorities shrouded in doubt, employees begin to look elsewhere.

That trend was confirmed by the findings of our 2010 Ethics & Workplace Survey. Trust and transparent communications—both vital aspects of strong leadership—emerged as non-financial priorities that employees felt have been lacking during the recession. Boards can help make

management aware of these vital needs so that retention efforts can be aligned accordingly.

Another nonfinancial consideration for boards to assess is the quality of their own transparency and trust. The model for management transparency can begin in the boardroom. When the attitudes, behavior, and candor that mark healthy debate are firmly in place—what I call the “ABCs of boardroom governance”—chairmen and directors can provide an

example of openness that management can foster with employees.

The value of employee trust is priceless.

Through high governance standards, how they conduct themselves, and the expectations they set, every board can help build the employee trust that will be absolutely vital to economic recovery—and their organization’s future.

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