



Culture and Trust in a Complex and Disruptive World

Disconnected Risk Culture (DRC) is the single greatest threat to organisations over the next five years. Why? Failing to culturally connect multi-generational and multi-cultural workforces has created a global crisis of distrust within organisations – and historic levels of risk.

– By Alan Hilburg

Hilburg Associates recently concluded interviews with 208 senior leadership executives in some of the world's largest and most innovative companies on the breakdown or galvanizing of culture. Our research included the following questions:

Q1: What do you think are your biggest risk challenges over the next five years?

Q2: What needs to change to help mitigate these challenges?

Cyber, distrust and uncertainty were the consistent three top answers to Q1, but 86% of the respondents answered 'culture' for Q2 ... but never for Q1.

Own-grown stability and trust in a world gone mad

In an increasingly disruptive world, there is so much that we can't control – volatility, uncertainty, complexity and ambiguity (the so called VUCA world). This has caused

an unprecedented lack of trust in institutions, their leaders, and among workforces.

It is therefore a strategic imperative that senior leaders – who are incrementally losing institutional trust as evidenced by soaring disengagement scores (91% in Hong Kong alone) – rewire and reset the definition and integration of a Connected Risk Culture. Organisations must tackle their risk management through the lens of building a robust corporate risk culture, which in turn must be based on a clear set of behaviours that drive values-based decisions.

The counter argument is that if you believe that the responsibility of avoiding a Disconnected Risk Culture is the sole responsibility of your Risk Department, and not an organisational cultural imperative, it won't matter how many systems or processes you have in place to manage risk – because the risks that take out your organisation won't be the ones you're expecting.

Developing a connected risk culture

Research by Japanese professor Sidney Yoshida 20 years ago reveals that only 4% of problems facing a company are known to top managers. Called “the Iceberg of Ignorance”, the theory highlights the disconnect between managers and front-liners: that 100% of problems are known to front-line employees, 74% to supervisors, 9% to middle management and only 4% to top management.

This disconnect is most present and prevalent in traditional, hierarchy-based companies – which is most companies in Asia. The solution to developing a Connected Risk Culture in this scenario is therefore not structural, but one that should be approached from a company culture perspective. Change the culture and you change the approach to risk management. In fact, your culture becomes a barrier to risk, owned and driven by your workforce.

Hilburg Associates, together with Harvard Business School and the University of California, created RiskView 360™, a leading-edge software platform that gathers risk data from every employee. By asking every employee to submit one risk that they uniquely see, the platform reveals threats, vulnerabilities and risks not previously known or considered by senior management. In this way, 100% of employees own 100% of the issues and in all likelihood can find almost 100% of the solutions. It effectively inverts the iceberg and delivers rich content and knowledge, rather than a knowledge vacuum.

Trust – the currency of the 21st Century

We believe that a values-based decision-making culture should be the goal of all organisations. When leaders create a culture in which they listen to their entire organisation and seek their input, it builds trust; and trust is undoubtedly the new currency of the 21st Century. Furthermore, it is well documented that high trust organisations outperform low trust organisations –

they always beat the benchmarks over time. At Hilburg Associates, we say that high trust organisations enjoy a Trust Dividend, while low trust organisations pay a Penalising Trust Tax; and it pays out in the real world of performance and profit.

Develop this trust equilibrium within your organisation, together with a commitment to end cultural disconnects, and it will lead to a winning formula for managing and mitigating risk. In turn, you have a winning formula for developing trust within your entire ecosystem.

Culture + Values = Trust

Culture is going to be the single biggest issue in risk management over the next five years. It will simultaneously be your greatest advantage and your single biggest threat.

- Recognise that the definition of culture is...the environment in which your organisation makes decisions
- Re-examine your values and engage employees in the development of those values
- Ask yourself, to what extent do our employees understand the behaviours associated with our values? Do we compensate for delivery of values-based decisions?
- Use your employees’ knowledge to define your potential risk areas
- Encourage a company culture that invites people to speak truth to power
- Remember: People will buy from people they trust. **B**

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Hilburg Associates is an independent advisory firm counselling leaders on resolving business-threatening trust issues. The firm has over 40 years’ experience helping leadership teams focus on building and maintaining trust through enabling a culture of values-based decision making, repairing employee disengagement and crisis mitigation. For more information, please contact sara@hilburgassociates.com

