

Johannesburg

10 February 2025

TRUST IS TANKING

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“Trust is like blood pressure. It’s silent, vital to good health, and if abused it can be deadly.” - Frank Sonnenberg, author of Follow Your Conscience

Trust is fragile and its breaking point is being sorely tested by global instability, increasing economic pressures, governance failures and short-sighted leadership. Stakeholders, from investors to employees and consumers, are more sceptical than ever, questioning the integrity, resilience, and long-term vision of organisations.

Not surprisingly, political and business leaders alike are increasingly coming under the spotlight. The demand for transparency and accountability is gaining momentum, and to be able to sustainably navigate these turbulent times, strong leadership will be a critical differentiator.

Dealing with pressure is not a new phenomenon for good leaders. However, the current rate of change and the degree of fluctuations in uncertainty levels are calling renewed attention to ethical leadership, strategic planning, and stakeholder inclusivity as pillars of sustainability.

Geopolitical tensions set to destabilise business confidence

The positive trends in business confidence indexes for many countries reported towards the end of 2024 (www.tradingeconomics.com) seem to be waning. The S&P Global South Africa Purchasing Manager’s Index (PMI) fell to 47.4 in January 2025 from 49.9 in December 2024 – the lowest since the July 2021 riots (www.reuters.com). Rising global conflicts, trade wars, and political polarisation are making supply chains more fragile, investment riskier, and business operations unpredictable. Indeed, nurturing a broader stakeholder base to strengthen diversification strategies may need to be prioritised at this time.

Ongoing changes to regulatory landscapes - from sanctions to tariffs to land expropriations - are intensifying uncertainty, undermining cross-border commerce, and disrupting industries, leaving businesses struggling to assure stakeholders of stability. Staying informed and being able to make good decisions without having all the information at hand is only going to be possible where strong, long-term relationships with internal and external stakeholders are in place.

The sweeping and uncoordinated withdrawal of donor funding and support for various projects in developing countries without regard for the consequences on the most vulnerable communities, has not only been a harsh reminder of the fragility of trust, but again emphasises the necessity for business leaders to be adaptable and agile enough to instantaneously be able to change business operations. Having a deep understanding of the outcomes of the organisation's double materiality assessments, and how these outcomes can be addressed, will certainly help leaders to identify recovery options. However, the speed with which and the success of these recovery plans will no doubt be strongly influenced by the depth, breadth, and quality of stakeholder relationships.

Economic pressures are prioritising profits over ethics

Countless scandals involving fraud, corruption, and social and environmental negligence continue to dominate global headlines and are testimony to the impact of leaders prioritizing immediate profitability over sustainability.

In the face of inflation, supply chain disruptions, high interest rates, and fluctuating market conditions, business leaders are being forced to make cost-cutting and profit-driven, rather than purpose-driven, decisions. The constant pressure to meet quarterly or half-yearly earnings expectations discourages investment in innovation, talent development and other future-proofing initiatives. Regrettably, the lure of short-termism in the name of improved efficiencies repeatedly negatively impacts the organisation's competitive positioning and resilience.

Similarly, decisions to recklessly expedite AI and automation contribute to heightened fears about the unethical misuse of technology, fuelling resentment and further diminishing trust in leadership. In the modern world, cybersecurity threats and breaches also create doubts about business competence in protecting consumer and investor data. Furthermore, stakeholder anxieties are often amplified by social media which instantaneously spreads misinformation and exposes governance failures in real time, making reputational recovery for an organisation much more challenging.

Against this background, remaining true to purpose holds many advantages. Ensuring that organisational purpose is not merely a marketing slogan but positively aligned to stakeholder values boosts brand confidence, embeds authenticity, and nurtures a feeling of wellbeing and trust amongst all stakeholders.

Declining governance standards are fuelling scepticism

Integrating these purpose-led ambitions into the organisation's strategic plan underpins good governance and drives sustainable growth. Too few leaders understand that an organisation's approach to governance (or lack thereof) is reflected in the organisation's culture (and accordingly, its actions). While some leaders have still not started

measuring and quantifying good governance, the perils of not having access to this information are becoming increasingly obvious.

Inconsistent ESG reporting and “greenwashing” tactics strengthen perceptions that organisations are self-serving rather than stakeholder driven. As such, the failure to balance profitability with purpose risks the organisation and its leaders being seen as “out of touch” or exploitative, further weakening community and societal trust.

A decline in governance standards and lack of ethical leadership invariably leads to a toxic workplace culture. Needless to say, the effects of a disengaged workforce on productivity, performance and product or service quality are compelling. In the end, organisations that fail to inspire trust struggle to retain top talent and attract the next generation of leaders, leading to a downwards spiral in performance.

Large organisations such as Meta and Amazon have recently abandoned their diversity, equity, and inclusion (DEI) programmes on the grounds of “legal and policy changes,” making stakeholders question the authenticity of these organisational leaders and their commitment to DEI values in the first place. This type of “flavour of the month” approach to decision-making, values and strategy absolutely decimates trust.

Integrating governance (and social and environmental) metrics into executive performance can help reinforce longer-term thinking and ensure that the organisation’s and the stakeholders’ values remain aligned.

The leadership imperative

The challenge to leaders is clear: lead with conviction, govern with accountability, and navigate uncertainty with purpose and vision. In today’s dynamic and interconnected world, **leaders have an extraordinary opportunity to shape organisations that inspire trust, resilience, and long-term value creation.** While global instability, economic pressures, and governance challenges may seem daunting, they also present a chance for leaders to differentiate themselves by embracing **ethical decision-making, strategic foresight, and stakeholder-driven leadership.**

Leaders must champion transparency, authenticity, and deliberate stakeholder engagement to regenerate trust. This means having the courage to acknowledge mistakes and outline corrective action to demonstrate accountability. Leaders must recognise that stakeholders can see through “the spin” and are tired of being taken for fools. **Leaders must speak honestly.**

Adopting an “ostrich approach” to uncomfortable challenges also wins no favour among the stakeholder base. **Leaders must speak out.** Consumers, employees, and investors increasingly **expect organisations to stand for more than profit.** **Building a culture of integrity and ethical leadership is therefore non-negotiable.** **Clearly and decisively aligning corporate decision-making** with stakeholder values on sustainability, diversity, and ethical business practices resonates well with all stakeholders and undoubtedly cultivates trust and brand loyalty.

Leaders must speak consciously. Being bold by involving stakeholders in decision-making and proactively seeking and acting on feedback starkly separates a gutsy and tenacious leader from the traditional leader who simply makes decisions and expects stakeholders to react. By fostering co-creation and allowing employees, customers, and communities to shape policies, strategies, and innovation efforts, audacious leaders establish a sense of ownership and alignment which leads to stronger relationships and long-term allegiances.

Now is the time for leaders to re-think their approach: rise above short-term pressures, redefine governance standards, and build organisations that sustainably leave a positive legacy.

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Words: 1,200

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