Leading the leap

Trust-driven strategies to shape reinvention

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Message from PwC Malaysia and Asia School of Business

The landscape of business, and how trust is built and broken, is undergoing a seismic shift. Just under a decade ago, trust was predicated on the strength of business' corporate governance. But today, disruptive technologies and a digitally-driven economy demand constant reinvention of business models to remain viable in the next decade. Keeping up with the pace of change has itself become a driver of trust, and while technology is crucial, people are at the core of successful transformation.

Since 2015, PwC Malaysia has been on a journey to encourage businesses to make trust a priority. The Building Trust programme, and its flagship initiative, the Building Trust Awards, were born out of this commitment and with the conviction that trust can be measured and earned.

In this context, PwC Malaysia and the Asia School of Business are proud to present our latest thought leadership, which explores findings from a survey ran amongst employees of the Building Trust Awards 2023 finalists, to share trust-driven strategies to shape reinvention.

Our publication delves into the symbiotic relationship between trust and leadership, and addresses the prevailing concern among corporate leaders surrounding the skills needed to ensure their organisations remain viable.

So what's next? Recognising the importance of trust is the first step. Business leaders will need to assume the mantle of responsibility and prioritise initiatives that build a high-trust organisation. And as they navigate the realms of trust-building and business reinvention, they can unlock the transformative potential of investments in their workforce to be fit for the future.

We express our sincere gratitude to all survey participants and business leaders who have contributed to our study with valuable insights on the trust dynamics in today's evolving business landscape.

Pauline Ho
Building Trust Programme Sponsor and Assurance Partner, PwC Malaysia

Dr. Melati Nungsari
Associate Professor II of Economics and the Deputy Dean of Research, Asia School of Business

Introduction

Why lead with trust?

Business reinvention isn't a new concept — but it's just as necessary for your organisation's success today as it was in the past. Yet, PwC's 27th Annual Global CEO Survey found that 43% of CEOs in Malaysia remain sceptical about their company's viability, despite reinvention efforts. Why?

According to most CEOs, the main hurdles hindering business reinvention are the lack of skills and technological know-how[1]. In today's increasingly digitised economy, technology drives disruption but it's people — the users of those technologies — who are at the heart of reinvention.

PwC Malaysia and the Asia School of Business surveyed over 11,000 employees in Malaysia to better understand employee trust, which has serious implications for an organisation's reinvention efforts.

Our study shows that a workforce in a high-trust organisation is not only more receptive of their leaders' decisions and more resilient to the turbulence that comes with new strategies; but are also six times more likely to seek out new ways to learn and innovate.

> A workforce in high-trust organisations is **6x** more likely to seek out new ways to learn and innovate.

They are also more likely to adopt generative artificial intelligence (GenAI) in the workplace and support the company's efforts to conserve the environment — two key areas in business reinvention.

[1] PwC, 2024. PwC's 27th Annual Global CEO Survey.
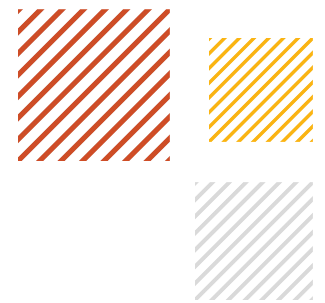
What is a 'high-trust organisation'?

A high-trust organisation is one where employees are more willing to be open and vulnerable to leaders' decisions. To cultivate a high-trust organisation, leaders can:

1. Implement fair and transparent reward systems
2. Cultivate a culture of openness and respect
3. Foster diversity and inclusion

The popular team-building activity known as the 'trust fall' requires an individual to blindly fall backwards while relying on a teammate to catch them. In many ways, it illustrates that trust is not just a requisite for effective teamwork — it also starts with vulnerability.

> Building trust with employees isn't just about engagement — it's about their willingness to let employers make decisions that will impact them. It's about vulnerability.

Leading reinvention can sometimes feel like being on one side of a chasm, with everyone else on the other side. The challenge for CEOs and business leaders is to inspire the workforce to take the leap with them. This may require employees to take risks and make trade-offs, and this requires great trust in their leaders.

In other words, cultivating a high-trust organisation is important. The good news is — this trust shift falls squarely within the purview of CEOs.
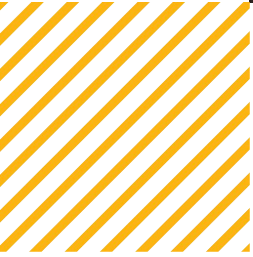
Key highlights

A workforce in a high-trust organisation is…

13x more likely to believe that the company will reward efforts fairly in the future

8x more likely to adopt AI in the workplace, unlocking productive capacity

7x more likely to support the company's efforts to conserve the environment

**6x** more likely to seek out new ways to learn and innovate

Key findings

Trust at work

Failure is a common worry that lingers in every CEO's mind when it comes to business reinvention. Rightfully so, as according to Edelman's Trust Barometer 2024[2], mismanaged innovation can lead to rejection and less enthusiasm for emerging technologies.

But CEOs simply cannot ignore two megatrends driving business reinvention anymore: the rise of GenAI and the urgent need to address climate change.

Where should leaders start? **With trust**.
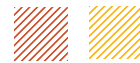
The success of any organisational transformation hinges on the trust and confidence our people place in the business plans and its leaders. The workforce watches for alignment between our actions and words, demonstrating authenticity in everything we do.

Datuk (Dr) Nora Abd Manaf
Group Chief Human Capital Officer, Maybank

Redefining job security in the GenAI journey

It is hard to start a conversation on productivity and business reinvention today without mentioning GenAI. The Malaysia Centre for the Fourth Industrial Revolution (MYCentre4IR) predicted that GenAI will unlock USD113.4 billion[3] in productive capacity for the country.

Despite the promise of increased productivity, there is a concern about potential workforce redundancy[4]. OpenAI's ChatGPT was barely a month old when conversations about the impact of artificial intelligence on the workforce reached a fever pitch. 25% of CEOs in Malaysia predicted that a reduction in headcount would come along with GenAI[5].

But the fear of becoming obsolete doesn't have to stop you in your tracks. Our study finds that a workforce in a high-trust organisation relates to higher willingness to adopt AI in the workplace.

> Employees in high-trust organisations are around **8x** more likely to trust and adopt AI in the workplace.

The full potential of GenAI can only be realised when combined with human creativity. If leaders can operationalise trust to help employees embrace GenAI, it can become an opportunity for productivity and innovation.
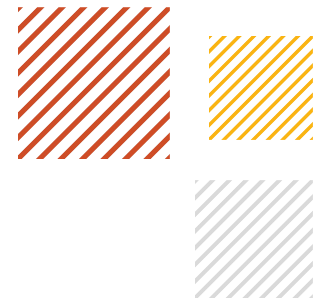
How likely will respondents trust in AI

High-trust organisation	88.72%
Low-trust organisation	11.28%

8x more likely

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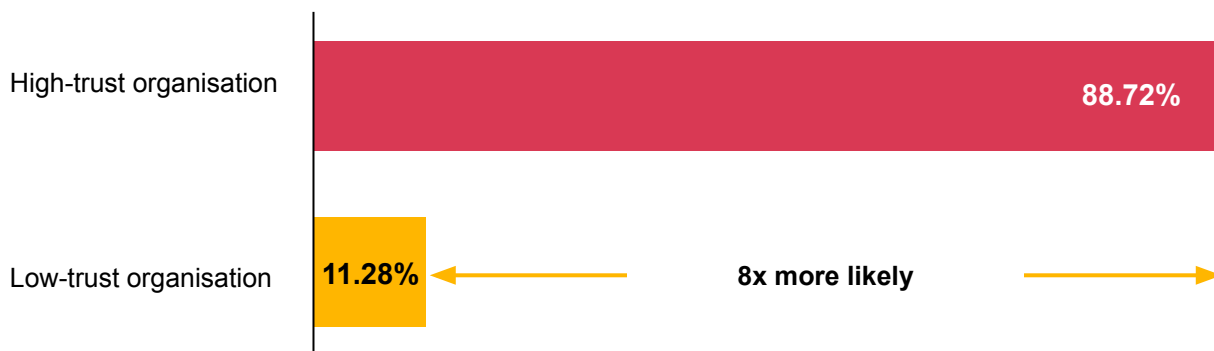
[3] The Malaysia Centre for the Fourth Industrial Revolution, 2023. The Economic Impact of Generative AI: The future of work in Malaysia.
[4] Gallup, 2024. State of the Global Workplace.
[5] PwC, 2024. PwC's 27th Annual Global CEO Survey.

It is not just a question of securing employee buy-in for the GenAI journey — it's about actively involving them in reshaping the new era of work.

Leaders will need to understand that resistance to AI is driven not only by the threat of losing one's job, but also that employees don't want to be left behind. Providing relevant reskilling or upskilling programmes is crucial so that employees are equipped to have more agency and opportunity as roles change.

> A workforce in a high-trust organisation is **13x** more likely to believe that the company will reward efforts fairly in the future.

AI adoption is a high-stakes game, demanding substantial investments that are likely to kick capital expenditures into high gear. By being transparent with employees on long-term plans, organisations can cultivate a workforce that is more receptive to delayed incentives — if necessary — for current efforts in adopting GenAI at work.
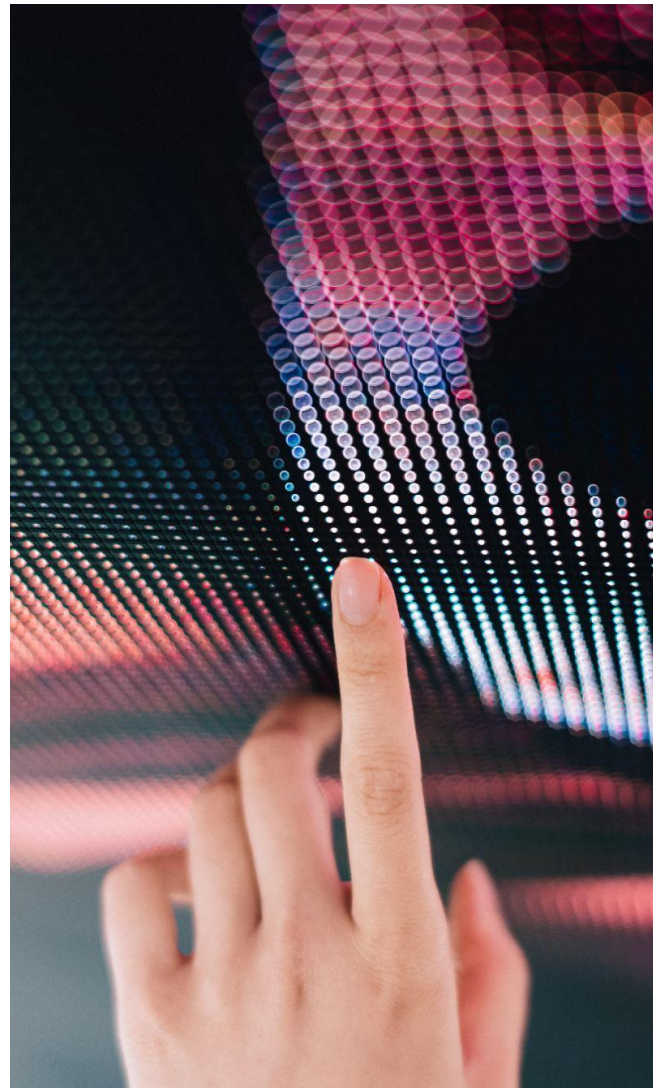
How likely will respondents believe that their effort will be fairly rewarded in the future

High-trust organisation — **92.83%**

Low-trust organisation — **7.17%** ← **13x more likely** →
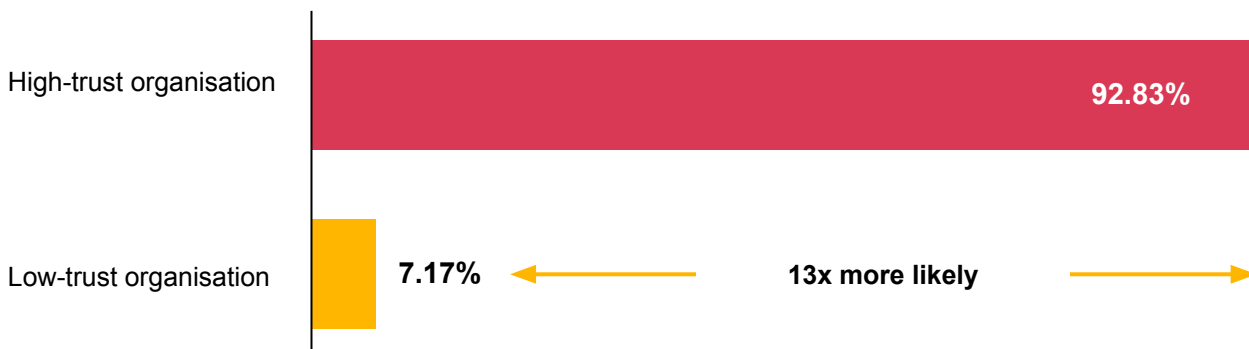
Preparing your workforce for GenAI

Embed a 'future of work' narrative

The C-suite needs to set the organisation's tone around AI. Create and communicate a strong narrative that covers what the future of work means for your company and people. Make it a measured and inspiring narrative. When people feel reassured and excited about what lies ahead, they're far more likely to embrace change.

Understand current strengths and gaps

Business leaders should first develop a clear vision in areas ripe for disruption to maximise AI adoption outcomes. Early success stories can catalyse the transformation needed at scale. Start by gauging your company's AI maturity using tools like PwC's AI Maturity Assessment. This helps identify strengths and gaps, ensuring a solid foundation for future AI projects.

AI as part of your EVP

Getting your People and Culture function on board with AI sends the right message to all employees — both current and new — as part of your broader Employee Value Proposition (EVP). Integrating AI and automation into every stage of the employee lifecycle can create a seamless and positive experience for employees.
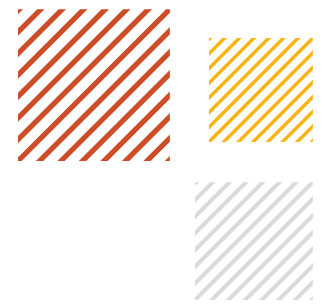
Answering the right questions on your sustainability journey

Companies are working on sustainability initiatives at a frenzied pace. 85% and 73% of CEOs in Malaysia are in progress or have completed energy efficiency improvements and innovation of new, climate-friendly products, services or technologies respectively[6]. That's the good news.

The bad news? Targets are still not being met. PwC's Net Zero Economy Index 2023 notes that Malaysia's current decarbonisation rate is at 2.5%, still behind what is required to meet the nationally determined contributions (NDC) target of 7.2%. Besides that, Malaysians are 6.5 times more likely to say that businesses are not doing enough to fight climate change than they are to say that businesses are overstepping their role[7].

Maybe it's not just about doing more — it's also about doing it right.

To answer this, CEOs must look at the business' nucleus, its workforce. The sustainability landscape is dynamic. Guidelines, legislations, roadmaps, business priorities — the rules of the game change frequently. Even the most fervent climate activist would experience burnout in keeping up, let alone a corporate employee being tasked with the responsibility of advancing the company's sustainability agenda. How can we expect the workforce to constantly stay motivated and innovative in supporting the company's sustainability initiatives?

> A workforce in a high-trust organisation is **7x** more likely to support the company's efforts to conserve the environment.

Our study finds that employees working in a high-trust organisation are emotionally connected to the overarching sustainability goals of the business. They are invested in the success of the company and will seek ways to adapt to the changing tides whilst staying aligned with the company's end goal.

The key, therefore, is to become a high-trust organisation.
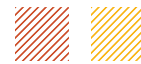
Through the Yinson 30 by 30 initiative, every employee plays a vital role in achieving the 30 ambitious sustainability targets by 2030. The initiative helps to cultivate a culture that values long-term thinking and collective responsibility, empowering our team to embrace our purpose of providing reliable and sustainable energy infrastructure.

Dr Renard Siew
Group, Head of Corporate Sustainability,
Yinson Holdings Berhad

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[6] PwC, 2024. PwC 27th Annual Global CEO Survey - Malaysia.
[7] Edelman, 2023. Edelman Trust Barometer Malaysia Report.

Getting the workforce activated in sustainability initiatives

Engaging employees' hearts and minds

Bring your workforce along with you on your company's sustainability journey. You can do this through workshops on strategic sustainability priorities, and leveraging your organisation's network of sustainability enthusiasts. It's also important to communicate the sustainability milestones that your company is on course to reach. Make it real to your people by contextualising the results of sustainability initiatives to areas of operations, for example, sources of carbon emissions and waste production, or indicators of ethical business practices.

Giving employees the tools they need

Supply your workforce with the knowledge, skills and technology needed to integrate sustainability into their day-to-day work. Think of the practical tools your employees need to embrace necessary changes.

Sharing a clear tone from the top

Allow employees to 'own' the change and give them the mandate to bring sustainability to life in their role. Besides interactive leadership sessions to increase awareness around key sustainability roles in the company, you need to activate leaders to share a clear tone from the top, for example, through roadshows or recurring team updates. It is also important to celebrate success as well as reward exemplary behaviour.

At Gentari, we empower our workforce through comprehensive sustainability training programmes that highlight the importance of their roles in achieving our environmental goals. We promote cross-functional collaboration, encouraging teams to innovate and share sustainable solutions across our three business pillars: renewable energy, hydrogen and green mobility. This collaborative approach ensures that sustainability is not siloed but woven into the fabric of our company.

**Sushil Purohit**
Chief Executive Officer,
Gentari

How likely will respondents support the company's ESG efforts

High-trust organisation	87.21%
Low-trust organisation	12.79%

7x more likely
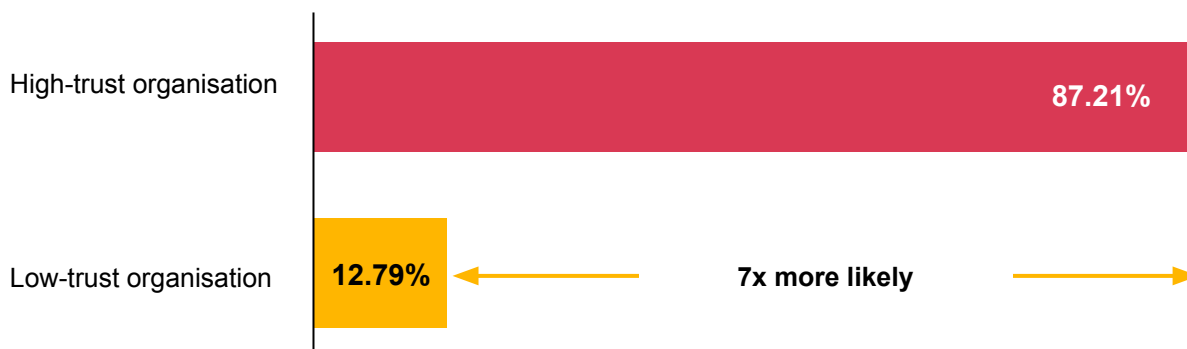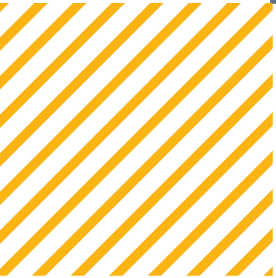
Effective strategies to build a high-trust organisation

With so many things already on the modern day CEO's plate, what are the shortcuts to building a high-trust organisation? Our survey identifies three key factors: a **fair rewards system**, **a culture of openness and respect** and the **diversity climate** of the company.

Fair rewards system

Factors impacting trust in organisation

A culture of openness and respect

Diversity climate
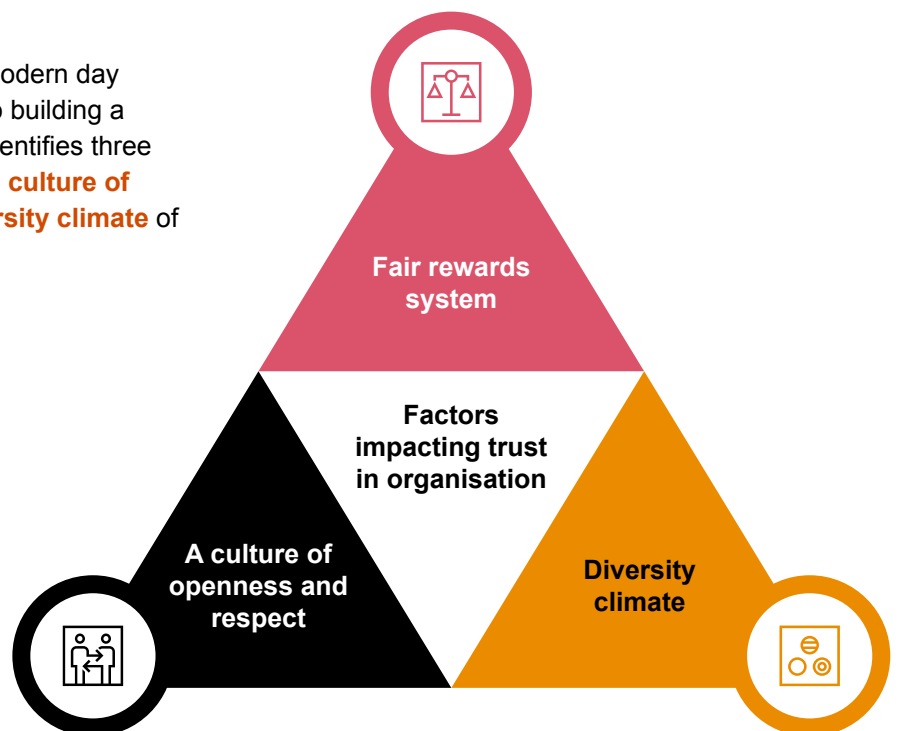
1 Build trust with a fair rewards and recognition system

Based on our survey, we found that employees who perceive that they are not being rewarded and recognised as they deserve are **6.68 times** more likely to perceive their company as a low-trust organisation. Besides that, employees who perceive the reward and recognition system as unfair and not transparent are around **8 times** more likely to describe their company as a low-trust organisation[8].

Traditionally, discussing rewards, including wages and benefits, in the workplace was considered taboo. However, a growing number of employees are embracing a more open work style, leading to a rise in discussions around compensation — both within and outside the company.

The Instagram page 'Malaysian Pay Gap' went viral for its advocacy of pay transparency and fairer salaries in the country. Serving as a platform for employees in Malaysia to anonymously share their salaries and remuneration package, it reflects the growing demand for greater transparency and fairer rewards and recognition systems.

> A company that embraces a transparent and fair rewards and recognition system conveys so much more than just the rewards itself — it's the subtext that decision-makers can be trusted.

Leaders can begin by having fair and transparent evaluation mechanisms within the rewards and recognition system. When we talk about evaluation mechanisms, we are talking about a set of policies that companies develop to guide their compensation and total rewards package for employees. This include striking the right balance between transparency in compensation structure and privacy.

Considerations for your journey to a fairer rewards and recognition system

1 Fairness means different things to different people
Some people think fairness is equal work for equal pay, while others are more concerned with providing a living wage for employees. You and your board will need to decide which key fairness principles are relevant to the company given your business, workforce and culture.

2 Translate fairness principles into tangible people policies
Turn these fairness principles into explicit written policies, such as living wage adoption, pay-for-performance salary, worker security or equal pay.

3 Conduct a current-state assessment
Take a clean sheet of paper and methodically look at how the company measures up against those principles. A true and honest inspection of the data can shed light on the real picture.

4 Measure and monitor
Make sure your fairness principles are monitored by developing metrics that encourage progress towards fairness.

5 Tell your story
Transparency is a big part of making fairness principles work. That means engaging with your people so they know how and why they're being compensated, not just with pay but with benefits and other rewards, too.

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[8] For further details, refer to 'Distributive justice' and 'Procedural justice' in the survey methodology section.

2   Create a culture of openness and respect

In our survey, we found that employees who experience low interpersonal justice are twice as likely to say that they work in a low-trust organisation. But, what is interpersonal justice?

> **Interpersonal justice refers to the degree of respect, dignity and sensitivity shown to employees. When employees are treated with respect and dignity, they trust leaders enough to voice their opinions.**

The basis of trust is the willingness to be vulnerable. Embracing and celebrating differing views and innovative efforts with respect — even those that lead to minor failures — can shift workforce trust. However, business leaders in Malaysia need to play catch up.

Based on PwC's Hopes and Fears Survey 2023, only 34% of employees in Malaysia agree that their manager often/usually tolerates small-scale failures, while 35% of employees agree that their manager often/usually encourages dissent and debate. This highlights the deeply entrenched high power distance culture in Asia, rooted in longstanding societal values. Nowhere is this more evident than in Malaysia, where the Hofstede Power Distance Index[9] (2023) hits a staggering 100 — the highest among the ASEAN-6 countries and China[10].

What does this mean for businesses? Business leaders are left in the dark, believing they have no need for improvement, while junior staff keep ideas to themselves.

Our recent initiative to identify the most suitable footwear for our workforce is an example of a trust-driven approach to address the needs of our workers.

In response to concerns about inadequate ankle protection, we launched an effort to identify the problem and find a solution. This involved collecting ground-level feedback from the workers. We introduced several types of boots, but none proved to be satisfactory due to the different types of terrain in estates, plant litter and the occasional risk of snake bites. Through engagement and feedback, our workers agreed that, considering the various factors, Wellington boots offer the best protection for them.

This initiative underscores the importance of collaboration and trust between our workforce and the leadership, leading to practical and effective innovations in our operations.

Rashyid Redza Anwarudin
Chief Sustainability Officer,
SD Guthrie Berhad

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[9] Defined as the extent to which the less powerful members of institutions/organisations within a country expect and accept that power is distributed unequally. The higher the index, the greater the unequal distribution of power is considered acceptable.
[10] The Culture Factor, 2023. Hofstede Country Comparison Tool

How successful leaders encourage constructive dissent

Netflix's 'Farming for dissent'[11]

In 2011, Netflix faced a major backlash when it tried to spin off its DVD-by-mail service into a new company called Qwikster. Customers revolted, and Netflix's stock plummeted. Reed Hastings, Netflix's Chairman and co-founder, issued a public apology and scrapped the plan. Yet, Hastings calls the Qwikster fiasco his 'favourite failure' because it taught him the value of gathering critical feedback before making big decisions.

This led to Netflix's innovative 'Farming for Dissent' concept. The concept is simple yet powerful: gather as much input as possible from a diverse group of people. This can be done in many ways. For instance, if you have a proposal, you create a shared memo outlining your idea and invite dozens of colleagues to chime in. They leave their comments in the margins, visible to all. Just scrolling through these notes gives you a wide range of perspectives — both supportive and critical.

Hastings led by example too. Before a major leadership meeting where he wanted to propose a one-dollar price hike and a new tiered-pricing model, he shared a memo with the leadership team. Managers flooded it with their thoughts, ensuring every angle was considered.

Intel's 'constructive confrontation' and 'disagree and commit'[12]

"Let chaos reign, then rein in chaos," advised the late Andy Grove who led Intel and shaped Silicon Valley. "Success breeds complacency. Complacency breeds failure. Only the paranoid survive."

While obituaries often highlight Grove's reputation for keeping Intel employees on edge, his 1995 book 'High Output Management' portrays him as a different type of tough boss. Grove's principle of 'constructive confrontation' involved intense and loud decision-making debates during meetings.

Although he relished a heated arguments and debates, he expected employees at all levels to voice their opinions to their superiors, with decisions being made based on data rather than hierarchy. 'Knowledge power' surpassed 'position power'. Once the debates ended, everyone had to put aside their differences and collaborate on the agreed conclusion — disagree and commit.

[11] Hastings, R., Meyer E., 2020. Reed Hastings on Netflix's Biggest Mistake. Forbes.
[12] Gapper, J., 2016. Andy Grove: the man who shaped the Silicon Valley state of mind. Financial Times.

3   Cultivate and empower a diverse team

Diversity isn't only about race and religion. It is about gender, age, physical ability, education, economics, family life, and all other attributes that make us individuals. The modern Malaysian workplace has become a reflection of this broad spectrum of diversity. The question CEOs should be asking now: How do we leverage it?

> Employees that experience a low diversity climate are **4.79x** more likely to say their company is a low-trust organisation.

Beyond understanding potential biases, inclusive leadership requires the capacity to appreciate individuals' unique lived experience, while fostering an environment of safety in which everyone feels empowered to speak up. Qualities such as these equip people to harness the power of diversity, practice allyship and bring out the best in diverse teams to deliver innovation and impact.
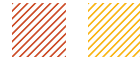
Our EverGreen transformation strategy strives for a balanced growth. Stemming from the strategy, our One Strong Winning Team culture was developed by various initiatives that help to build trust among our people, including addressing unconscious bias. We rolled out discussions promoting self-reflection and challenging stereotypes, which enabled us to empower our people to develop novel solutions for the business to adapt in the evolving world.

This environment enhanced our operational adaptability and reinforced our commitment to fostering a workforce that is equipped and motivated to drive impactful changes for our customers and communities.

Renuka Indrarajah
Corporate Affairs & Legal Director,
Heineken Malaysia Berhad

Who's empowered, who's not?

Time to close the gender gap

Interestingly, our survey found that female employees are more likely to adopt AI for work than their male counterparts.

Yet, in Malaysia's technology sector, women account for a mere 35% of the workforce[13], indicating a persistent underrepresentation. Women are also less optimistic than men on the impact of emerging technologies such as AI on their own careers[14].

If megatrends such as AI are to truly meet the future needs of society, more balanced gender representation in AI design will be critical to mitigating the perpetuation of unintended and embedded biases.

> Female employees use AI for work significantly more than their male counterparts[15].

For Gen Z employees, loyalty is a two-way street

Despite assumptions about their loyalty, our survey shows younger employees feel more fairly assessed than their older counterparts.

This suggests that despite their reputation for seeking new opportunities and prioritising personal growth, younger individuals place a high value on fairness and transparency in performance assessments, crucial for workplace satisfaction and commitment[16].

Your Gen Z workforce is a tremendous source of creativity and innovation, and could be a powerful force to help you achieve your reinvention goals — if you can win their loyalty.

> Younger employees feel more fairly assessed than older ones. Yet, they also hold their employers at higher standards[17].

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[13] As cited in Abu Bakar, D., 2023. Putting women at the heart of a DigitALL World. The Edge.
[14] PwC, 2023. PwC Global Workforce Hope and Fears Survey 2023.
[15] PwC Malaysia and Asia School of Business' Trust and Leadership Survey. Note: Women reported using AI more frequently for work (M: 2.76, SD: 1.04) than men (M: 2.71, SD: 1.10), which was statistically significant (t(8688): -2.17, $p < .05$*).
[16] Edelman, 2024. Edelman Trust Barometer Global Report.
[17] PwC Malaysia and Asia School of Business' Trust and Leadership Survey. Employees <35 years old (M: 3.29, SD: .81) feel more fairly assessed than those older (M: 3.08, SD: .82), which was statistically significant t(9259): -9,90, $p < .01$**.
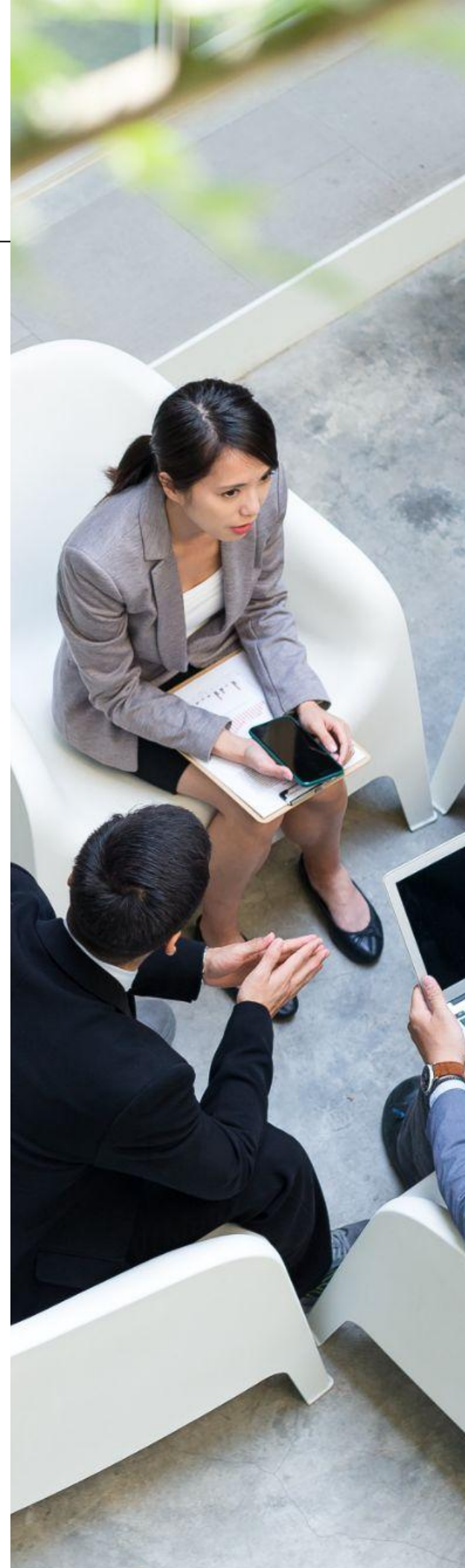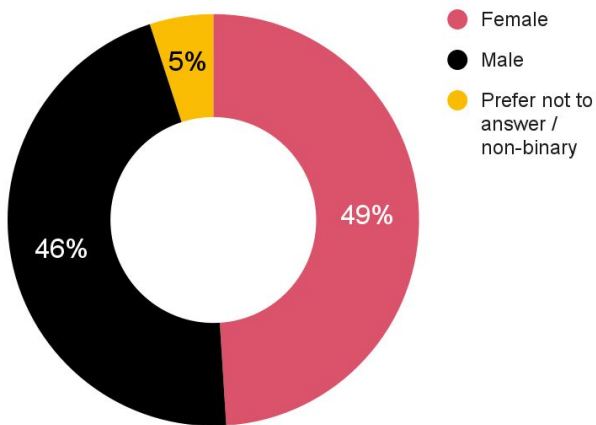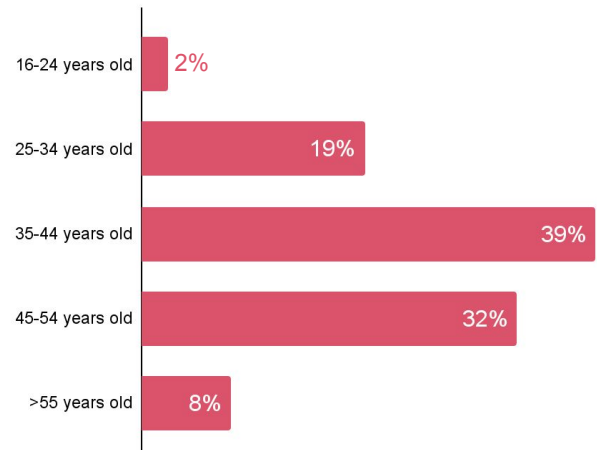
Survey methodology

As part of the Building Trust Awards 2023, PwC Malaysia and Asia School of Business ran a survey between 14 August and 8 September 2023 with more than 11,000 respondents from our finalist companies. The objective of the survey was to assess employees' trust towards the company, their leaders and co-workers, as well as to understand employees' daily experiences in relation to their social relationships at work and organisational culture using the five leadership indicators described below.
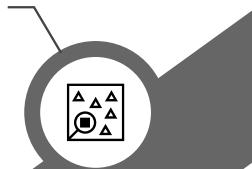
Demographics

Respondents by gender

- Female
- Male
- Prefer not to answer / non-binary

5%
46%
49%

Respondents by age group

Age group	Percentage
16-24 years old	2%
25-34 years old	19%
35-44 years old	39%
45-54 years old	32%
>55 years old	8%

5 leadership indicators

Distributive justice
Employees' perception on fairness and transparency in resource distribution

Procedural justice
Employees' perception on clarity and transparency of procedures for assessing and rewarding performance

Diversity climate
Employees' perception on whether commitment to diversity and inclusion are upheld

Interpersonal justice
Employees' perception on the culture of respect and empathy in interpersonal interactions

Informational justice
Employees' perception on timeliness and transparency of communication

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