BRANDES INSTITUTE

Building Trust

The second article in the Brandes Institute series "Are Virtual Meetings Here To Stay?"

After a year of "working virtually," this series of articles examines potential benefits to staying virtual in some aspects of investment group decision-making.

BY DR. FRANK MURTHA AND BARRY GILLMAN, CFA

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Trust is central to most of our decisions and our relationships. In the investment world, trust between the asset owner and manager is crucial. And within any decision-making group, trust between its members is essential. Trust is hard enough to build in person, so how can we build trust levels in a virtual setting?

Peter Branner is CIO of APG Asset Management, the largest pension delivery organization in the Netherlands. He notes that trust is built over time when meeting in person, so going virtual is fine when working with those you *already* trust. But a new relationship that starts virtually may make it harder to build trust, whether this is with a manager or new committee or staff members. One innovation he has introduced within his organization is the "virtual coffee break," where staff can chat together with a no-business agenda. "It's important to build a psychological safety net," says Branner. "Virtual meetings work better when there's that comfort level with other participants."

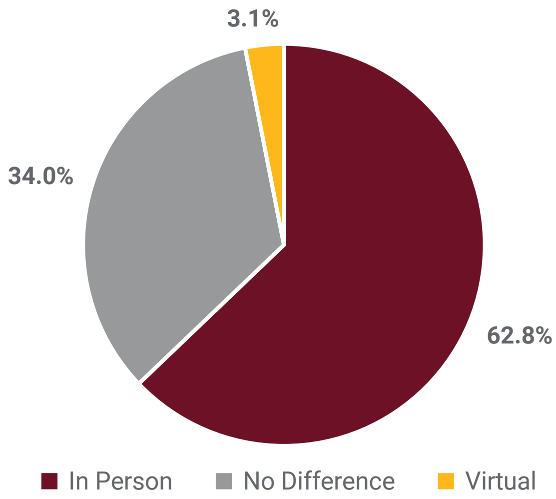
Some elements of trust build over time through observation of others' behavior. Are they consistent in their beliefs and attitudes? Are they honest? Respectful of others' views and time? Can they keep confidences? We can make these observations in person or virtually, so this should not be a problem in either approach.

The issue with virtual interaction is that it places restrictions on the more intuitive ways we build trust. Body language is a good example. How do others react when they're speaking? Studies have shown that trust builds fastest between people with common acquaintances, tastes and interests. Even better if there's a recommendation of the "new person" by an already-trusted friend. But without those in-person elements at gatherings, these aspects of a trusting relationship may be much slower to build.

"It's important to build a psychological safety net," says Peter Branner, CIO of APG Asset Management. "Virtual meetings work better when there's that comfort level with other participants."

This is confirmed by our survey results, with respondents overwhelmingly preferring in-person meetings in the context of building the elements of trust. Almost two-thirds voted for in-person and only 34% for virtual! See the chart below. (The Brandes Institute Survey has so far been completed by 96 investment professionals worldwide, including asset owners, managers and consultants. The full report on survey results will be sent to those respondents who included their email. To submit, please go to SURVEY.)

PREFERENCES FOR BUILDING TRUST IN MEETINGS



Source: The Brandes Institute, as of 5/4/21

BUILDING TRUST IN VIRTUAL MEETINGS: DR. MURTHA'S PERSPECTIVE

"What's the matter? Don't you trust me?" Has someone ever said that to you? How did it make you feel? My guess is "uncomfortable." For one thing, it's pushy. But more than that, the question itself just doesn't *feel* right. Trust is not such a simple "yes" or "no" issue. It's actually a complex and multi-dimensional construct.

SSGA/Wharton[1] found three types of trust in financial advisor-client relationships. These have broader applicability, as well:

Type 1) Expertise trust (competence, excellence);

Type 2) Ethical trust (truthfulness, integrity); and

Type 3) Interpersonal trust (warmth, rapport).

Each type is critical to productive relationships, but on its own, insufficient. Think of trust as a three-legged stool upon which all productive relationships rest. In today's (tomorrow's?) virtual environment when building trust is especially challenging, we should take affirmative steps to cultivate all three.

THEORY TO ACTION: DR. MURTHA'S PRACTICAL TIPS TO BUILD TRUST IN VIRTUAL MEETINGS

1. **Promise and deliver.** Trust is earned, especially in new relationships. We earn it by demonstrating consistency between what we say and what we do. Promise (or simply state) that you will take a certain action and then be sure to take it—exactly as you said you would. The more specific, the better (i.e., "I will email you tomorrow by 9 AM" vs. "I will email you later.") Do this regularly. *(Type 2, Type 3)*

2. **Demonstrate expertise.** Your clients, colleagues, boss all want you to be an expert. That's why they hired you. As such, actively affirm that expertise by sharing the advanced knowledge you possess (e.g., statistics, research, historic comparisons, articles). This need not be done in a self-aggrandizing way. Simply be sure to offer your relevant insights. *(Type 1)*

3. **Be seen.** Keep the camera on. We all have reasons for wanting to turn off video. Window glare, distractions in the background, a bad hair day. Resist this urge. It diminishes the sense of connection needed to build trust and instinctively provokes trust-eroding suspicions (e.g., "Are they hiding something?" "Are they even listening to me right now?") *(Type 2, Type 3)*

4. **Affirmative reactions.** You may be paying attention during virtual meetings, but not fully reaping the benefits of trust. When others make good points, give a thumbs up, a nod, a verbal statement, (e.g., "Exactly!") It does three important things: 1) shows you care enough to listen, 2) demonstrates respect, 3) makes people feel appreciated and valued. We reap these team-building benefits naturally in person. Virtual meetings require a more concerted effort. *(Type 3)*

[1] State Street Global Advisors and University of Pennsylvania special report. "Bridging the Trust Divide: The Financial Advisor-Client Relationship." 2007.

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