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## In Denmark We Trust: What Leaders Can Learn From The Nation With The World's Confidence

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The global perception of the image of the United States has slid into further decline according to recent results reported by Transparency International's Corruption Perceptions Index. This year's index, which surveys global perceptions of corruption throughout the world, showed that the image of the United States deteriorated to a score of 7.3 (the lowest score since the survey began in 1995). Denmark retained the top score of 9.3.

The index ranks each country on a scale of one to ten; ten having high confidence in clean leadership and one being highly corrupt. (According to Transparency International, corruption is defined as "the abuse of entrusted power for private gain.") Every year, the index is updated to give insight into the current state of peoples' views on the integrity and risk exposure of the political and business environment of each country.

[U.S. Corruption Ranking Slides as Confidence Wanes](#) read the headline on *BusinessWeek's* website late last October. While almost every U.S. citizen knew that the adverse effects of the recession went far beyond



monetary considerations, this article was a powerful and disturbing reminder.

The results raise a number of questions. How did Denmark achieve such a high rating? Why did the U.S. score drop? Was it because of the recession? Or did the decline in trust cause the recession? Most importantly, what can those in leadership roles learn from Denmark's success in developing a culture of trust?

### **The Cycle of Stability, Sustainability, and Trust**

Denmark's success in being globally recognized as having little to no corruption is due to an ongoing cycle of stability, sustainability, and trust.

Stability, in the broad sense, can be examined in terms of Denmark's political, social, and business environment. Denmark has comfortable living standards and provides many benefits to its citizens, rather than to just powerful interest groups. The resulting social and political stability in turn supports a favorable business climate.

As seen in the diagram, stability that is sustainable creates trust, but trust is also a precondition to develop a high level of stability. Consequently, when the process functions correctly, it causes an upward spiral effect where all three elements continuously grow in the political, social, and business sectors.

Sustainability is a hallmark in Danish business and government. There is an emphasis on achieving long-term goals instead of relentless pursuit of short-term profits. One example of Denmark's approach can be seen in the energy sector. Since 1990, Denmark has grown its economy by forty-five percent while energy consumption has remained nearly constant. By setting goals for energy efficiency and renewable energy industries, Denmark incurred costs in the short run that paid off in the long term. Today, renewable wind energy (produced both on land and offshore) accounts for nineteen percent of total electricity production in Denmark, compared to about 1.3 percent in the U.S.

### **Finding Balance in a Winning Culture**

Whether it's generating huge gains for share holders or just winning a baseball game, the U.S. places a cultural prioritization on winning. Rightfully so, many citizens take pride in winning. This can lead to remarkable gains and extraordinary accomplishments. But, if not managed correctly, it can also lead to long-term consequences which manifest when winning isn't balanced with stability and sustainability.

In American business, winning often takes the form of next quarter's earnings report rather than developing solutions for several years down the road. However, short-term solutions rarely solve long-term problems. When combined with government policies that subsidize this behavior, they produce unsustainable outcomes, which in turn can erode trust and stability and cause a downward spiral.



In recent years we have witnessed this familiar pattern of short-term winning at the expense of long-term losing in the U.S. automobile, banking, insurance, and real estate sectors. General Motors chose to focus on big cars and SUVs that produced profits earlier in the decade but nearly drove the company into the ground when fuel prices went up and a recession took hold. The U.S. government added to this vicious cycle by giving GM a multi-billion dollar bailout. By rewarding GM's behavior, the government has removed any accountability on the part of GM and increased the cynicism of smaller businesses and taxpayers who ended up footing the bill and see this as crony capitalism for a well-connected company.

The financial meltdown provided even more dramatic evidence of this phenomenon. Soaring housing prices, spurred on by low interest rates and easy credit terms, produced big earnings for banks and other financial institutions until the bubble burst and they were left with toxic assets. Confidence dropped in the U.S. due to failure to avoid, minimize, and control this financial crisis. In an immediate effort to rescue the economy, the government provided financial bailouts for the big players such as AIG and Citibank. However, this was not an adequate solution to establish long-term stability and sustainable development. It only had a short-term positive impact for the select few companies (those too big to fail) that received the bailout. This short-term benefit runs out as soon as the cash disappears.

Furthermore, by simply shifting bad debts from the private sector to the government's balance sheet, these policies do nothing to promote accountability or discourage reckless behavior in the future. Instead, it appears that the government is giving the banks the gold and everyone else the shaft. As a result, the U.S. deficit has bulged and the taxpayers who are saddled with these costs increasingly see the government as a feckless accomplice.

### **Restoring a Culture of Trust**

The best way to reduce the perception of corruption and restore a culture of trust in the U.S. is by developing a mindset of transparency and accountability. This has less to do with meeting financial expectations and goals, and has more to do with restoring credibility and the human connection. On the national level, this means government policies that benefit the broader public rather than small, powerful interest groups like banks or insurance companies. This approach would reduce cynicism and promote accountability in business instead of rewarding risky behavior. Similarly, corporate leaders must be more open and accountable to both shareholders and customers, and not just rely on political connections and government bailouts.

The other major challenge for the U.S. is sustainability. Both business and government need to focus more on the long term instead of the next quarterly report or election cycle. Immediate costs must sometimes give way to larger goals, as Denmark showed in its energy policies. Whether it is dealing with the financial crisis or the massive government deficits projected over the next ten years, the U.S. must make decisions that will cause short-term pain for long-term gain. Failure to think long term is no longer an option.

The U.S. plays a crucial role in the global economy and needs foreign investment in U.S. companies. Perceptions of corruption due to short-sighted policies will only exacerbate the weak economic recovery. Of



course, no change on the national level will happen overnight, but the time to start is now.

### ***About Keld Jensen***

**Keld Jensen** has more than 20 years experience in international management, negotiation, and communication from his post as managing director of a listed Scandinavian company. As Chairman of the **Centre for Negotiation** at the **Copenhagen Business School** (one of the world's top business schools) he teaches Business Administration, Management, and International Negotiation. He also teaches at other prominent Executive MBA schools worldwide as a guest lecturer.

A prolific author, Keld's internationally-acclaimed book *Negotiating Partnership* has been translated into four languages and published in more than 28 countries. He also writes feature articles for the national and international media and appears in the broadcast media as a highly-regarded commentator on international business issues. He is a frequent speaker at conferences around the world and has worked with numerous global businesses in a training and consulting capacity.

Please help Keld measure trust in the business community by taking his **State of Trust Survey** at <http://www.keldjensen.com/research.html>.

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