

# Can Trust be Saved?



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American business is facing a crisis of trust that reaches beyond this year's board-room scandals. From entry-level cubicles to corner offices, workers are fearful, unconfident and disloyal, and corporate performance is suffering.

Readings of employee trust over the past decade should sound an alarm for all managers:

- surveys suggest that more than half of employees questioned their boss's integrity<sup>1</sup>
- 43% of employees were cynical and mistrusting of both management and coworkers<sup>2</sup>
- more than half of 2,000 workers surveyed by Bain & Co. say their company does not deserve their loyalty, a direct product of trust<sup>3</sup>
- of 13,000 workers surveyed in 2002 by Watson Wyatt, more than 3 out of 5 distrust senior leaders at U.S. Companies<sup>4</sup>

This troubling level of distrust and discontent is part of the fallout from events shaking U.S. corporations: unethical and illegal executive behavior, repeated downsizing and re-engineering, and huge salary disparities between top and lower levels. Because employee trust is tied directly to corporate performance and is so important for organizational success, building trust is a critical issue for managers today.

## Distrust Destroys

Trust that has eroded or, in the worst case, is simply not there carries a huge cost. Distrust takes workers' minds off performing and innovating and shifts their focus to competing with each other and trying to deceive management.

Distrust in corporate cultures<sup>5</sup>:

- breeds secrecy and duplicity
- saps synergy and the desire to collaborate
- causes communication to be guarded or ambiguous, distorted and difficult to understand, at best, and, at worst causes communication to cease altogether
- stops the free flow of information as needed knowledge gets hoarded
- encourages workers to lie, even about trivial things, because they fear the results of telling the truth – and in punitive environments, they are rewarded for lying when expected punishment is avoided
- triggers a lot of politics, maneuvering, denial and defensive behavior as personal agendas win out over work goals
- results in people finding it hard to focus in a distrusting “me-against-them” environment, and performance sinks
- exhausts people and wastes time, money, and talent.

## Diagnosing Distrust

How can you tell if trust is missing among your employees? There are five key symptoms:<sup>6</sup>

- Opposing coalitions develop as distrust divides people
- Complaining and finger-pointing
- Combative behavior under the guise of playing devil's advocate
- Protracted debate over even minor decisions
- Ever-changing decisions

These frustrations soon result in suspicion, unresolved disputes, forgotten commitments, unclear agreements and missed deadlines. In turn, these cause blame, gossip, resentment and frustration.<sup>7</sup>

## What Is Trust?

Trust is a firm belief, reliance or confidence in a positive quality of a person and in that person's actions, decisions and statements. The development of genuine trust happens in stages. Little by little, your followers see your behavior confirming their best hopes for how you would behave. Trust is first built on your *actual* behavior, not on what you wish, plan or say you will do.

The three levels of trust are deterrence-based, knowledge-based and identity-based. The most elemental is *deterrence-based* trust. This is the trust others have in you because workers are aware that you fear punishment if you don't act in a trustworthy way. Although this form of trust is the basis of many commercial transactions, it can't support the relationships leaders need with their followers.

*Knowledge-based* trust is the next-highest form and comes from rational decisions your followers make to trust you or not. These decisions are based on “good reasons” to trust you: clear evidence of your history of consistency, dependability, competence, honesty, integrity and promise-keeping. Leaders can earn this type of trust by ensuring that their behavior meets these standards in every interaction.

*Identity-based* trust is the most advanced form of trust. It is built on knowledge-based trust and arises in relationships in which the leader and followers share commonly and deeply held ideas, values and goals. Leader and followers know each other so well that they can often act for the other and respond in the way the other would. This form of trust lives in close friendships and good marriages but it's also possible to achieve in business – and it provides for exceptional working environments. Leaders who earn identity-based trust do so by showing a sincere, deep emotional investment, care and concern for followers. Herb Kelleher, former CEO of Southwest Airlines, is a good example of a leader who earned this level of trust through years of positive personal contact with his employees.

3 out of 5 workers in U.S. companies distrust their senior leaders...

## Trust Catalyzes

Workers' trust in their leaders really matters, and its impact goes directly to the bottom line. A remarkable survey of small- to medium-sized businesses conducted by *Success Profiles*, indicated that "organizations where workers had low to average scores in confidence and trust in their leaders showed moderate growth in revenues, around 30 percent over two years. But organizations with above-average scores, in other words, ones where employees really had faith in their leaders, grew at an astonishing 95 percent over the same period."<sup>8</sup>

Investments in trust provide enormous returns in performance, commitment, loyalty and decreased costs. Research with high-performance teams and members of winning collaborative efforts indicates that much of their success springs from high mutual trust.

For example, "of the two NCAA basketball teams indicating the highest levels of trust for their coaches, one was the top team in the nation for much of the season and the other played in the final NCAA championship game."<sup>9</sup>

"In contrast, the team that reported the lowest level of trust won only 10 percent of its games, and the coach was subsequently fired at the end of the season. One of the players mentioned that, once trust was established, 'the progress we made increased tremendously because we were no longer asking questions or were apprehensive. Instead, we were buying in and believing that if we worked our hardest, we were going to get there.'"<sup>10</sup> Increased trust for the leader is a result of successful past performance and powerfully determines future success.

Trust in leaders also ties in directly with worker commitment – a quality more important than ever as the rules of business conduct become less clear and employees are expected to act quickly in response to changing demands. In addition, workers who have high levels of trust for their leaders are more likely to stay with the company. Employee commitment has been shown to explain more than 34 percent of employee turnover. Because turnover is costly – adding up to an estimated one to two times the departing worker's salary – enhanced employee commitment can reduce HR costs and improve a company's financial health.<sup>11</sup>

Employees who have strong feelings of trust in their leaders also have increased loyalty, which, has been linked to an estimated 11 percent boost in productivity.<sup>12</sup>

**Strong feelings of trust in leaders is linked with an 11% boost in productivity.**

Such loyalty is reflected not only among employees, but also in the loyalty customers feel for the business. Loyal employees, who have contact daily with customers and vendors, create feelings of loyalty up and down the value chain and contribute to their company's competitiveness, especially when loyalty and trust are needed most – to secure a deal.

Positive relationships with customers and vendors improve loyalty and reduce costs by increasing the efficiency of transactions. Frederick Reicheld, author of *Loyalty Rules*, notes that "it is impossible to have customer loyalty without loyal employees – to actually take action, the place leaders need to start is with employees – it is through their employees that leaders are going to change the customers' experience." Such loyalty is the product of trust.

## Building Trust

Leaders who want to build trust should focus on their own behavior, decisions, statements, and attitudes. The top nine trust-building areas to concentrate on are:

- **Integrity**, the quality most admired and looked for in superiors – evidence that your internal values and ethics mirror your external behavior.
- **Consistency and reliability** – you do what you say you will do.
- **Competence** – you demonstrate that you can get the job done.
- **Promise- and confidence-keeping** – you keep your word and hold confidential material to yourself.
- **Truthful communication** – you honestly and openly share information as much as possible.
- **Trust and respect** of others – in turn, your leadership will be trusted and respected.
- **Personal responsibility** – you blame no one else for the results of your actions.
- **Fairness** – not that you treat everyone the same, but that you deal with all according to consistent principles of fairness and equity.
- **Care and concern** – you show genuine care for your people, concern for their welfare and development, and want what is best for them.

Leaders who consistently act in these ways earn their followers' trust and support. Their efforts can unleash the organization, enable synergy, and greatly improve performance. Leaders who earn and build trust can give their people confidence and enthusiasm to follow their lead.

*(Citations available online at LRC website)*

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