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ORGANIZATIONAL TRUST

What Does It Mean? Why Does It Matter?

“Trust men [and women] and they will be true to you; treat them greatly and they will show themselves great.”

—*Ralph Waldo Emerson, American author and poet, 1803–1882*

When one of our long-term clients asked us to go to Seattle to meet with the leaders of their newest division, we frankly were surprised. The formation of the new division had been part of a massive strategic planning effort to locate research and develop capacity for the company’s medical products line near other important company operations. The division leaders and engineering personnel had been hand-picked from highly successful development teams throughout the company. The fact that several key personnel were asking to return to their previous assignments did not make sense. We met first with division manager, Larry Reynolds, who was highly regarded for leading several product introductions resulting in record-breaking sales.¹ Larry was baffled and somewhat angry about the vocal resistance to the direction he was trying to take the division. After we talked with the engineers who had publicly stated they wanted to leave, the issue became clear. The engineers did not trust Larry knew what he was doing. They trusted Larry as an individual but not his expertise to develop the new product lines. They agreed he had been extremely successful with past product introductions but believed they knew more about the future direction

medical products should take. They claimed he would not listen to alternative approaches or attempt to agree on a common vision. They did not want to risk their careers in this new venture and were trying to find a way to get corporate management to listen. They had succeeded.

Our experience with Larry Reynolds and his engineers focused our thinking around the importance of trust and the need to help our clients understand trust building as fundamental to their success. Larry Reynolds was on the verge of failing, and he didn't like it one bit. And Larry was no different from countless other people with whom we had worked. Most books don't start with the notion of failure. But that is where we are going to start. Unfortunately, Larry Reynolds and his engineers are not unusual examples of what happens when trust begins to break down. Larry's experience happens daily in hundreds, even thousands, of organizations. As a result, we believe if you read only one leadership, management, communication, or business book this year, it should be this one. We know from our experience that many people are like Larry. While they in fact can be trusted, they are not naturally trust-builders. The trust-building model we present in this book is practical and research tested in over sixty organizations throughout the world. Some say the model is common sense, but we know it is uncommon practice.

Wayne Hutchens, president of the University of Colorado Foundation, has a saying that fits what we know about trust in organizational life. Hutchens, in talking about the importance of focus, says, "The main thing is always the main thing." As you read this book, we hope to convince you the *main thing* is trust and this main thing is fundamental to building and maintaining successful organizations. So, yes, in this chapter we begin with failure—distrust and betrayal—and its costs. We describe common myths about trust, when believed, contribute to distrust in organizations. We talk about the concept of organizational trust and why it is the "*main thing*" for organizational excellence.

Finally, we explore how we begin to develop trust traditions and how we make decisions to trust.

The High Cost of Distrust

“Trust dies but mistrust blossoms.”

—*Sophocles, Greek playwright, 496–406 B.C.*

The engineers’ distrust of Larry Reynolds’ competence when it came to introducing new medical products was close to derailing the overall success of the division. The company was about to pay a high price for not recognizing the negative ramifications of distrust and why it occurs. Unfortunately, often this type of distrust is easier than trust in many relationships. There are no surprises, no need to feel vulnerable, and no disappointments. I may feel disgust when you break your word, but I won’t feel betrayed because I expected you to fail me. Distrusting relationships are characterized by low interdependence; I simply won’t depend on you because I don’t think I can and I don’t want you depending on me. I don’t listen to your ideas because I don’t expect them to be worth it. I don’t expect you to produce anything of special worth, and I would not believe it if you did. Chances are we will never work together very effectively.

The global financial crisis that began in 2008 produced a history-making example of distrust, a situation we describe as a sweeping and almost unprecedented “trust crash.” The bond between creditor and borrower is built on trust and believing in one another. Indeed, the word credit originates with the Latin term, *credo*, meaning belief.² Few would disagree distrust has replaced trust for many if not the majority of financial institutions. One banker with whom we work summed it up, “I never thought I would have to tell customers we are local, not tied in with the big guys; we are not taking any federal bailout money, and we aren’t giving bonuses to our executives. Just months ago,

being small and local was a disadvantage. The distrust has fractured relationships for years to come. Now people distrust us for no reason. We have to work hard to get them to trust us just because of what others have done.” Distrust can have the following high costs for any organization.

Distrust Contributes to “We Versus Them” Behavior

“I know my work group is producing, but others aren’t. We won’t share how we solved the problem because we will look better if we win. You can’t trust others to give credit where it is due. It is hard enough to trust those immediately around me, so don’t ask me to trust people I don’t know.”

Over the years we have worked with IT departments in many companies. In several instances we have observed a “we versus them” conflict between IT development and operations groups. Developers are responsible for creating the technical architecture required to build websites, databases, and other IT systems. Those in operations support these systems so that customers can use what has been built by developers. This delineation of roles makes sense. Developers spend their time creating new systems, and those in operations provide support for these systems to internal and external customers. Yet, in practice, there are often significant issues of distrust between these two groups. Often this is the result of how performance is measured. Developers are most often rewarded for meeting deadlines, while those in operations are evaluated based on reducing system down-time. Developers have frequently reported to us they don’t give operations people all of the information about a system because they don’t believe they have the expertise to understand the nuances. When a system has bugs or, worse yet, crashes, it is a top priority for operations to find a solution. They frequently distrust developers whom they believe did not give them adequate system information and are not motivated to help because of the need to abandon new projects in an effort

to solve problems for something already in use. This is a classic example of a “we versus them” approach leading to distrust.

Distrust Lowers Employee Desire to Contribute to Productivity Goals

Employees have expectations when they join an employer, often unwritten but important perceptions about what they can expect. Beliefs about job security, benefits, and concern for employee welfare, communication, and treatment from management all contribute to trust expectations between employees and employers. When employees believe their employer is either overtly or marginally “breaking” the expectations, many, if not most, employees cease to make extra efforts to produce. Downsizing is a perfect example of an organizational action strongly impacting trust and “breaking” expectations. The data suggest downsizing often leaves behind a workforce that is demoralized, angry, and discouraged. More important for the long-term viability of the organization—survivors often are cautious, unwilling to make decisions or take risks, and lacking in energy and commitment. A study by the American Management Association found 40 percent of organizations reported productivity had fallen after downsizing, and 18 percent reported quality had suffered. Morale was hit even harder: 58 percent said morale had decreased, and 37 percent of organizations reported employees were more difficult to retain.³ When employees no longer trust their employers, even rewards such as pay raises or promotions will not easily restore trust.⁴

Distrust Breeds Fear and Destructive Behaviors

When managers fear what is going to happen from top leaders, when employees fear their supervisors, when competitor performance generates fear, or when the unknown simply paralyzes decision making, bad things happen. Individuals differ greatly in their responses to fear. Some attempt to get even or engage in

revenge, while others retreat from the situation and avoid solving problems. Hidden agendas, dishonesty, gossip, conflict, and denial flourish. The organization loses opportunities to solve problems.

We return to the global financial crisis as an example of unprecedented fear generating destructive behaviors. We confirmed our understanding of the crisis by talking with U.S. and international experts to help us understand the underpinnings of the fear associated with the financial crisis. We first talked with Jim Paulsen, chief investment strategist for Wells Capital Management, when he came to Colorado Springs for the Southern Colorado Economic Forum.⁵ Since 1983, Paulsen has been a frequent national commentator on a wide range of financial issues. Paulsen said to us and others attending the forum, “Fear itself, more than fundamental problems, is causing the crisis. Fear comes from the absence of trust. . . . We are running people out of business by fear.” He went on to assert, in his opinion, not one of the financial markets in 2008 was trading on fundamentals but they were, instead, trading on emotion and fear. Paulsen described the need for U.S. political leadership to sell the \$700 billion relief package (TARP) to the public. To do that, leaders were forced to say the country was financially going under if the package did not pass the U.S. House and Senate. The President and Congressional leaders had to generate yet more fear in order to pass the package, resulting in the worst confidence crisis since the depression and the perception that we as a nation were without competent leaders. Paulsen’s remarks reminded us of Barry Glassner’s description of U.S. society in the 21st century as becoming a “culture of fear.”⁶

Paulsen was not the only one making this argument. On October 1, 2008, *New York Times* columnist and best-selling author, Thomas Friedman, wrote about being frightened for his country only a few times in his life:

“In 1962, when, even as a boy of nine, I followed the tension of the Cuban missile crisis; in 1963, with the assassination of

J.F.K.; on September 11, 2001; and on Monday, when the House Republicans brought down the bipartisan rescue package. But this moment is the scariest of all for me because the previous three were all driven by real or potential attacks on the U.S. system by outsiders. This time, we are doing it to ourselves. . . . I've always believed that America's government was a unique political system—one designed by geniuses so that it could be run by idiots. I was wrong. No system can be smart enough to survive this level of incompetence and recklessness by the people charged to run it. . . . This is a credit crisis. It's all about confidence.”⁷

In late October 2008, we traveled to Granada, Spain, for the global SIETAR Congress. Discussions of the financial crisis were front and center. Nigel Ewington, founding director of both TEC International Diversity Management and WorldWork Ltd., predicted a “downward spiral of trust in business leadership because of the present global situation.”⁸ Another WorldWork, Ltd. director, Richard Lowe, was even more specific. Lowe claimed, “The current global financial crisis is destroying trust. Rebuilding trust will become a major priority.”⁹ He went on to contend, and we agree, there will be less transparency during the downturn as senior managers keep to themselves when planning for an uncertain future. A Weber Shandwick/KRC Research survey released in November 2008 in *USA Today* supported our concerns. When asked whether company leaders communicated with employees about how the current economy might affect their organization, 70 percent said no, 1 percent did not know, and only 29 percent responded yes.¹⁰

During the fall, 2008 U.S. election season, one of us received a direct mail piece that summed up the trust crisis, “You know you can't trust these guys—Wall Street, Lehman Brothers, AIG.”¹¹ For us, Sasha Abramsky, a journalist and lecturer at the University of California–Davis best describes what can happen when fear replaces trust: “In a world of panic responses, economic downturns can all too easily morph into full-scale calamities.”¹²

Distrust Makes Crises Worse

Trust is difficult to regain once lost, and a crisis provides no time for repair. The examples from the financial crisis are multiple. However, they are by no means unique. When a chief executive officer attempts to explain a major product failure or a poor financial performance, distrust among customers or shareholders causes suspicion to rise. People are more likely to pursue litigation following a crisis when they distrust what they have been told or experienced. This is particularly true in the physician-patient relationship. A number of studies note that poor communication and a lack of trust are more likely to lead to malpractice litigation than a doctor's performance—even when something has clearly gone wrong and it is the physician's fault. In one study of malpractice depositions, communication and trust breakdowns between the physician and the patient were noted in 70 percent of the cases. Doctors with no malpractice claims against them used a variety of trust-building strategies, including checking for patient understanding, educating patients about what to expect during their visits, and encouraging patients to talk.¹³ Clearly distrust in the physician-patient relationship was a significant factor in escalating a medical error into a malpractice suit.

Distrust Is Expensive

Most would agree the U.S. Sarbanes-Oxley Act with its myriad of financial compliance obligations costs money and is fundamentally related to breaches of trust.¹⁴ Monitoring and surveillance systems, highly prescriptive contracts, extensive rules and regulations, low supervisor to employee ratios, and a host of other organizational processes require substantial resources both human and financial. In one way or another, these business decisions or processes are reflective of distrust.

We are not arguing that distrust always is wrong, but that it is fundamentally more expensive than trust. And we believe

distrust is present, at least in part, because of our tendency to buy into an array of myths about the nature of trust.

Myths About Trust

All of us have assumptions about trust. Some of us trust almost everyone. Others trust few. The pitfalls of our assumptions usually become obvious only after unpleasant experiences. We suffer a breach of trust. We at first don't trust someone who turns out to be a star performer and, in turn, that person distrusts us because of our initial discounting. Most of us don't think consciously about building trust or distrust as a part of our daily activities. But our own false assumptions and collective myths about trust unconsciously affect all that we do in organizations. The following trust myths illustrate our point.

A widespread belief suggests that *trust matters but there is little we can do about it*. This book will challenge that myth by providing concrete ways for individuals and entire organizations to become trust-builders. You will learn from the successes and failures of leaders, and you will see what successful organizations have done to increase their trust profiles.

Many individuals know themselves to be trustworthy and expect others to trust them based on their own personal evaluations. The myth, simply put, is, *if I am trustworthy, others will trust me*. Our client, Larry Reynolds, was making that mistake with a group of skeptical and disagreeing engineers. They knew Larry was personally trustworthy but had real concerns about his competence in their new area of work. The trust gap was huge. Larry was making the mistake of thinking that, because his intentions were good, no one could misinterpret his behaviors.

It is hard to face the myth that *integrity does not equate to trust*. Integrity is fundamental for trust, but organizational trust requires a more sophisticated alignment among intentions, behaviors, and interpretations of behaviors. Organizational trust is a gestalt of organizational intentions and behaviors and the

interpretations of those intentions and behaviors. This alignment is neither simple nor common practice. There are often significant differences between intentions and how behaviors are interpreted. We refer to this difference as the *trust gap*. Organizational trust results from intentions, behaviors, and interpretations and, equally important, influences intentions, behaviors, and interpretations. The trust model we will present helps both individuals and organizations bridge the intentions-behavior-interpretation trust gap.

Describing Trust

“In the 1960s, if you introduced a new product to America, 90 percent of the people who viewed it for the first time believed in the corporate promise. Then forty years later if you performed the same exercise, less than 10 percent of the public believed it was true. The fracturing of trust is based on the fact that the consumer has been let down.”

—Howard Schultz, owner and current
CEO of Starbucks

So what is this “*main thing*” we are calling organizational trust? Definitions are numerous and they vary. Based on our experience and the research-based model presented in this book, we describe organizational trust as *the overarching belief that an organization in its communication and behaviors is competent, open and honest, concerned, reliable, and worthy of identification with its goals, norms, and values*. The following descriptors further clarify this definition.

Trust Is a Multifaceted Experience in Organizations

Most of us would agree with this concept. If we think about it, we recognize that we experience self-trust and distrust. We have

many types of individual relationships within the organization, ranging from peers to managers to top leaders. We work in groups and with networks of people we may or may not meet face-to-face. We work between organizations and with customers, vendors, and a variety of other stakeholders. We work within a broad societal framework that is growing more important all of the time with increases in global connections. All of these relationships are influenced in one way or another by trust.

Some of our trust evaluations come from direct knowledge and personal interactions. Others are drawn from knowledge that is indirect, impersonal, and based on affiliations or reputations. For example, when strangers from two different organizations engage in a business transaction and discover they both came from the same business school and have shared the same professors, they may be more likely to trust based on the generalized knowledge of shared norms, values, and behaviors from their educational institution. However, if one of the individuals had a bad experience with the school in question and the other a good experience, the contradictory perceptions may contribute to distrust.

Trust Is Culturally Determined

Because of this concept, universal laws regarding organizational trust are elusive. Much has been made over the last several years about the importance of organizational cultures. It is important, therefore, to realize that the context for organizational life is embedded within national and regional cultures. Organizational trust therefore is specific to the organization's culture but also to the dominant society and culture of which the organization is a part. We have worked as consultants in organizations all around the globe. During our travels we have discovered that trust-building behaviors are culturally dependent. Actions that enhance trust in one culture may have only

a negligible, or even a negative, impact in another country. In some countries in Europe, Austria, Germany, the Netherlands, and Switzerland, for example, we have discovered promptness and attention to detail are critical in building trust. Being late or being sloppy in the preparation of assignments indicates a poor work ethic and lack of professionalism. Those who do not follow these expectations may be viewed with distrust in these countries. We also have worked extensively in Italy. Here timeliness and a detail-orientation are valued by some, but have much less impact on perceptions of trust than in many other Western European countries. In Italy, as journalist Beppe Severgnini explains, “Obedience is boring. . . . [Italians] want to be treated as unique individuals.”¹⁵ Does this mean that Italians are less trustworthy than their counterparts in other part of Europe? Of course not; it simply means that the behaviors that contribute to perceptions of trust are different in Italy. Being late to a meeting may not lead an Italian executive to distrust a colleague, but an overly rigid approach, a lack of respect for culture, or poor manners may have a much more negative impact.

Trust Is Communication-Based

Perceptions of organizational trust result from acts of interpretation—in short, communication. What do employees think about the integrity of leaders during merger talks? Do stockholders believe leaders can be successful in increasingly competitive markets? How truthful is employee communication? The answers to these questions inevitably are interpretations based on experiences and perceptions of trust. It is through communication processes that individuals can describe an ideal organizational life. And it is against this ideal that they compare their current organizational experiences. When the gap is small, organizational members will report higher levels of trust, while a widening gap contributes to lower levels of trust.

Trust Is Dynamic

Trust can change rapidly based on circumstances and experiences. Trust is fluid. Anyone watching the aftermath of the failure to respond quickly to hurricane Katrina victims in New Orleans understood that agencies previously regarded as trusted to respond to emergencies came under rapid criticism, resulting in low-trust evaluations. Most claim trust is harder to rebuild once lost. However, it also is true that a long history of trust can assist when problems and crises confront either an individual or an entire organization. Just a year before the collapse of Enron, McKinsey & Company, one of the largest global management consulting firms, rated Enron (a McKinsey client generating more than \$10 million in annual revenues) as one of the best success stories in business. Even after the situation at Enron became apparent, there were still nearly thirty articles on the McKinsey website with favorable comments about the company. That all changed after the collapse of Enron. Today, McKinsey executives admit their reputation was “dented” by the Enron scandal, adding that the company can’t be right “every time” in evaluating organizations.¹⁶

Trust Is Multi-Dimensional

By this we mean trust has behavioral, cognitive, and emotional dimensions. Trust is a complex assortment of behaviors and actions (behavioral dimension), beliefs, intentions, motivations, expectations, and assumptions (cognitive dimension), and emotions and feelings (emotional dimension). Clearly, the behaviors of others impact our trust levels and whether we perceive others as trustworthy. When we catch our boss in a lie, our trust is diminished. We react at cognitive and emotional levels based on observed behaviors. Similarly, our own behaviors are interpreted cognitively and emotionally by others.

In one organization we encountered, there were two teams, each performing pretty much the same types of tasks. The team leader in one of the groups was highly interactive, walking the

floor on a daily basis and having frequent conversations with her direct reports. The other team leader was much less outgoing, often holed up in his office. He gave no specific feedback to his team, leaving those who reported to him wondering what they had done “wrong” and why their manager was not willing to talk with them. Although no operational problem occurred, the reticent team leader’s lack of interaction caused his direct reports to make negative cognitive and emotional assessments of their relationship. Ultimately, these negative thoughts and feelings that something was “wrong” led to distrust. By contrast, the communication behaviors (behavioral reaction) of the interactive leader resulted in positive cognitive and emotional reactions in her reports; they knew what was going on (cognitive reaction), felt good about their work and relationships (emotional reaction), and therefore trusted their leader more.

Continuums of Organizational Trust

In our description of organizational trust, we suggest that trust works on a series of continuums. The continuums we think most important are: (1) *distrust to optimal trust*; (2) *fragile to resilient trust*; and (3) *shallow to deep trust*.

Distrust to Optimal Trust Continuum

This continuum recognizes that most organizational members hold a mixture of trust and distrust in most situations, whether personal or business. And it is possible for trust to distrust swings on the continuum to be rapid and difficult to understand. Perceptions of costs, benefits, and risks in a given circumstance can move us from trust to distrust or vice versa. Part of consciously thinking about trust-building requires knowing where we individually are on the distrust to optimal trust continuum and speculating where important others are located during major decisions and change efforts.

Fragile to Resilient Trust Continuum

This continuum describes the staying power or lack thereof for trust. Resilient organizational trust happens when individuals perceive they share the same norms, values, and beliefs as their organization. In other words, they have strong organizational identification. On the other end of the continuum, fragile trust is more often experienced when individuals are uncertain how their own norms, values, and beliefs fit within the organization. Trust is hoped for, but not given without reservation.

Shallow to Deep Trust Continuum

Our final continuum relates to the amount of dependence and interdependence we have with others in the organization. If I am not dependent on you and don't need you to be successful, I may trust you, but the chances are we are on the shallow end of the continuum. I don't have or need enough interaction with you to move along to a deeper relationship of trust or distrust. If, on the other hand, I have information needs that only you can provide and my productivity is linked to yours, it is possible to say we are on the deep trust end of the continuum. I need to know where I stand with you and the reverse.

Organizations in the financial, automotive, and airline sectors exemplify the low end of the three continuums—distrust, fragility, and shallowness. As the airline companies have tried to cope with first increasing fuel costs and then a slowing economy, their responses to changing economic conditions have resulted in high levels of distrust on the part of employees and customers. As a case in point, pilots and their unions at two major airlines, American and US Airways, have complained privately and publicly the airlines were forcing pilots to fly uncomfortably low on fuel in order to cut costs. Pilots, flight dispatchers, and others claimed safety for passengers was compromised, while the Federal Aviation Administration said there was no reason to order airlines to back off their effort to keep fuel loads to a

minimum as a cost-saving strategy.¹⁷ US Airways pilots took out a full-page ad in *USA Today* to alert the flying public to this danger. Needless to say, airline pilots, other employees, and the public came to distrust the airline executives making and implementing the fuel load decision.

The 2008 meltdown in the financial sector produced a widespread trust crisis that significantly damaged perceptions of trust in a broad range of financial institutions from local banks to global investment firms. Trust in these organizations became so fragile that customers withdrew billions of dollars in deposits and investments from financial institutions such as Bear Stearns, IndyMac Bank, and Washington Mutual, believing their money would be safer if it were not held by these institutions.¹⁸ This far-reaching bank run only uncovered more violations of trust such as Bernie Madoff's more than \$65-billion hedge fund fraud, further shattering confidence among consumers.

Trust in the automobile industry has recently been characterized by shallowness. When the U.S. government first proposed a bailout plan in 2008 to provide financial assistance to the big three U.S. automobile manufacturers—GM, Ford, and Chrysler—a Gallup poll indicated almost half (49 percent) of Americans were opposed to the plan. In response to a later question regarding the bailout, only a slight majority (56 percent) supported providing government assistance, even if one of the big three was ***certain to fail*** without such assistance.¹⁹ Seemingly 44 percent of those surveyed had such shallow trust in the U.S. automobile industry that they would be willing to allow a U.S. automobile manufacturer to cease production before they would be willing to invest American tax dollars to keep the company operating.

By contrast to the trust erosion in the airline industry, financial institutions, and automobile manufacturers, the retailer Costco is a good example of an organization on the high end of the optimal, resilient, and deep trust continuums. Jim Sinegal, co-founder and the long-time CEO at Costco, began his career at age eighteen unloading mattresses in a month-old

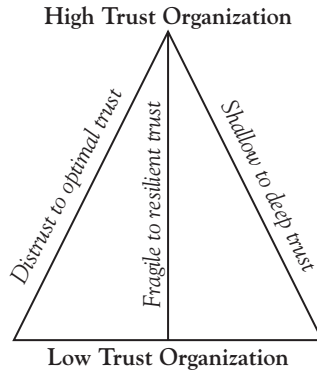
venture called Fed-Mart. After several acquisitions and start-ups, Fed-Mart morphed into Costco in the early 1980s. Today Costco is the fourth-largest retailer in the United States with some five hundred stores in thirty-seven states and eight countries and sales exceeding \$50 billion a year. Costco is a warehouse merchandiser in the mold of Sam's Club or Wal-Mart and sells everything from wine (more than any other single retailer in the world) and salmon fillets to flat-screen TVs and leather sofas. But while Sam's Club and Wal-Mart have been criticized for being driven strictly by profit, Costco has adopted a values-driven approach that has resulted in moving them to the high end of the trust continuums.²⁰

Costco's resilient trust is explained in part by employees' identification with a company that values their contributions. CEO Sinegal believes employees should be paid fair wages for their valuable contributions to the organization. In 2006, the average Costco warehouse employee earned \$17 per hour—40 percent more than the amount paid by other warehouse merchandisers. Costco also offered better-than-average benefits, including health care coverage, to more than 90 percent of its workforce. As Sinegal explained, there is a real business advantage in treating employees well. He calls his 120,000 loyal employees "ambassadors." These employees trust Costco and believe in its values. Because of this, Costco has the lowest employee turnover rate in retailing.²¹

Costco not only encourages interdependence among employees, but the company extends that value to customers and external stakeholders. Costco, for instance, has a trade-in and recycle program in which customers can turn in old electronic devices to be recycled when they purchase new ones. As a result, various stakeholders, including workers, report deep trust in Costco.²²

The Pyramid of Trust in Figure 1.1 illustrates how these three continuums converge to produce high trust. Conversely, when they diverge, trust is low.

Many of the descriptions of trust we have just provided can apply to either individuals or entire organizations. And in some

Figure 1.1 Pyramid of Trust

ways, the individual cannot be separated from the organization. However, the focus of this book is the organization and how individuals within the organization can consciously become trust-builders. Individual trust most often is built from personal experience. As stated earlier, organizational trust is a more complex alignment of multiple behaviors, emotions, intentions, and interpretations. Organizational trust is built from indirect and impersonal experiences. Organizational trust drives individual behaviors, which in turn become the creativity and productivity of the organization. We are convinced organizational trust is the “*main thing*” for overall effectiveness and the capacity to achieve organizational excellence.

Trust and Organizational Excellence

“The time is always right to do what is right.”

—Martin Luther King, Jr., *civil rights activist and*
1964 Nobel Prize winner, 1929–1968

Shortly after we finished the research for the trust model presented in this book, we were invited to speak to a convention of

personnel executives in Phoenix. We talked about the new trust model, with particular emphasis on why trust matters. The executives were amazed when we made what seemed to them strong and unsupported statements. We claimed trust is the *main thing* for organizational excellence. The evidence overwhelmingly supports our position. In sum, we were claiming trust is critical to bottom-line results, to how organizations “form” themselves, to the overall quality of work effort, and to how organizations learn.

Trust Is Fundamental for Bottom-Line Results

Numerous studies link trust and perceptions of integrity to bottom-line economic performance. Restaurants, sales forces, NCAA teams, and a host of other organizations all perform better when trust levels are high.²³ Stephen M.R. Covey has said trust is the one thing that changes everything. We agree. Covey describes the low-trust organization as requiring unnecessary duplication and bureaucracy. The low-trust organization is a political environment in which disengagement is common, turnover high, and fraud often prevalent. Covey reports high-trust organizations have increased value, accelerated growth, enhanced innovation, improved collaboration, stronger partnering, better execution, and heightened loyalty. According to Covey, “A 2002 Watson Wyatt study showed that high-trust organizations outperformed low-trust organizations by 286 percent in total return to shareholders (stock price plus dividends). A 2005 study by Russell Investment Group showed that *Fortune* magazine’s ‘100 Best Companies to Work For’—in which trust comprises 60 percent of the criteria—earned more than four times the returns of the broader market over the prior seven years. A PricewaterhouseCoopers study of corporate innovation among the *Financial Times* 100 showed that the number one differentiating factor between the top innovators and the bottom innovators was trust.”²⁴

Trust Impacts Organizational Forms

Our research and work with clients supports the claim that trust impacts the ability to create adaptive organizational forms, to form strategic alliances, and to work in effective virtual teams. Why? The answer is simple. Important organizational knowledge never resides only at the top. If we cannot delegate with confidence, we must create costly redundancy and reporting structures that lower efficiency. When we can't trust, autonomous, rapid response is impossible. Problems are not solved, opportunities are missed, costs rise, and effectiveness suffers. When we can't empower diverse organizational members to work across departments to move resources rapidly in support of collaboration, any matrix created to enhance creativity fails. And when there is no trust in an organization networked with strategic partners, the organization fails.²⁵

Trust Impacts Work Effort

When “a day's work for a day's pay” is tightly monitored, rarely does production exceed the expected standard. When laborers are given control over major aspects of their work, production frequently exceeds more highly supervised efforts. These findings are not new. We have ample evidence that being trusted to do a job independently creates more productive performance and change. In less observable and structured work, most agree trust has an even larger impact. The “doing an adequate but not outstanding” job is not readily measured or identified, but often is the difference between good and great organizational performance.

Trust Impacts How Organizations Learn

Creativity, innovation, and ambiguity offer major organizational opportunities. For creativity and innovation to flourish, people at all organizational levels must have the motivation to challenge conventional wisdom and push to change the status quo. Not surprisingly, creativity and innovation are likely to flourish in climates

of trust and to literally shut down when distrust is prevalent. In our work as consultants, we over and over again have encountered employees who knew their organization was in trouble but did not trust their input would be welcome or would make any difference. Silence was simply the safer course of action.

Trust Is The Main Thing

In their best-selling book, *Built to Last*, Jim Collins and Jerry Porras describe what they call successful habits of visionary companies such as 3M, American Express, Boeing, Disney, Hewlett-Packard, Nordstrom, and others.²⁶ Our research tells us that trust is pivotal to the Collins and Porras habits. Collins and Porras describe the building of lasting organizations with core values. They describe cultures with which employees identify over a long period of time and the selection of leaders who can support core values while articulating a clear vision and sense of direction. They describe visionary and futuristic thinking, not just superb daily execution. They describe staying power during change. The model we present in the next several chapters is designed to generate the staying power that only trust can generate. Our model is designed to help leaders establish clear yet ambitious performance goals resulting in superb execution while stimulating creativity and innovation for the future.

Trust Traditions: The Decision to Trust

“The best way to find out if you can trust somebody is to trust them.”

—Ernest Hemingway,

1954 Nobel Prize-winning author, 1899–1961

All of us bring extensive trust traditions to our organizational lives. Family, friends, school, early organizational experiences, media, and society in general all contribute to our individual and collective trust traditions. Most of us learn somewhere along the way

that trust comes with a price. The more we risk when we trust, the more vulnerable we become. The more we distrust, the fewer the surprises. We make decisions about whether to trust or not based on many factors, including our tolerance for risk and the relative power we have in a given situation. We make decisions to trust based on knowledge about others, past experiences, predictability and integrity, and the communication surrounding the person, issues, or events. We make trust decisions using direct experience and impersonal information. In major life decisions such as marriage or divorce, we may make a conscious decision about trust in a relationship. Far fewer of us recognize our daily decisions to trust or distrust, even though our trust decisions influence most of our other decisions and overall behavior. Organizational leaders make strategic decisions, changes policies and practices, and set performance goals without consciously thinking about trust implications. In the next several chapters we will describe how building trust traditions can positively influence decisions to trust. We believe the results will speak for themselves.

Chapter Lessons in Trust

1. Trust is the main thing.
2. Distrust has both human and financial costs.
3. It is a myth that we cannot do anything about trust—everything we do is about trust.
4. Trust is individual, organizational, and cultural.
5. Building trust is common sense but uncommon practice.
6. Trust is directly linked to organizational excellence.
7. Trust is linked to measurable organizational outcomes.
8. Building trust traditions pays dividends.
9. Trust-building is everyone's responsibility.
10. Your organization can become a trust builder.