

Trust

“Sustained business success requires hard, honest work. So does building and maintaining trust. And you won’t achieve that success – organisationally or personally – without trust.”

Andrew Lambert, Creelman Lambert.

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CORPORATE RESEARCH FORUM

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Trust

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Trust

Andrew Lambert

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Sheri Feinzig PhD
Director of IBM's Smarter
Workforce Institute

Foreword

At IBM's Smarter Workforce Institute, we have been researching trust in the workplace for many years. We understand how critical trust is to effective team and organisational performance and that's why we're delighted to contribute to this Corporate Research Forum report.

Trust is fundamental to the effectiveness of all social interactions, and is especially important between leaders and employees. Unfortunately, data show that in the UK, only two out of five employees trust their senior leaders. So how can senior leaders build trust?

Leader trustworthiness is characterised by three attributes: benevolence (do they care about me?), competence (can they do the job?) and integrity (are they honest?). Leaders who work on these three areas will likely see their trustworthiness ratings rise substantially, paving the way for improved business outcomes. On the other hand, when leaders focus on shareholders alone employee trust in senior leadership is essentially absent. In such organisations, only five percent of employees trust their senior leaders.

Our research has also found that trust maximises organisational performance in part by promoting cooperation and fostering an innovative work environment. In addition, trust in leadership is strongly linked to employee engagement. While recent expert opinions on employee engagement levels vary, our analysis shows that organisations regularly surveying their employees enjoy significantly higher engagement than those who do not consider the employee point of view.

Leaders are poised to have the greatest impact on their employees' trust. It's an effort worth making because trust is so critical to optimising the performance of the whole organisation.

Sheri Feinzig PhD
Director of IBM's Smarter Workforce Institute



Andrew Lambert

About the author

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Andrew is a partner in Creelman Lambert, an international research company focusing on the effective governance of human capital. He has been a management consultant for 35 years, leading consultancies responsible for developing the fields of employer branding and internal communications, and also headed corporate functions in two UK banks. More recently, as a former Director of the Corporate Research Forum, he has published research and guidance on areas such as the future of HR, people risk, employee engagement, performance management, HR evaluation and measurement, the management of coaching and mentoring, employee surveying, the management of global organisations, innovation and creativity, the impact of technology on learning and work, strategic workforce planning, and the role of HR in mergers and acquisitions.

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About CRF

Founded in 1994, Corporate Research Forum (CRF) is a membership organisation whose international focus is on research, discussion and the practical application of contemporary topics arising from people management, learning and organisation development. CRF has become a highly influential focal point and network for over 135 members representing a cross-section of private and public sector organisations.

- Its annual programme of research, events and publications fully reflects members' interests, in addition to the annual international conference. Side meetings and interest groups are also initiated to meet challenges that members might have.
- Contributors are acknowledged experts in their field with a worldwide reputation as leaders and innovators in management thinking and practice.
- Sharing and collaboration among members is a key feature of CRF's activities. We actively encourage networking at all events, and especially through member lunches and HR director dinners.
- CRF is led and managed by highly-regarded former HR professionals who have a passion for delivering excellence in the leadership and development of organisations and people.

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Executive Summary

What's the issue?

- 1 Trust is a fundamental factor in all human activity – the basis for sustaining relationships, and determining well-being. It is a pre-requisite for social cohesion, critical in forming and sustaining groups and organisations.
- 2 Trust is also the life-blood of business. The entire financial system rests on trust in value behind currencies, debt and equities. Organisations, leaders and brands survive in competitive markets only if they are trusted. Trust underpins strategic imperatives, including investment, performance and productivity, learning, talent management, business improvement and innovation.
- 3 Businesses and people have always had to work in a societal context in which trust issues abound. Healthy competition requires behavioural boundaries, shared norms and rules – in business as in sport. These are weak or absent among many of the world's states, political, racial and religious groups – competing for influence, economic advantage and scarce resources – generating tension and destructive forces.
- 4 Technological advance poses particular challenges for society and business. The new media revolution fuels powerful democratising forces, eroding traditional power bases and deference to authority, and exposing politics and business to 24/7, 360 degree scrutiny. At the same time, control systems are extending their reach beyond combating cybercrime to mass surveillance, and political and economic espionage. Businesses need to decide whether to have the kind of mature internal debate that politicians have so far failed to facilitate.
- 5 How are businesses doing in the trust stakes? Not particularly well, as evidenced by

- a continuing procession of scandals and failings across a range of public and private sector organisations – and implicating whole sectors, such as financial services, pharmaceuticals and energy
- low survey ratings for employee engagement and trust in leaders, the latter exacerbated by growing disparities in reward ratios and limited evidence of justification for top pay levels
- a growing debate within business about how malpractice is bringing the entire capitalist system into disrepute, loudly echoed by protestors against big global business dominance.

Getting a handle on trust

- 6 Our first conclusion is that too many organisational leaders have focused more on generating financial returns than building trust across the range of stakeholders. Some have favoured investors over customers and employees; others may just have been inattentive.
- 7 Secondly, we conclude that boards and top teams tend not to have a serious discussion about what trust means until they get into serious trouble. The level of understanding of personal and organisational psychology is often weak, and the practice of looking hard in the mirror does not come naturally. Also, many reach the top as a result of skill in politics and power games, and thence manipulating trust.
- 8 Yet there are organisations and leaders setting out their stall as genuine forces for good, in society and in business, echoing visionary leaders of the past. We highlight a number of case studies demonstrating this.

“Monopolies, oligopolies and state control can by-pass competitive forces, but do so at the expense of trust – with negative economic and social consequences.”

9 The challenge is to underpin fine aspirations with real understanding of trust and embedding this in all aspects of corporate behaviour and performance. To convince a sceptical world, responsibility has to be core, not a pretty CSR report and a bit of charity.

10 The first step is truly to understand the meaning of trust and how to translate this into individual and collective behaviour. The essence of trust is dependability and mutuality within relationships. In personal and business life, sustaining these is a daily struggle. Only by recognising the pressures deriving from ‘enemies of trust’ and focusing on the benefits of trust can wise choices be made. Trust is an emotion; it does not respond well to logic and management processes.

11 Interrelationships between trust and other important concepts need to be understood, for example engagement, respect, social capital, brands (including the employer brand), and contracting – in particular the psychological contract and employee value proposition.

Challenges and dilemmas

12 The report explores the role of essential organisational disciplines – such as governance, purpose and strategy, culture, organisation design and effectiveness, risk, and values and behaviours – in enhancing trust. It also considers the implications for people processes, including managing performance, reward, development and learning, talent management, recruitment and retention, succession and exiting people.

13 Challenges and dilemmas include managing tensions between transparency and security, competition and collaboration, growth and contraction, cost-reduction and innovation. Trust issues also occur in change, re-structuring and M&As, and in deploying technology and adapting to a digital world.

14 Ultimately, resolving these challenges is a question of leadership. Much focus is rightly placed on top leadership qualities and behaviours, especially the CEO. However, attention also needs to be given to the trust-related responsibilities, qualities and behaviours of

- boards, not least because they generally appoint and oversee executive leaders
- distributed leadership throughout the organisation
- functional leaders – HR and others – and their departments, who do much to shape policies and practices.

15 Our overall recommendation is for organisational leaders to demonstrate more awareness of the linkage between trust and their responsibilities to build lasting value and legacy, and to be held to account for this. Investors and other stakeholders should also understand what good trust building looks like, and include this in their dialogues with organisational leaders.

1

WHAT'S THE ISSUE?

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Introduction

This chapter explores why trust is important, both within organisations and for human relationships in general. It also summarises the current state of trust and the implications for organisations and HR.

“Trust is the glue of life. It’s the most essential ingredient in effective communication. It’s the foundational principle that holds all relationships.” **Stephen Covey, author**

1.1

Trust matters

Trust is a fundamental factor in human behaviour, and has also become a pervasive issue in society, organisations and life in general.

- If we have trust, we have the confidence to do things – from everyday actions to taking big decisions. And if we don’t, we hesitate. Or freeze.
- Trust is essential to forming and maintaining relationships.
- Losing trust erodes or destroys relationships. Once lost, trust is extremely difficult to regain.
- Most human activities require relationships for anything to be achieved.
- Trust is a core determinant of human well-being from birth to death.

In the last 20 years a growing body of writing and research on trust has been generated. However, despite the volume of good guidance, trust – particularly in relation to commercial organisations and public bodies – remains as problematic as ever. Trust is complex, can be hard to achieve and maintain, and is easily broken – often irreparably.

Our context is the organisation and the world of work. **Trust is a critical determinant of how effectively humans work together, achieve objectives and engage with organisations.** Organisations are social entities, and cannot be formed or function without trust.

In this report we delve into the issue of trust within organisations. We highlight the associated dilemmas and challenges, and advise what organisations, leaders, and HR can do to address them. We include a number of case studies illustrating some practical issues and how to tackle them.

1.2

Limitations and boundaries

What are the consequences when trust is low?

Tensions can build and lead to violence – from family, gang and tribal disputes to inter-country and global warfare.

The fundamental human need for security feeds into both a desire for relationships and competition for scarce resources which, when unbalanced, leads to power struggles between groups. Societies attempt to place boundaries around competition so that its negative consequences can be contained.

Edelman Trust Barometer

Here are some results from the 2013 edition of perhaps the best-known trust survey, sampled from 26k respondents across 26 countries.

- Trust in business leaders rates at 20% or below, eg 18% ‘telling the truth’.
- Trust in politicians and government is lower still, eg 13% ‘telling the truth’.
- Trust in institutions is higher – governments (48%), business (58%), media (57%), NGOs (63%).
- Trust varies considerably by nationality – Russia, Spain, Japan and Ireland are among the lowest.
- Overall UK/US trust levels were around 40% in 2011, but had risen by 2013 (UK – 53%, US- 59%).
- Trust in business sectors varies from 77% (technology) to 50% (banks/financial services – but UK 22%).
- Ordinary employees are more trusted as company spokespeople than CEOs.

In commenting, Edelman stressed the importance of engagement and integrity. “Companies, however ably or sincerely, that still operate by 2008 standards are missing opportunities to maintain and build trust among stakeholders.”

Values lost

The top accounting group Andersen Worldwide disappeared in 2002 having mishandled audits at Enron.

Ironically, founder Arthur Andersen was a legendary advocate of high accounting standards; a stickler for honesty in the face of any undue client pressures. For many years, Andersen's motto was "think straight, talk straight", and the firm led the way in establishing early accounting rules and good practice.

The rot set in during the 1980s when accounting firms began to grow their consulting arms – which grew profitability but eroded honesty (and Andersen's were to the fore in their commercial drive). The rest is history. Except that this phenomenon has not gone away.

UK – a particular case for improvement

In 2009 a Kenexa survey rated the UK 9th for engagement levels out of the 12 leading economies. ONS data listed the UK at 20% below the G7 average for productivity per worker, the widest gap since 1995.

- When trust is at rock-bottom, it becomes hard to agree what those boundaries are. Avoiding conflict has to rely on balances of power – for example, peace was only maintained through the Cold War by the threat of mutually assured destruction. That phenomenon persists today in tensions in the Middle East and Korean peninsula.
- Competition in business, as in sport, takes place within a framework of rules – however imperfect and in need of constant adjustment.
- When competition is 'healthy', it means in effect that there is sufficient trust in the rules and how rivals behave that one's well-being is not seriously or unfairly affected.
- When trust in institutions – societal, political, religious or business – is low, at best their effectiveness is compromised, and at worst they may cease to exist. Consider Arthur Andersen, Ratners Jewellers and the News of the World (see the column).

1.3

The state of trust

Vital as it is, the state of trust is not particularly healthy.

- While world war is not imminent, threats stem from a range of persistent lower-level conflicts. Religion in particular has become a trigger for security threats and conflict at a level not seen for centuries.
- Mistrust, envy and competition for finite natural resources mean humans are as far away as ever from finding solutions to protect the planet from environmental damage and resource depletion.
- Trust in political leaders in 'free' societies is generally at a historic low. In less free regimes, powerful leaders can command obedience through controls, inducements, and fear. When such regimes crack, the results are often messy.
- The internet and social media are providing, rapidly if chaotically, a new battleground for trust. Although they serve as a democratising force, shifting power from established institutions and media towards informal collective groupings, the behaviour of government security agencies and data-driven businesses raise serious issues about surveillance and data security.

This is the VUCA – volatile, uncertain, complex, ambiguous – context in which businesses must seek to survive and prosper, and which impacts trust.

“We are at a moment of greater transparency and of self reflection, in business and politics. But can we build on it?” **David Blunkett, MP and former Home Secretary**

1.4

Trust and business

How are businesses coping with trust challenges? Overall, the answer must be ‘not well’.

- The ‘anti-globalisation’ trend reflects antipathy to ‘big business’ and big brands.
- Financial services may underpin all commercial activity, but is currently ‘in the dock’ reputationally. Trust data saw a watershed low following the 2008 banking crisis. Yet, the misdemeanours keep coming – LIBOR, PPI and IT failures are recent examples. Other ‘villains’ include energy, pharmaceuticals, food suppliers and media organisations.
- The effectiveness of rules in restraining bad behaviour is hit-and-miss. Regulators themselves are increasingly under fire for ineffectiveness. For example in the UK the Co-operative Bank crisis exposed the system for approving executives as a tick-box sham.
- Financial privations have fuelled anger about widening gaps between haves and have-nots. Prominent executives are in the frame for abuses of pay-for-performance expectations and favouring owners and investors ahead of other stakeholders.
- This has culminated in debate about threats to capitalism, exacerbated by perceptions of business leaders’ malpractice, being out of touch, and focused on short-term results.

What about trust **within** businesses? The two most prominent yardsticks are leadership and engagement surveys, both of which usually contain trust questions. Let’s just say that the median results for both are not what any self-respecting organisation or leader would be proud of (see the column).

However, despite this litany of bad news, there are some reasons to be cheerful.

- Global trust surveys indicate a gradual recovery in trust levels since the low of 2008.
- The reputation of some leaders is improving as they focus on being good citizens, rather than just applying a veneer of Corporate Social Responsibility (CSR).
- Action on employee engagement has strengthened, becoming a prominent performance metric for many companies.
- Focus on diversity of talent and leadership is starting to suggest more fairness.
- Culture and ethics have become hot topics, and the democratising power of social media is forcing companies to be more honest.

Furthermore, **good examples** can be found of both fundamental change and steps to improve trust and engagement – in this report; in the 2010 CRF report on employee engagement; in cases listed by David Macleod and Nita Clarke in their UK government-supported project; by Veronica Hope Hailey in her work for CIPD; and by other authors such as Jack Wiley and David Sirota.

CIPD Trust and Engagement Surveys

CIPD tracks employee engagement through its regular Employee Outlook survey.

- UK engagement levels have been averaging around 36% positive in recent years. Autumn 2013 figures show 60% neutral and 4% disengaged.
- Micro businesses score best (56%), followed by voluntary organisations (51%). There is relatively little difference between genders and other organisation types.
- Senior managers average 57% engaged, middle managers 47%, but junior managers and other employees are only 38% and 35% positive.
- Overall employee satisfaction has steadily fallen from 47% to 40% since Spring 2012, and is lowest in large companies (33%).
- Employees rate senior managers lowest on consultation, followed by ‘trust’.

These are findings from CIPD’s Megatrends survey of December 2013 – *Are organisations losing the trust of their workers? (UK only)*.

- 37% of employees trust senior management; 31% don’t.
- Weaknesses in trust appear to pre-date the recession.
- Employees in management posts and in smaller organisations trust top managers more; public sector and union members are below average.
- Senior managers are trusted more when they listen and involve staff, and demonstrate fairness. Employers have made modest improvements in inclusion over the last 10-15 years.
- How a business treats its workers is a key factor in public trust of that business.

“One of the reasons we’ve seen an erosion of trust in big companies is they’ve allowed themselves to be seen as being detached from society and they will float in and out of societies according to what the tax regime is.” **Andrew Witty, CEO, GlaxoSmithKline**

Blessing White engagement survey

An update to its 2011 global survey was published in January 2013.

This compares engagement by regions, gender, age, seniority and job tenure; provides data on different responses to questions according to levels of engagement, addressing retention, career opportunities, and attitudes to drivers of engagement and performance. Here are a few figures.

- Senior executives (VP or above) – global average of 59% engaged, 9% disengaged.
- This declines by hierarchy level eg from Directors – 41% and 12% down to Clerical/Admin at 27% and 21%. ‘Blue-collar’ workers were not canvassed.
- Engagement declines on average the younger employees are.
- Female engagement is lowest in India and GCC countries, followed by Europe. (Japan results weren’t shown, but are usually low).
- Trust and engagement levels are highly connected, eg in results for trust in managers.
- Trust in senior managers is lowest in Europe and highest in China and India.
- Of four factors reported, senior managers were rated poorest at creating a high-performance environment and communicating honestly.

Note that the top survey companies provide their clients with fairly reliable comparative statistics, tailored to their context.

1.5

Some questions to consider

These are some of the questions we sought to address in this review.

- Is there clear understanding of trust and its significance at leadership level?
- What steps should boards, CEOs and their teams, and core supporting functions be taking to ensure they address the health of trust? What capability issues arise?
- Where/how should and do trust and transparency feature in policies and processes?
- How are better organisations tackling classic trust problem areas and dilemmas, such as managing change and M&As, balancing openness and secrecy, control vs enablement and delegation, and risk opportunity vs risk prevention?
- How well are organisations providing a communication infrastructure fit for the digital age and digital natives, and addressing the related reputation, trust and engagement issues?
- How does/should trust feature in corporate and HR governance, and risk management?
- What are the implications for HR practitioners? Do HR policies and practices need to change, and if so, how?

1.6

Conclusion

While the challenges of trust – in society and business – are daunting, striving towards high trust is critical if organisations are to survive and succeed into an uncertain future.

This provides a particular challenge – and opportunity – for HR professionals. If there is one business function that should take the lead in addressing issues of trust, it should surely be HR. The following chapters cover matters that should **all** be on HR’s agenda – as it works with the CEO, Board and other functions. They also raise questions about how HR exercises its responsibilities, how it designs and manages its processes, and develops its own capabilities.

2

UNDERSTANDING TRUST

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Introduction

In this chapter we summarise definitions of trust, explore behavioural implications and how this relates to organisational cohesion and effectiveness.

“Trust means ‘I know that you will not – deliberately or accidentally, consciously or unconsciously – take unfair advantage of me.’” **Douglas McGregor, The Professional Manager, 1967**

Propensity to trust

Propensity to trust varies according to relationship type – eg family, acquaintances, colleagues, strangers – but is conditioned by the following factors.

- Experience – positive and (especially) negative experiences from a young age onwards are the major trust determinant.
- Personal trait – trust and trustworthiness are to a degree influenced by inherent psychological make-up, for example how cautious you are in an unfamiliar situation. It can be hard to disentangle the genetic from the experiential.
- Generation – younger generations who have grown up engaging with strangers through the internet, are perhaps less cautious than older generations.
- Ethnic and societal cultures – a number of studies have identified significantly different orientations to trust across the world.

Academic researchers have used propensity to trust strangers as the most useful indicator of intrinsic trustfulness.

2.1

Characteristics of trust

We define trust as a belief that you can rely on the ability, strength, integrity or character of a person or thing.

Even if we are clear about what trust is, evidence suggests we’re collectively not great at ‘managing’ it in practice. Although a the most basic and universal factor in life, trust can also be mysterious and complex. That complexity is magnified in organisations and their myriad relationships.

We start by condensing the available literature on trust and engagement to define key characteristics of trust.

Components of trust

The essence of trust is about dependability and mutuality in personal or business relationships. (Other factors are cited in various models, but generally they link to these key words.) High trust is only possible when both these factors are also high.

Dependability is about being able to call on people or organisations for help, to rely on them to do things and do them well.

Mutuality refers to the give and take that is essential in relationships.

- This starts with listening, and proceeds to doing – as actions speak louder than words.
- However, trust develops when you feel you can rely on good inter-personal exchanges. They become predictable and thence dependable.

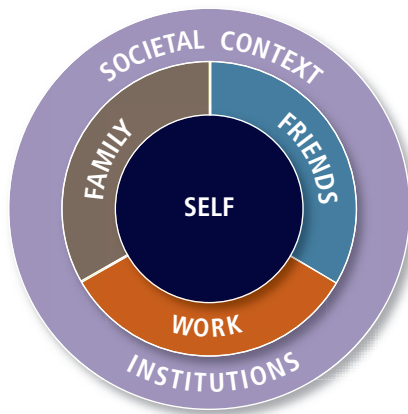
Ultimately it is down to each individual who and what they trust, and how much. The propensity to trust varies (see the column). Most people (and relationships) start with optimism, and a presumption of mutuality and dependability. Ongoing experience determines how trust develops over time.

Relationship type

Dynamics vary in the context of different types of relationship an individual has. While these overlap, they each have distinct features.

“Trust comes on foot, but leaves on horseback.” **Johan Thorbecke**

Personal Trust Relationships



The first dimension is **self-trust**, which can be overlooked, unless an individual is reflective and self-analytical. The key question is ‘how do you trust yourself to do things, or react to situations?’ Self-confidence and self-belief are virtually synonymous with self-trust, which is partly internal, but much influenced by experience and interaction with others.

Second there are **personal** relationships with other individuals – family, friends, and the orientation to trust strangers. (Note that all this affects individuals’ behaviour at work).

Third, there is membership of different types of **social grouping**, such as nationality, tribe, gang, religion, profession, sports team etc. The relationship is more intense the more there is commitment to sharing of beliefs, codes of conduct and experiences. These can be highly influential on how an individual experiences and demonstrates trust, as we will discuss later.

Fourth, and interrelated with the last point, there is trust in **institutions** in society – such as government bodies or businesses – which are important in framing the **socio-cultural** context.

Fifth, there is trust in **things**. These can range from tools to places. Importantly this includes brands and branded goods, which are of course a manifestation of businesses.

In logic, indirect relationships with inanimate objects and distant entities/personages can seem rather one way – and may indeed be so. Both the relationship and trust are ‘projected’. Nonetheless, the ‘trust’ relationship of expectation is very real. Disappointment can lead to angry reactions – from the object dashed to the ground to the assassinated leader.

How well understood are the relationship patterns in your organisation – and how this correlates with trust and affects performance?

Emotion vs logic

Trust is an emotion. It is influenced by logic and rational argument, but is essentially about feeling.

Those seeking to induce trust – for example in trying to make a sale or get buy-in for a proposal – need to be aware of the emotional landscape they are in. It takes more than a neat argument to win over an audience in any lasting way.

What counts more is meeting the mutuality and dependability tests.

- Mutuality – what the benefits are for the target audience – not just you?
- Dependability – how credible is the proposal? That is partly about clarity of logical argument and presentation of compelling facts. But it is also as much about the perceived dependability of the proponents – can we believe the truth of what they say?

How good is your organisation – and its leaders and managers – at balancing logic and emotion? Do your internal communications deal with both aspects?

“The process of building trust is an interesting one, but it begins with yourself, with what I call self trust, and with your own credibility, your own trustworthiness. If you think about it, it’s hard to establish trust with others if you can’t trust yourself.” **Stephen Covey, author.**

Cultural trust differences

Francis Fukuyama pioneered the correlation of cross-national differences in economic performance to variations in trust and ‘spontaneous sociability’. He identifies that high trust societies perform better and are better able to adapt to technological change. His evidence is descriptive rather than quantitative.

We now have statistical comparison surveys on trust by Edelman, Blessing White, Readers Digest and others. The World Values Survey (<http://www.worldvaluessurvey.org>) has provided comparative data on trust and related factors such as happiness since 1946.

The reasons for national differences in trust orientation can be complex, and can change.

- Relatively stable societies are naturally more oriented to trust, for example Scandinavia.
- However, factors like immigration and economic downturn can initiate changes.
- Paternalistic societies tend to have higher faith in institutions.
- Stability is valued relatively more than freedom in some countries.
- Intrinsic orientation to work and entrepreneurship also differ – this affects trust patterns.

As with individual personalities, genetic traits can be a factor, but experience, history and local circumstances tend to have a greater influence. Beware the traps of stereotyping and generalisation.

Degrees of trust

There are some writers who argue that trust is absolute: it either exists or it doesn’t. That is contestable.

- Constant change requires fresh assessments of what is dependable.
- Highly dependable people can have an ‘off day’ or be affected by unusual circumstances.

We also observe

- short-term trust – sufficient for a single transaction or interchange – ‘just this once, and then we’ll see’
- conditional trust – ‘I’ll agree provided you demonstrate or offer X’, ‘you can go this far’.

What is true is that high or lasting trust requires much greater depth – more dependability, higher mutuality. And it is high trust that is valuable.

Trustworthiness

So far we have mostly focused on how an individual trusts others. But how can we tell if someone is trustworthy? And are there good psychometric tools that can be used to select trustworthy people? Scientifically this is quite tricky (see column opposite). However, here are some practical points.

- Trustworthiness is judged by others, although you can influence their judgement.
- Actions communicate more than words. Much of trust gets built unspoken, precisely because it is what you do that counts most.
- People and organisations that over time continually deliver to, or above, expectations will be trusted. Meanwhile within an organisation, success breeds confidence and commitment. Employees will put up with a lot if they are part of a winning team.
- Mutuality, like dependability, takes time to prove. Friendliness helps build relationships, but time will tell. On the other hand, overfriendliness can convey untrustworthiness.
- When is the right time to talk about trust? Talking about ‘trust’ a great deal without a mutual need to do so can raise suspicions. When trust is damaged, that is a time when it is sensible to be discussed openly, as it has to be to be repaired.
- Trust is earned, so demanding it from others is less effective than having it volunteered. The more it is demanded, the more sinister it appears.
- Self-interest and self-absorption inherently signal lack of mutuality. Listening and responding sympathetically has the opposite effect.

Being trustworthy requires being true to yourself and to others. This applies equally to organisations as well as individuals.

“Only a minority of individuals, and even less organisations, undertake significant self-analysis.”

- Authenticity is important – pretending to be trustworthy is rarely convincing and further reduces trust.
- Extreme enthusiasm or caution can be worked around or managed, provided they are visible. They can be adjusted to some degree through debate and counselling.
- However, **hubris** in particular, resists debate and is potentially dangerous – and itself rightly triggers mistrust.

How do you address trustworthiness in your organisation? Do you have any means of assessing or measuring it?

‘Trust funds’

Individuals and organisations need to build a fund of trust in order to ride out any mishap that can tarnish their reputation, or threaten their ability to operate. This is at the heart of **building a brand** – whether a product/service, corporate, employer or ‘personal’ brand.

- Building belief with audiences/stakeholders that you always try to do the right thing.
- In transactions, demonstrating that you have stakeholders’ interests at heart, as much as your own.
- Demonstrating you do your utmost to prevent mishaps, and to rectify negative consequences.
- Generosity – this is not about being saintly, but nonetheless the dictum ‘give and you shall receive’ generally holds true.

Transparency and honesty are essential to building and maintaining trust. In contrast, self-interest, however tempting, is destructive to trust – with consequences for performance.

2.2

Proximity, power, respect

Three other core issues in understanding trust critically influence individual and group behaviour in organisations.

Proximity

To trust someone, you first have to know them and establish a relationship. In an organisational trust context, proximity is significant because

- generally people are liable to trust those they work with closely, and feel neutral to negative about those they don’t

Trustworthiness Factors

Veronica Hope Hailey favours four factors of leadership trustworthiness as described by Dietz and Den Hartog – ability, predictability, integrity (which we combine in ‘dependability’) and benevolence (which we include in ‘mutuality’).

Meanwhile, Robert Galford, co-author of *The Trusted Advisor* and *The Trusted Leader*, provides this representation of trustworthiness.

$$T = \frac{C + R + I}{S}$$

According to this formula, trustworthiness is a combination of

- credibility – expertise, presence, authenticity
- reliability – consistency, dependability, delivery
- intimacy – understanding personal motivations, sensitivities and situations

...all of which are influenced by your self-orientation, or degree of self-absorption as opposed to interest in others.

Self-absorption is signalled by behaviours such as over-talking, always wanting to have the last word, wanting to appear clever, leaping to quick solutions, unwillingness to say you don’t know, and name-dropping.

Do ‘trusted’ executives in your organisation exhibit these characteristics? Do you?

“However tempting, self-interest is destructive to trust – with consequences for performance.”

Assessing trustworthiness

We found there is no simple test for trustworthiness. Professor Adrian Furnham, Professor of Psychology at UCL, cites the most comprehensive recent source on this subject, tucked away in the Journal of Economic Psychology (see References). The research concludes:

- there is no objective criterion by which to evaluate which are the right measures of trusting and trustworthiness; and
- interpreting the trusting and trustworthiness measures relies on relating them to variables that reflect subjects’ views and attitudes on matters related to trust, but are not directly focused on trust.

However, we found that a combination of methods – including psychometrics and scenario tests – can be used to assess personal orientation and the beliefs that drive behaviour, focusing in particular on situations where trustworthiness is under pressure and there are temptations to do the ‘wrong’ thing.

- staff surveys typically show that trust in team members and line managers is relatively high
- CEOs get positive ratings where internal communication enables people to feel they know him or her, **and** the CEO comes across well – especially if met in person
- trust tends to fall away sharply for management layers between the CEO and the immediate line manager – unless they are both visible and communicate positively
- if silos are strong and collaboration is weak, other parts of the organisation may be viewed with ambivalence – or worse.

Organisations failing to invest in minimising barriers and fostering internal relationships will inevitably pay a price, as people will not work together well.

For example, field-based workforces whose physical links to the organisation are occasional and limited can feel disenfranchised and adopt strongly negative views about ‘corporate’ functions and their managers. (‘We make the money, what value do THEY add?!’) This is exemplified in industrial disputes with, among others, pilots/aircrew and railworkers.

However, proximity alone is not enough. People can sit next to each other for years and neither know nor like each other. **Alignment of interest** is the basis for success through trust, teamwork and healthy relationships. Look at any successful sports team.

- Alignment of interest means that people who have not connected for some time can quickly re-form bonds. Without it, they drift apart.
- Alignment also enables even very large and complex organisations to transcend silos and achieve internal collaboration among employees who have never met.

Power

Mutuality involves a willing exchange – or at least a feeling of mutual exchange.

- This implicitly means a balance of interests.
- Where one party to a human relationship exercises power over another, an imbalance is created unless the latter is entirely willing – whatever the reason.
- Where the imbalance is not agreed, trust inevitably suffers, leading to tension and conflict.
- While genuine competition can be beneficial, the pursuit of power as an end in itself has negative consequences for trust.

Yet resolving power and trust issues is never easy given the core human drive for security.

“Trust men, and they will be true to you; treat them greatly, and they will show themselves great.”
Ralph Waldo Emerson (*Essays, First Series: Prudence, 1841*)

The practical implications of this are fundamental.

- Corporate governance is threatened by over-mighty CEOs, and over-bearing chairmen.
- Markets do not function unless there is genuine competition – the current controversies about UK bank and energy company behaviour is partly a function of inefficient markets, which damage consumer trust.
- High control organisations can be effective where they have simple objectives and structures. However, most organisations are not like that. They need knowledge workers to give of their best, and be productive and innovative. They need to be adaptive and agile. Top-down hierarchies can be breeding grounds for mistrust and ineffectiveness.
- If a corporate function is weak, consider why, and what the consequences are. Are they poor at managing relationships? Are they not dependable? Do they lack capability or leadership? Is the function under-represented as a result? Or over-represented if they are too powerful?
- A genuine team works well when all its members can give of their best. They will not do that if some members are over-dominant.

Thus alignment and mutuality of interest are essential ingredients in ensuring that power is exercised responsibly and well.

2.3 Honesty

It is a fact of human behaviour that individual trustworthiness is tested when tempting situations for personal gain arise. This can be about gaining advantage, but is most often about money. People who see themselves as honest can easily succumb – a purse on the pavement, for example. Hard times and desperation can also change priorities. However, there are many occasions when individuals and cultures demonstrate astonishing honesty.

Within an organisation it is sensible to recognise the realities of human nature, and take precautions. In doing so, a balance should be struck.

- People know there can be temptations, and accept reasonable restrictions and oversight. But when controls become oppressive, a sense of ‘we are not trusted’ actually heightens negative risks.

Respect

While just ‘respecting’ someone is not synonymous with trusting them, there can be no trust without respect. Note that if respect is engendered by fear, it is neither long-lived nor deep-seated – and is certainly not mutual.

A significant number of organisations have included ‘respect’ as one of their values. Typically this reflects a need to improve relationships. Dimensions include:

- how senior managers treat employees lower in a hierarchy – note that if leaders don’t trust colleagues, respect for them also diminishes;
- how customers and suppliers are treated – some organisations in powerful positions adopt a ‘take it or leave it’ attitude;
- how different parts of an organisation treat each other;
- how diversity issues are addressed; and
- how competitors are viewed and described.

Taking any of these audiences for granted not only shows disrespect, but has negative consequences for the ‘abuser’, whether they realise it or not. Even ‘benevolent’ paternalism ultimately reflects the mistake of assuming a parent-child relationship. Hiring adults and treating them like children makes neither economic nor practical sense.

Negotiation theory

This emphasises that both parties should get something out of a deal, which is as much about ‘face’ and establishing trust to do another deal as about any material benefit.

“There are countries in Europe... where the most serious impediment to conducting business concerns on a large scale, is the rarity of persons who are supposed fit to be trusted with the receipt and expenditure of large sums of money.” **John Stuart Mill**, *Principles of Political Economy*, 1848

Group behaviour

Understanding group behaviour is an essential part of getting a grip on trust issues.

- High performance derives from developing teamwork within and between groups, lubricated by trust.
- Groups that turn inwards, or are formed for defensive reasons, are inevitably more disposed towards mistrust of non-group members. That easily leads to tensions.
- Closed groups tend to develop internal imbalances of power, and unhealthy rewards and punishments in order to exert ‘discipline’. Gangs and religious sects are obvious examples.
- Highly compartmentalised organisations create silos, which result in internal inefficiencies. Internal competition becomes negative, at the expense of the organisation as a whole, and can manifest itself in extreme behaviour.
- This can manifest itself in extreme behaviour, in the supposed service of the organisation, that may even become criminal.
- Or it may be that the group self-identifies and becomes distant, literally as in the case of teams of banking or consulting professionals who jump ship or break away.

Such phenomena indicate the failure of corporate leaders to maintain healthy trust and engagement, and to embed positive values and behaviours.

- Creating awareness of the collective damage that dishonesty can inflict helps to create positive peer pressures. The example set at the top is crucial. Sadly many instances of bad behaviour and fraud occur at senior levels, including CEOs.

Managing people presents many challenges with regard to honesty.

- What do you do when you promise to keep information confidential, but it should be reported for the good of the organisation, eg in the context of bullying or whistleblowing.
- Are you brutally honest with a poor performer, or do you tell a ‘white lie’ and pretend they are being let go in preference to someone who’s better?
- You may have to accept that you will be respected and trusted for speaking truthfully, but at the cost of not being liked.

2.4 Conclusion

In this chapter we have considered how trust

- weaves its way through just about everything we do, and
- has a major impact on the ability to perform and develop.

What happens at an individual and team level – good or bad – scales up at the organisational level, and plays a key role in shaping organisation culture. In the following chapter, we tackle how the concept of trust applies in the workplace, and also consider how it interrelates with other concepts such as employee engagement.

3

TRUST AT WORK

Topics covered

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3.2	Related concepts	26
3.3	Conclusion	28

Introduction

Here we consider how issues of trust play out in the workplace. We also explore how trust interrelates with other concepts such as engagement and the employer brand.

“Every one of our employees has to realise the consequences of their actions on 89,000 plus colleagues.” **Tracy Clarke, Group HRD, Standard Chartered**

Trust and the manager

People generally join an organisation, but whether they stay, leave or perform depends on the relationship with their manager. Here are some trust-related questions concerning this key relationship.

- How well do you know and respect each other?
- How mutual is trust between you?
- Is it a balanced relationship, or is either party too distant or dependent?
- How is trust affected if either party moves on?
- Were you recruited by your manager, and does that have any significance?
- Do you report to more than one manager, and if so how is that reflected in trust?
- How does your manager’s power position affect your trust in the organisation?

Organisations that are serious about engagement take a great deal of care over selecting managers and continually investing in them, so they can develop and enhance the performance of their reports.

3.1

Trust at work

While everything we describe above has significance for trust at work, there are some distinctive characteristics to consider about what happens inside organisations.

Internal relationships

In the diagram below, we expand the ‘Work’ section in the diagram in chapter 2, and indicate a simple segmentation for relationships at work.



Many trust issues occur in these different relationship segments. Here are a few pointers.

- **Self-trust** – do you trust yourself to be able to do what you or others expect of you? Engagement at work starts with clarity and a sense of fairness about
 - your role and performance expectations,
 - whether the work is interesting and motivating, and
 - where you can make a real contribution.
- **Manager** – the direct supervisory relationship is usually the most critical (see the column). It is a primary filter for an individual’s relationship with the organisation, and impacts the psychological contract (see 3.2).
- **Leader** – trust in the organisation is reflected in employees’ view of whether the CEO is capable (dependable) and cares (mutuality) about people like them. We discuss trust and leadership in more detail in Chapter 6.
- **Close colleagues** – research shows that relationships with colleagues is a major factor in satisfaction at work. This underpins the Gallup 12 engagement survey question ‘I have a best friend at work’, elaborated as ‘people with whom you share values, you can trust, and who are watching out for you’.

- Other internal colleagues – relationships within teams may be good, but how people feel about the broader organisation depends greatly on the sense of mutual support and trust they have with people in other departments. The health of these relationships will also influence employee judgement of leaders’ effectiveness in orchestrating culture and performance. As Tracy Clarke, Group HRD of Standard Chartered points out, “every one of our employees has to realise the consequences of their actions on 89,000 plus colleagues.”

External relationships

Organisations have a wide range of relationships with external audiences. Clearly the nature of the relationship depends on the post-holder – from CEO to front-line employee – but they all play an important role in communicating trustworthiness. As we have already indicated, on average employees tend to be perceived as more trustworthy than CEOs.



Organisations also connect to key audiences through intermediaries eg suppliers, partners, outsourcers and other influencers – who they must trust to represent the organisation appropriately (see diagram above). How does this all impact an organisation’s trustworthiness?

Audience relationship management

- Is it clear who should deal with whom? How well equipped are individuals to manage these relationships?
- What objectives, understanding of audiences, and degree of desired engagement govern these relationships?
- Are employees expected to act as ambassadors and are they adequately supported?
- Do external-facing employees enhance trust in the organisation?
- Do employees who manage external relationships feel supported by the organisation, particularly at difficult times?
- How do your business partners, eg outsourcing suppliers, impact trust in the organisation?
- Do you regularly monitor trust in the organisation, its brand, services and people?

“Trust cannot be achieved just through planning – although this helps. It is about demonstrating trustworthiness through authentic behaviour over time.”

What you get from engaged people

- Discretionary effort
- Commitment to stay
- Willingness to change
- Commitment to improvement
- Collaboration; sharing ideas
- Customer service – internal and external
- Advocacy of the brand.

Note that there are dangers at both end of the engagement spectrum.

- Disengagement can obviously lead to negative actions.
- Meanwhile, extreme engagement can lead to burn-out, over-the-top action in the name of the employer, and serious deflation when employment ends.

- **Collaboration** as a way to do business has been steadily increasing, requiring trust both to work together and for third parties – customers and others – to trust the collaborators.
- This trend means that the boundaries of an organisation are increasingly permeable and supply chains ever more complex. **Alignment** and **responsibility** are critical issues and, all too frequently, weaknesses.
- This can lead to questions such as who are we really dealing with, and who is accountable, especially if things go wrong? Consider the 2013 meat adulteration scandal – to what extent were supermarkets responsible for the actions of their suppliers and how has that affected consumers’ level of trust in retailers?
- Holding customer data is now a massive trust issue – how you obtain it, how well you guard it, how responsibly and sensitively you use it. What permissions have you sought?
- Trust cannot be achieved just through good planning – although this helps. It is about demonstrating trustworthiness through authentic behaviour over time.

Thus, each relationship with external parties has potentially multi-faceted trust issues. See the column on page 25 for some pertinent questions.

Bear in mind the realities of the digital world, where just about anyone may be interconnected and influence others. How well do you orchestrate your relationships with your disparate audiences, and specifically as viewed through the lens of trust?

3.2 Related concepts

In this section we outline some concepts that interrelate closely with trust and are important in both understanding and managing trust issues.

Engagement

We use ‘engagement’ in a business context to refer to a healthy and deep relationship, and disengagement as the opposite. Often used by HR as shorthand for ‘employee engagement’, in practice it is equally applicable to other business relationships, eg with customers, investors, business partners, communities etc. CRF’s report *Employee Engagement and Organisational Performance* (2010) covers this topic more fully.

Trust has a close relationship with engagement.

- Without first establishing trust, there is no real engagement – it is an essential precursor.
- If trust is damaged, disengagement follows.

“Trust in business has never been so damaged.... HR must work with finance to repair values, culture, trust... The employee voice has been suppressed.” **Peter Cheese, CEO, CIPD at CIMA conference, 2013**

Put simply, any attempt to measure and enhance engagement that does not start by understanding what shapes and enhances trust will be superficial, and unlikely to succeed. Organisations that see engagement as just another process or metric will not be trusted. As in building any relationship, sincerity and persistence are essential.

Social capital

In Trust and Transition – Managing Today’s Employment Relationship, Dr. Wendy Hirsh and colleagues explain that “social capital represents the fund of trust and goodwill in any social group that enables people within it to collaborate with each other without having first to write a legal agreement... It is thus fundamental to organisational success.”

The concept derives from the seminal writer on trust, Francis Fukuyama, who identified that the greater a nation’s social capital, the more likely it is to enjoy economic growth. Nations with comparable natural resources differ markedly in their social capital and growth rates.

The same applies to organisations, whose value comprises both economic and social capital. Social capital is analogous to the intangible value that comprises much of the worth of enterprises, and similar to ‘goodwill’ in accounting.

Hirsh et al point out that “social capital is based on the notion of reciprocity; the social norm of fulfilling mutual obligations.... trust increases as obligations continue to be met.” The practical significance is that:

- organisations and their leaders need to invest wisely in social capital to succeed;
- they must understand and address trust in order to do so; and
- to assess future value, investors, analysts and boards should pay attention to social as well as economic capital.

Contracting

A core issue in trust centres on how parties to a contract engage with each other.

- Contracts are used to spell out obligations. The degree of trust between the parties largely dictates how that contracting takes place.
- When trust is high, contracts (formal/informal) can be enforced without costly monitoring and investigation of performance by the parties – the reverse applies when trust is low.
- Internal service level agreements are a form of non-legal contracting. In reality they can reflect a lack of confidence between departments. If trust issues are addressed, such agreements – and the associated bureaucracy – may not be necessary.

Blame Adam Smith?

In his book *Building Respected Companies*, Professor Jordi Canals of IESE points to the negative aspects of Adam Smith’s theory of ‘homo oeconomicus’ – someone who is driven by self-interest in both professional and personal life.

- The economic theory of self-interest led to the concept of maximisation of utility by decision-makers, and thence to maximising profit and shareholder value, which drives tensions we see between investors and other stakeholders.
- “This view of the firm and business activity is the source of serious problems,” says Canals. “How can the unconditional pursuit of self-interest be compatible with building trust between people?”
- Canals points out that an organisation will not survive unless it learns and develops its collective capabilities, using this to improve and innovate – which all depends on trust, and would be crippled by devotion to individual self-interest.

In contrast, Hirsh et al identify ‘homo socius’ – people who relate to each other to survive and prosper. Homo oeconomicus by definition is not oriented to develop social capital.

Additionally, Creelman and Lambert point out in *Organisation Effectiveness and Top Executive Pay* (2013) that the influence of Adam Smith and Milton Friedman has persisted in many boardrooms, fostering self-interest and winning by any legal means.

“We are constantly amazed by how much people will do when they are not told what to do by management.” **Jack Welch**

Employee representation

There are inherent trust issues between employers, representatives, members and non-members, different associations/unions and any arbitration bodies. Within ‘employers’, there can be trust issues between ‘bosses’, Industrial Relations functions and line managers. Companies and governments can be welcoming, neutral or actively hostile to unions – which can lead to a battle for hearts and minds.

Agency theory

Agency theory highlights the potential tensions between parties with asymmetric interests. It refers in particular to the challenge of motivating ‘contract agents’ to act in the interests of ‘contract principals’ rather than in their own interests. Common examples include politicians and voters, buyers and suppliers, corporate managers and their shareholders, and leaders and their workforces. Like Douglas McGregor’s Theory X, agency theory is founded on mistrust of individuals to work from intrinsic motives, unlike Theory Y.

The implications of asymmetry should be understood. Different interests and information are both breeding grounds for mistrust. This leads to the expectation that the parties will inevitably cheat on each other. Nothing can then happen without contracts and service level agreements.

Agency theory is overcome when alignment of interests is achieved, through establishing the mutuality and dependability that creates trust.

The simple reality of humans operating in groups means interests differ. Those that focus on maximising alignment – and become skilful at it – will reduce the burden of contracting and vice versa. Understanding the mechanisms and behaviours that create the potential for trust thus represents an important advantage in minimising economic cost and maximising benefit.

Psychological contract, Employer Brand & Employee Value Proposition

The psychological contract is the understanding and expectations of employer and employee of their relationship. Like an organisation’s intangible value, it can be far more important to the health of the relationship than the formal contract.

This was the subject of one of CRF’s first reports (1994). How conscious are organisational leaders and line managers, 20 years later, of how their words and actions affect employees’ deep sense of what they owe the organisation and vice versa?

Psychological contracts are both personal and constantly evolving. The key, as so often, lies in the **people skills of line managers**.

However, an organisation also needs to

- invest in its **Employer Brand**, which shapes potential, current and past employees’ perception *and* real experience of the organisation. Engaged people will be better brand advocates.
- be clear about its **Employee Value Proposition** – both overall and tailored to individuals. What can they trust the organisation to deliver in return for their effort, commitment and achievement?

Without these being in order, line managers will struggle to play their part in sustaining trust in the brand.

3.3 Conclusion

These are just some of the management concepts that can impact trust. For example, management approaches such as ‘Lean’ and Six Sigma can create positive alignment around shared objectives and ways of working – increasing mutuality and dependability. Or, if implemented oppressively and without real stakeholder involvement, they can backfire badly. Using the lens of trust represents an essential safety precaution.

4

ORGANISATIONAL ESSENTIALS

Topics covered

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Introduction

In this chapter we examine how trust interrelates with key aspects of how organisations function.

“Trust becomes pervasive when – and only when – the organization’s values are followed and supported by senior leaders.” **Robert Rogers & Sheryl Riddle, DDI**

Boards and organisational effectiveness

In their report for the Performance and Reward Centre (PARC), *Organisational Effectiveness and Top Executive Pay*, Creelman Lambert identified that boards need to focus purposefully on organisational effectiveness rather than just financial results, if they are really to understand what drives long-term value and resilience.

This means systematically getting under the skin of non-financial measurement, to find the right pressure points for maintaining and building reputation and trust. Reviewing customer satisfaction, talent and employee engagement data has become more common, and risk registers can be used in insightful ways.

However, there are still gaps. For example, many boards and top teams aren’t asking the right questions about the human systems aspects of technological change, and about organisational learning. And only after a major crisis are organisations likely to delve deeply into reputation measurement, as BP has recently done.

Standard Chartered stands out by being one of very few organisations to have a standing board committee on Brand and Values.

4.1

Governance

The ultimate responsibility for trust in organisations generally resides with the board and the executive leadership it appoints and oversees.

The 1992 Cadbury report – which established the principles of governance for UK listed companies – stressed the foundation stones of openness, integrity and accountability as “the basis for the confidence that needs to exist between a business and all those that have a stake in its success.” When the balance of power is unhealthy, as when shareholders, chairmen, boards or executives are either too weak or over-mighty, trust is compromised.

Governance is about how the whole organisation is managed and developed – not, as some tend to view it, just a narrow set of rules addressing board procedures.

While governing boards should not involve themselves in operational management, they should agree strategic priorities, frame culture and risk appetite, and hold executives to account for the organisation’s effectiveness and its behaviour – all of which influence the levels of trust in the organisation.

4.2

Purpose and strategy

Clear articulation of purpose and strategy is where establishing trust starts.

- Does the purpose statement attract stakeholders, provide a basis for trust?
- Does the direction of the organisation, as articulated in statements of mission and strategy, maintain that attraction and further build trust?
- Are these connected to a service promise that makes it clear what stakeholders can expect? Is this more than a mere promotional slogan, is it backed up by rigorous and transparent delivery standards, accountabilities and measurement?

Note that customers in particular will be concerned about the last of these three. Their sensitivity is inevitably heightened when the goods and services are essential to their personal and/or commercial well-being – such as financial services, energy and transport.

Large and complex organisations can be particularly prone to forgetting that their reputation depends on an accumulation of individual relationships – take the difficult relationships between energy suppliers and their customers. Organisations need to build, both into their proposition and their structures, the means to maintain trusting relationships at every level.

“For a culture to change, people must change.” **Anthony Jenkins, CEO, Barclays**

4.3
Culture

Discussions about trust in any organisation inherently pose questions about the health of its culture – ‘the way we do things round here’.

This table indicates some typical cultural characteristics of high and low trust organisations.

High trust	Low trust
Leadership serves stakeholders, high answerability to and support for stakeholders, ‘all one team’, build ownership through participation, leaders as role models, relate to front-line needs.	High control from the top, rigid hierarchy, silos, status orientation, ‘don’t challenge authority’, ‘them and us’, tell people what to do, spying not listening, remote from front-line.
Success celebrated in an inclusive way – recognition of all contributors, rewards shared widely. Meritocracy, working for collective good.	Leaders take credit and rewards, selfishness in seeking power, recognition, promotion; personality-driven, ‘star culture’; paternalism, favouritism.
Honest mistakes regarded as opportunities to learn, and regarded seen as part of experimentation and innovation. Constant improvement and healthy risk-taking encouraged.	Mistakes punished, blame culture and scapegoating, shifting responsibility, defensive reaction as a default, risk aversion, hiding problems.
Information and ideas shared freely, collaborative orientation. Feedback welcomed and action taken as a result.	Hold on to information, don’t share ideas or suggest improvements (rocking the boat), stick to your silo. Negative feedback unwelcome and weak follow-through.
Consistent standards – people know what to expect, and play their part in achieving this. Clear norms of fairness. Standards open to review and improvement.	Inconsistent standards; management by whim, diktat (‘because I can’) and ‘benevolence’; unfairness – ‘take it or leave it’. Inflexible standards; ‘stick to the rules’.

Whistle-blowing

This represents a crucial test of trust in an organisation.

- In some jurisdictions, it is a legal requirement to have whistle-blowing provisions in place, but these need to be more than just fine words.
- Whistle-blowing is logically only necessary where there is a deficit of trust, when people feel unsafe to use open feedback and reporting. Low trust cultures beget devious behaviour, and fear causes people to hide things. However, even high trust organisations experience occasional instances of people doing bad things.

What should organisations do to minimise the need for whistle-blowing?

- Tackle root causes by treating good conduct and bad behaviour seriously, and by limiting the potential for tempting situations.
- Focus on where the problems typically lie – eg leadership behaviour, peer pressures in ‘bad’ teams, poor transparency.
- Provide constant reinforcement, from the top and through the line, of the behaviours that render whistle-blowing unnecessary. This is not just about messaging, but about how behaviour and accountability is addressed within the performance and development framework.

HR in particular needs to be part of the solution. Does it have the courage to speak truth to power where necessary? Do its own practices support an open culture?

“Train every one top to bottom about values conversations.” **Paul Moore, former Head of Risk, HBOS**

Codes of conduct

Codes of conduct are assuming ever greater significance due to evolving anti-corruption, bribery and governance requirements in the UK, US, and globally. Corruption may remain widespread, but penalties are getting stiffer.

Codes do need to protect employees from succumbing to temptation. ABF, for example, provides cards its workers can give to anyone seeking backhanders, explaining how they are bound by law to refuse. “It takes the pressure off the employee.”

Better organisations claim to act above and beyond any existing or planned laws – part of positioning to be a ‘good citizen’. Both Standard Chartered and Rolls-Royce are seeking real ownership by every employee and sub-contractor. Each individual must know their behaviour can impact the livelihood of all their colleagues. But they also need to see that leaders role-model the values.

High trust (continued)	Low trust (continued)
Clear accountability (in a supportive atmosphere); clear governance mechanisms and principles.	Avoidance of accountability, whether through fear, self-interest or structural complexity; opaque governance.
Underperformance and poor behaviour addressed firmly but fairly.	Tolerance of under-performance and bad behaviour – poisons the barrel.
Recognise and promote talent.	Talent regarded as threatening, and/or to be held on to for self-interested reasons.
Decisiveness in a crisis, pull together.	Paralysis in a crisis, ‘divide and conquer’.
Strengths focus, help people to do what they you do best.	Weakness focus, do what you are told.
Rounded, attractive employer brand and employee value proposition.	Have to offer large rewards to recruits, who readily leave for any better offer.

4.4

Values and behaviours

Values statements are often depicted as full of meaningless fine words, but largely indistinguishable between organisations. All too many low-trust organisations fully deserve that criticism. Some, like Enron, have reached truly deviant status.

However, we identify beneficial forces at work.

- The media revolution has made organisational reputation highly dependent on being seen to do the right thing. Customers and employees are less inclined than ever to tolerate the duplicity involved in betraying values – and social media spreads the word rapidly.
- The sense of crisis surrounding ‘capitalist’ misdemeanours is encouraging management teams to be rigorous about how they address collective behaviour and brand reputation.
- So is bribery and corruption legislation. Savvy firms understand the high risk of failure if codes of conduct are seen as just a compliance exercise. Embedding good behaviour is needs constant positive reinforcement and role-modelling from the top.

Organisations that experience a major crisis of confidence know they have little choice but to be serious about values and behaviours. Frequently a change of leadership triggers a re-examination of purpose and standards. Better organisations recognise the dangers of complacency and, even if they currently enjoy a favourable brand image, continually enhance their uniqueness. Our case studies include a range of such scenarios.

The high trust organisation demonstrates its seriousness by

- generating its values and behaviours through a truly participative exercise, ensuring that all employees can input and discuss local application
- embedding the values in everything it does, such that all stakeholders can see that they are meaningful, underpinned by rigorous measurement
- keeping the values fresh as new employees – including CEOs – join, acquisitions are made, and new situations that add to the narrative are encountered
- ensuring there are real consequences for any breach of the values.

The Rolls-Royce, BP and William Hill cases highlight how refreshing values involves years of work and careful thought about embedding. Organic and viral approaches help, balancing the formality of project management and process change. Pressure points need to be found that beneficially and incrementally impact the whole organisation as a human system.

4.5

Organisation design

Organisation design affects trust in many ways.

- Silos create barriers and foster mistrust.
- Complex matrix structures, often with uncertainty about accountabilities, tend to do the same.
- International structures specifically need to achieve 'glocal' balance. All too often tensions arise between parts of the structure, particularly global and local perspectives, business lines and functions, and between countries and divisions.

Traditional top-down hierarchical processes are being superseded by lateral value chains as the means by which work is done, and value is increasingly generated through projects and collaboration. Understanding and influencing **networks** is an important lever – whether the nodes are one-to-one, inter-team or communities of practice. 'Social' technology is becoming a significant enabler. Levels of trust largely dictate the health of these linkages.

Purpose, responsibility and sustainability

Large organisations are increasingly held to account by governments and interest groups for their impact beyond profit margins and share price. It is becoming a measure of trustworthiness, as is 'paying your taxes'. This is also an important factor in employee engagement and in attracting talent.

However, corporate social responsibility (CSR) has become tainted by organisations that merely apply a veneer of charitable work and sponsorship to their activities, or blur the line with commercial promotion. Such organisations are perceived to care just about shareholders and management – relationships with other stakeholders being simply a means to maximise profits.

Increasingly the distinction is being drawn between those whose motivations are intrinsic rather than extrinsic, exemplified by

- commercial organisations who declare that their purpose is both to do good and to be ethical in business – for example, Standard Chartered
- adhering to the triple bottom line – ie balancing financial, social and environmental goals
- building sustainability into their purpose, as Unilever has done
- involving employees, eg in community work, with benefits for their personal development.

“The accumulation of trust is a measure of the legitimacy of leadership. It cannot be mandated or purchased; it must be earned. Trust is the basic ingredient of all organizations, the lubrication that maintains the organization.” **Warren Bennis & Burt Nanus**

Rolls Royce – trust and organisation design

The Rolls-Royce case study highlights its mission to enhance both trust and excellence. Major decisions include

- simplifying the matrix structure and lines of accountability
- de-emphasising business area P&Ls where these inhibit collaboration
- integrating past acquisitions more firmly so that the brand becomes core rather than an umbrella
- addressing the need for a social media highway and collaboration software to provide a platform for better information flows and innovation.

4.6 Risk management

CRF’s report *The People Dimension of Risk* identified numerous points that relate to trust.

- ‘Risk management’ is widely interpreted as being about risk mitigation, rather than adopting a balanced view about taking worthwhile risks and avoiding poor risks.
- Organisations need to focus harder on investing in the first line of risk defence, which is creating positive awareness and attitudes in front-line managers and staff, rather than just focusing on control functions.
- Other factors essential to shaping a positive risk culture include embedding values in performance frameworks, senior management role modelling, performance-related rewards, supportive HR processes, the removal of silos, and high levels of engagement.

Organisations that manage risk effectively focus both on front-end strategy and risk measurement. In a technology-driven world this includes digital competence and the ability to improve both IT and related human systems.

4.7 Conclusion

We conclude that three simple points apply to organisational processes.

- They all operate more healthily in a high trust environment.
- Well-designed and tailored, with as much co-creation as possible, they serve to build trust.
- Trust also depends on these processes working as an integrated system.

5

TRUST AND PEOPLE PROCESSES

Topics covered

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Introduction

In this chapter we consider how trust applies to the principal people management processes and the HR function.

“Trust facilitates change, encourages successful co-operation and teamwork, promotes and facilitates partnerships and joint ventures and decreases operating and transaction costs – managers spend less time monitoring staff.” **Professor Veronica Hope Hailey**

Employee voice

Of the various factors that drive trust, how the employee voice is heard is where many organisations particularly struggle.

- Where the views and perspectives of employees are built in to decision making, trust levels are likely to be higher.
- Participative processes can tackle many issues – eg how WL Gore staff assess and select managers, how Deloitte consults widely when forming strategy, how IBM involves many thousands of staff in product development.
- Formal staff representation can make a positive contribution – eg in mutual organisations like John Lewis, and where trades unions play a constructive rather than a defensive and political role. While not perfect, the inclusion of unions on German boards contributes to stability.
- The growth of social media raises the bar – first, consultation is quick, easy and cheap. Second, it is becoming expected, as ‘crowd action’ spreads throughout society.

Switched-on boards and savvy investors should be alert to the benefits of involvement and co-creation in enhancing productivity, openness to change, and the speed and quality of business improvement; and also to the value-destroying effects of low-involvement management cultures.

5.1

Performance management

Trust is enhanced where there is

- a continuous, healthy relationship from forming of the psychological contract to departure – providing support, encouraging self-help, recognising both needs and achievement
- direct ‘line of sight’ between organisational and personal objectives, and a clear sense of how the employee contributes
- clarity of standards and deliverables required
- open, honest dialogue between reviewer(s) and reviewee – with upward and lateral perspectives as well as downward
- integration with development and career planning.

5.2

Reward

Two factors particularly critical for trust in relation to reward are

- fairness – with regard to internal comparisons, market worth and achievement
- recognition – both through monetary rewards and other aspects of recognition.

Incentive schemes often pose more trust challenges than they solve, as financial inducement to do the right thing usually represents an extrinsic and short-term motivator, whereas trust-building is about intrinsic motivation and takes time.

Meanwhile, controversy over senior executives’ pay levels and perceived disconnect with performance has, in some countries at least, reduced trust in organisational governance standards.

This is a complex area where it is hard to please everybody. Much of the controversy derives from insufficient transparency and unclear of pay logic.

5.3

Development and learning

Particularly for the ambitious, the opportunities for development and progression are key reasons why people respectively join and stay. High trust organisations ensure

- well targeted development, with managers playing a crucial role as developers and coaches, in accordance with the 70/20/10 principle
- opportunities to put formal learning into practice, aided by action learning, and supported by communities of practice

“Maybe the boss can force a person to show up for work, especially in trying times, but one cannot, by definition, force a person to contribute his or her passion and imagination on a regular basis.”

Tom Peters, author

- that learning, knowledge sharing and enabling (rather than ‘managing’) idea flows are intrinsic to work practices, collaboration, continuous improvement and innovation.

CRF’s report *The impact of technology and social media on learning* provides further guidance.

5.4

Recruitment and retention

The employer brand and employee value proposition are starting points in establishing trust. However, what is said and done inside the organisation counts for more than formal recruitment communication. Social media now plays a major role in communication and due diligence – both company and employee are more exposed as a result (see column on following page).

Both recruiter and recruit should be honest and open in order to establish a sound psychological contract.

- All the company ‘players’ need to sing from the same sheet – HR, managers, agency etc.
- Both company and employee may only be thinking short-term – ‘bums on seats’ and ‘just a job’ respectively – or long-term. Whichever, avoid a mismatch of expectations.
- Strengths-based recruitment offers significant advantages in ensuring better fit, saving money and developing trusting relationships. See the Saga case study in chapter 9.
- Involving existing employees in recruitment – including through Facebook or recruitment portals. On-boarding, buddy and peer coaching are arenas to build trust.
- A key test is how well disposed alumni are to recommend their ex-employer, and to be re-employed later if it mutually suits.

The heart of successful **retention** is about managing the employment relationship and psychological contract over time. This means both parties, but especially the employer, remembering and honouring the promises made. The ability to have high quality trusting conversations is key. Corporate memory and achieving effective handovers between managers are typical areas of weakness.

5.5

Succession and talent

Continuity of leadership inspires trust; uncertainty greatly undermines it among investors and employees. While a change in leadership can be necessary or welcome, poorly managed succession can undermine trust. For example

- where direction and leadership are so weakened that incoming CEOs can dictate terms; indulge in change for change’s sake; or serially implant followers from their previous company

How do you reward trust-makers?

Do your reward policies directly recognise the building of effective relationships and trust?

- This can be addressed in personal objectives and performance reviews.
- However, good quality feedback is needed to provide evidence of strength or weakness; a multi-rater system particularly helps when the focus is on teamwork.
- For CEOs and senior managers, staff survey and similar data can also be used.
- All three main reward levers – recognition, pay/bonus, and promotion – can be deployed.

At Google, which goes to great lengths in recruitment to ensure the right ‘values fit’, reward policies include a bonus decided by peer nomination based on how collaborative you are and helping others to succeed. Their benefits philosophy is about supporting people to focus on what they do best.

At Accenture, managers are rated on their ability in development reviews to support their reports’ career advancement.

WL Gore is perennially voted as a top place to work. Performance rating is conducted by peers, pay is aligned to perceived contribution, and managers are appointed after demonstrating ‘natural leadership’. Technically the CEO was not appointed by staff, but happens to be the person they chose when consulted.

“There was no ‘I’ in Sir Alex Ferguson’s team. It was team before everything else. It was we before me. The minute you started being a little bit selfish, you would be out of the door.”

Phil Neville, ex-Manchester United

Social media – battleground for employer reputation

CIPD says 54% of UK employers now use social media for recruitment; 38% to check out potential employees. Figures for larger employers will be higher. A lower but fast-growing number of job-seekers do the same in reverse.

- LinkedIn’s significance for executive recruitment is growing.
- Comments on Glassdoor and rivals, eg Rate My Employer, are increasingly influential, as TripAdvisor is for travellers. 90% of US jobseekers are estimated to read workplace reviews of potential employers.
- Some US employers have threatened contributors with retribution, damaging their reputation, and reflecting ignorance of the realities of social media.
- Unilever, by contrast, demonstrates maturity by encouraging job seekers to view its Glassdoor page, warts and all.

Once recruited, Gen Y in particular are perplexed at many employers’ backwardness in deploying or allowing use of communication devices and platforms. 76% of UK employees use social media personally but only 26% can do so at work. Technology savvy employers have a distinct brand advantage.

- evident unpreparedness or conflict at board level, such as the soap opera that unfolded at HSBC in 2010, when shareholders balked at plans to appoint then-CEO, Michael Geoghegan, as chairman, in contravention of corporate governance rules.

The HR function should play a significant part in preparing for succession. Major tests include handling the ambitions of internal candidates, or replacing powerful CEOs who have stamped their personality on the organisation, commanding continuing loyalty.

All concerned – especially the board – should be aware of their responsibilities to maintain trust, since this which feeds directly into organisational productivity and valuation.

In developing future leadership talent, there are important trust issues to consider.

- How are high potentials identified? Are the processes robust and fair, and the criteria sufficiently inclusive?
- How well is a sense of ‘them and us’ avoided in focusing on people in the talent pools?
- Do the firm’s actions reflect the rhetoric about investment in talent? Does the organisation take the same degree of care over ongoing development and progression as in selection and participation in formal talent programmes?

**5.6
Exiting**

Effective organisations anticipate and plan change so that any staff reductions occur gradually and smoothly; handle leavers with consideration so they become alumni and advocates; and part with under-performers firmly yet so fairly that they feel it is almost their decision.

A key test is how people perceive departures to have been handled. Hire and fire, mercenary cultures sacrifice trust and create a climate of fear with negative consequences for performance.

**5.7
Conclusion**

In considering the link between trust and HR processes, some consistent themes emerge.

- The need for open, honest dialogue between individuals, managers and organisations.
- Clear objectives, with a line of sight between actions and performance outcomes.
- Words are insufficient – the organisation must be seen to act consistently on its promises and follow through in the longer term.

6

TRUST LEADERSHIP

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Introduction

In this chapter we look at the effect leaders have on trust, in their personal qualities and the effect of their actions. We examine the implications for leadership selection and development.

“Trust is equal parts character and competence... You can look at any leadership failure, and it’s always a failure of one or the other.” **Stephen Covey, author**

Is trust all about the CEO?

Quite often it can seem that way – especially if the organisation has a dominant leader, such as a founder, a CEO who has been in power for years, or just a strong personality.

In communication terms, that has advantages – one face symbolises the organisation and voices key messages. But there are other angles to consider.

- Strategy formation and relationships in many complex, global organisations are quite distributed. One interviewee remarked that undue focus can centre on the group CEO and CFO. “It’s convenient for outsiders to pin the blame on whoever is visible.” They are accountable, but not omniscient or omni-present.
- A single dominant leader can be a risk as well as an asset. It helps if they are exemplary in their behaviour, and do their best to avoid the many dangers of centralised power and the cult of personality.
- Succession tends to be more problematic.

The mature, trust-savvy organisation therefore takes care to avoid over-personalising its trust building, and develops a broad-based that ensures continuity and depth of good behaviour.

6.1

Who’s responsible for what?

Leaders set the tone for trust

- within the organisation, through the example they set and atmosphere they create
- through how they influence organisational behaviour – processes, communications and the actions of employees and contractors
- directly with external stakeholders to whom they are visible personally, or through the filter of formal and informal media.

Engaging leaders are far more likely to create the conditions for organisation effectiveness, as Galford & Maruca illustrate with their ‘leadership ladder’.



From Galford & Maruca, *Your Leadership Legacy*, 2006

Attention focuses primarily on what executive leadership, particularly the CEO, says and does, as that is where most power and influence resides. However, we should also take account of

- the governing board, which normally appoints and oversees executive management, and which should have ultimate responsibility for direction, culture, risk appetite and behaviour
- distributed leadership, ie managers throughout the organisation, whose own behaviour shapes trust in their own sphere of influence, internally and externally

“You’re here on behalf of the people you lead.” **Professor Veronica Hope Hailey**

- functional leadership – the particular influence on trust in the organisation’s competence and behaviour that different functions have (see below).

Within your organisation, how do these various forms of leadership work together to foster internal and external trust?

Integrated leadership behaviour is never easy to achieve in any group, and certainly not in large organisations. Whatever the reasons, dissonant or dysfunctional leadership reduces trust. In contrast, strong teamwork, adherence to declared values, behaviours and conduct codes serve to generate confidence and build trust.

6.2

What do trusted leaders do?

There is no lack of guidance in the various books and articles on this subject, and our case studies provide some good examples. These are some priorities that a CEO or team leader should observe.

- **Ensure everyone understands ‘the business’**, ie the organisation, the sector it occupies, and important basics about commerce and the world of work.
- **Provide focus, ensuring everyone knows what they are doing**, thus minimising time and energy wasted on working out what to prioritise.
- **Develop a shared understanding of what good looks like**, defining standards that are not just top-down but benefit from front-line knowledge (co-creation).
- **Tell the truth, without delay**: where does the organisation stand, where do I stand? Don’t underestimate people’s intelligence.
- **Get people comfortable with improvement and change**. Allow people to make a contribution they can be proud of.
- **Free people from politics and productivity blocks**. Teresa Amabile’s research on engagement spotlighted that leaders who understand what stops employees doing a good job – and then act to remove obstacles – are rated more highly.
- **Foster ideas and innovation**. A high-achieving environment requires leaders who can instil enthusiasm, inspire passion and encourage fun, especially in tough times.
- **Focus on relationships and connectivity**; facilitating networks and healthy information flows – skilfully using levers like organisation design, and setting a personal example.
- **Be an effective people and talent manager**. Develop talent and skills for the future, recognise good performance, and deal firmly but fairly with under-performance. CEOs should role-model positive performance management within their own teams, and get their reports to do the same.

Developing trusted leaders

Trustworthiness and a strong moral compass are intrinsic personality traits of trusted leaders. They develop genetically and through early experience. They cannot really be implanted if absent, although a major shock can re-orient priorities.

However, development activities can help to enhance latent characteristics, through

- working on self-awareness,
- coaching and mentoring,
- working on communication skills – from listening to adept use of technology, and
- exposing leaders to challenging scenarios concerning trust issues, and working on core people management skills.

This needs to be underpinned by positive reinforcement through performance and development reviews, and through role-modelling at the top.

However the first step is to be clear about behavioural expectations when recruiting talent and senior executives, including CEOs and board directors.

“In setting the right tone from the top, the key to success is leaders finding their own voice. If the tone is not set from the heart, then it will fail.” **Ian Powell, PWC chairman**

Top executive rewards and trust

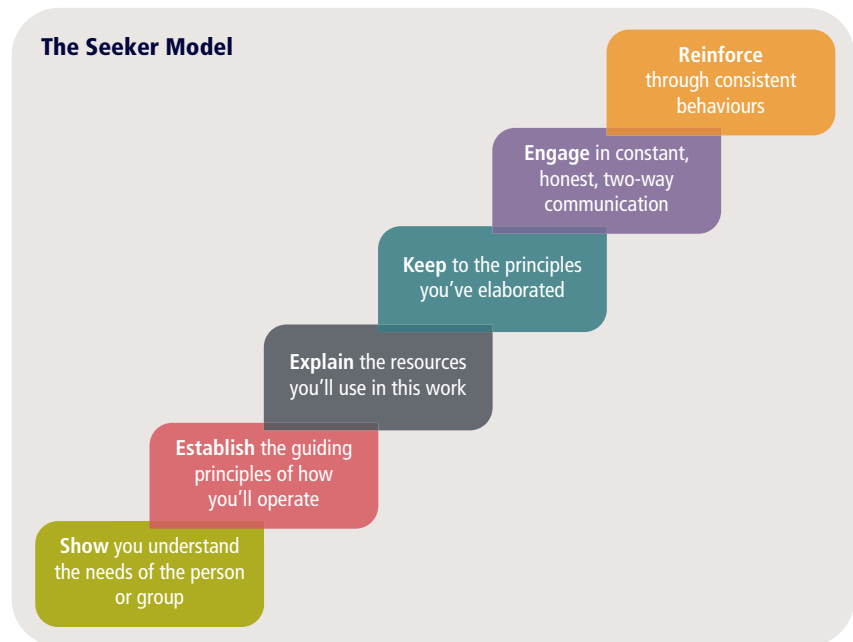
There is widespread mistrust of top executives and boards stemming from perceived ‘fat cat’ reward practices. This is particularly evident in economies where general pay levels have suffered, as in the UK and various EU countries, echoed by the ‘say on pay’ debate in the US. Paying executives massively higher than colleagues hardly fits with notions of selflessness and role-modelling.

If the CEO and top team are manifestly seen to have delivered or conserved significant value, investors can be relaxed. So can employees, if there is genuine sharing of rewards when results are good. Proposals such as limiting executive pay to a fixed ratio of organisations’ lowest pay levels have not gained traction.

An example to avoid is that of NPower’s CEO, Paul Massara, in reacting to criticism of UK energy companies. He dismissed as a ‘gimmick’ the suggestion that he might emulate the Centrica CEO by waiving his bonus. He stated that executive team bonuses were awarded for meeting customer satisfaction and employee engagement targets. His statement was followed by surveys indicating that legally-required customer obligations were not being met, and that NPower was bottom of the service standards league by a significant margin.

- **Reinforce key messages consistently.** There are many filters and distractions in large, complex organisations that can muffle or distort what leaders say, particularly in difficult times.
- **Prepare successors, build a healthy legacy.** Leaders should always recognise the reality that they will move on, and that it is their job to build strong deputies and successors. They win honour by building strong teams for the future, not by mainly looking after themselves.

In effecting change, Galford and Drapeau’s ‘Seeker’ model provides a useful guide.



From Galford & Drapeau, *The Trusted Leader*, 2002

6.3 Personal qualities

What are the characteristics of trusted leaders? Here are some further pointers, to be considered when recruiting, selecting and developing leaders.

- **Personally trustworthy.** A role-model of probity and dependability, able to get things done but also doing the right things well.
- **Visible and authentic.** Employees want to know the real person – and are highly sensitive to fakery and spin.

“One attitude I acquired from many of my predecessors was that in a senior role it had to be company first at all times.” **Ralph Topping, CEO, William Hill**

- **Delegators and power sharers.** Getting the best out of people starts with effective delegation. Good leaders champion co-creation and collaboration, and build shared ownership of quality, change and achievement.
- **Humble.** Arrogance and grand-standing do not inspire confidence. Nor does taking credit (and rewards) for other people’s efforts. It impresses more if people in responsible positions are ‘human’. That includes apologising sincerely if things go wrong. So, think Mandela, not Mugabe.
- **Caring.** This is not about trying to be liked – people see through that. Tough decisions and painful action will be accepted, if the leader has people’s interests at heart. Putting the organisation’s interests before personal gain.
- **IQ and EQ.** To win trust, leaders need EQ – emotional intelligence – as well as IQ. In particular, they should be self-aware, and have the courage to invite and accept constructive feedback.
- **Facilitator, not show-off.** The effective leader holds back to see what colleagues have to say before making a decision, generating contributions based on trust rather than kow-towing.

These traits are not necessarily what gets people to the top in many organisations. However, we find that a new consensus is emerging – in reaction to numerous high-profile leadership failures and governance crises – that emphasises the trust-building characteristics we have outlined. To what extent is this reflected in how your organisation appoints leaders, especially CEOs and C-suite?

6.4

HR leadership

Every functional area has important contributions to make in building trust (see the column). But if any function should be concerned with culture, values, behaviours and engagement, it should be HR. The main levers for shaping culture are all in the HR portfolio – leadership development, performance, selection and assessment, recruitment, reward etc. “I certainly put my hand up for all this” affirmed Tracy Clarke, Group HR Director at Standard Chartered.

In addition to HR directors working with top team colleagues

- business partners should be influencing leadership teams at other levels – as necessary, holding up the mirror and guiding colleagues on trust and relationship management
- HR’s policy and process design and implementation should be viewed through a trust-building lens
- recruitment and development of HR people should aim to enhance the function’s capability in trust-building.

Functional leadership and trust

Here are some key questions regarding the role of corporate functions in developing and supporting trust.

- Compliance, Legal – are these just policing departments or do they actively work to improve organisational behaviour and effectiveness? Do they anticipate or play catch-up?
- Corporate Communications – is it focused on deflecting criticism and covering up slip-ups; or does it help the organisation face up to and communicate the truth? The best functions actively encourage internal communication, reinforce positive values about openness, trust and respect, and work closely with HR to improve communication channels, behaviour and skills.
- IT – do the reliability and user-friendliness of the organisation’s systems contribute to an admired brand? Does IT successfully anticipate internal and external customer needs?
- Finance – how does its work aid clarity, good behaviour and reputation? Do financial systems and processes support productivity and business improvement? Is it forward-looking?
- Marketing, NPD – does it help ensure that behaviour matches brand promises, and reality matches the message? Does it build brands everyone wants to associate with?
- Strategy – is trust-building, internally and externally, woven into its work?

“HRM professionals need to redefine their role and professional identity to advocate and support a better balance between employer and employee interests at work.” **Thomas A. Kochan, MIT**

A caveat – who gets to the top

The reality is that many leaders have clawed their way to the top without demonstrating the characteristics of trust.

Professor Adrian Furnham has over many years reminded CRF audiences about the prevalence among senior executives of psychopathic and narcissistic tendencies. Ambition and political nous can be positive, but in excess – such as where personal ends are taken to justify the means – represent part of the ‘dark side’ of potential de-railers.

However, this only happens where the organisational norms allow it – as in the many organisations where trust is low. Furnham refers to a toxic triangle of destructive leaders, a conducive environment and susceptible followers.

Re-defining charismatic leaders

Historically, powerful personalities who ‘lead from the front’ have been highly admired.

However, a closer look at the psychology of charisma reveals a dark side – the need for power and admiration, desire to impress through boldness, personalising rather than sharing – as these traits predominate.

A high trust organisation demands a different kind of charisma – more about selfless commitment, balanced risk-taking, thoughtful, caring and persuasive.

Here are some questions to address for HR itself to be seen as trusted.

- Is it resolute and persuasive in identifying and resolving trust issues?
- Is it trusted to provide great service, and do so in an integrated way?
- Is HR known for enabling people to do their best, as opposed to being mainly a policing function?
- Does HR help the employee voice to be heard, and if necessary act as an organisational conscience?
- Does HR enhance the way information flows in the organisation, rather than being seen as secretive?
- Do HR directors have sufficient influence to ensure that trust factors are to the fore when recruiting and developing CEOs, C-suite and board members?

6.5

Conclusion

Two overarching essentials to achieve trusted leadership are

- understanding the psychology of trust
- setting a good example.

The desired traits and behaviours of trusted leaders suggest a higher and different standard of leadership than that which has historically prevailed in many organisations.

Our case studies provide some examples of how leaders and HR are responding. As yet, there is some way to go before society is convinced that the tipping point has been reached.

7

CHALLENGES AND DILEMMAS

Topics covered

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Introduction

Here we describe a range of organisational issues where trust presents significant challenges and dilemmas, and indicate ways to address them.

“The destructive dance of distrust usually starts in the hearts of those on top, not in the hearts of hourly employees who, as we’ve discovered, so desperately want to be trusted, who actually beg for it.”

William & Kathleen Lundin, authors

7.1

Transparency vs secrecy

Transparency is a constant theme in establishing trust. Put simply, honesty and openness win trust; hiding things undermines it.

However, it is important to **distinguish between secrets and secrecy**. Like individuals, organisations have always had secrets. It is a natural and important part of gaining a competitive edge, and deriving benefit from intellectual property. Secrecy, on the other hand, is behaviour or that involves systematic concealment, is intrinsically exclusive and invites suspicion – as opposed to the inclusivity that is trust building.

Various factors are pushing towards greater openness and transparency.

- Collaboration and open innovation are becoming increasingly critical to success.
- Social media makes concealment difficult and counter-productive. Meanwhile advances in snooping and hacking technology mean secrets are harder than ever to protect.
- Secrecy is often maintained for dishonourable reasons – to hide mistakes or bad behaviour, or to preserve face, particularly at the top. Sooner or later the truth emerges, and a heavy price can be paid.
- After-the-event investigations are now aided by technical advances in diagnostics. New technology allows compromising information to be recovered as never before. Not coming clean can lead to more severe treatment once the discovery process digs deep.

The balance between transparency and secrecy is shifting. For an increasing number of organisations, a complete rethink is required about what being competitive means, ethics and security, and how to build lasting relationships with stakeholders.

Serious debate about the right balance is needed

- at board level, in defining risk appetite
- across functional heads, so departments are educated and tasked to balance productivity and security
- in devising and revising policies, and avoiding the ‘control creep’ that typifies bureaucracies.

Trust is the key that unlocks these doors. As Rolls-Royce Group HR director Kath Durrant observes, it’s about the ability to have adult-to-adult conversations at all levels.

Psychology of secrecy

- It is natural to have private thoughts and personal space, at home or at work. Unwarranted (as perceived) intrusion can be construed as bullying – eg the controversy in the US over companies demanding that recruits reveal their Facebook passwords.
- Mistrust and friction arise where there is a feeling that people have a right to know something, but it is being hidden from them. Opinions on whether the secrecy is justified may differ, but that’s what they feel.
- Negativity also occurs when an individual or group shares secrets ‘politically’, as a way to exclude interested parties. Factionalism fuels inter-group mistrust.

Balancing openness and security

- Clarity and common sense about what really needs to be kept secret.
- Ensuring everyone is up-to-speed about the realities of information security.
- Building a coalition of common interest in protective measures at all levels. When everyone’s livelihood is affected, this raises consciousness, discourages carelessness, and creates positive peer pressure.
- Consult and involve employees so that they ‘own’ risk management on the front line.
- Ensure that ‘control’ functions are required to be collaborative and transparent in their approach to security and their own performance requirements.

"I love to see businesses grow, but they should be growing better not bigger. A 21st century democracy will not stand for continually rewarding 1% of the company while the other 99% continue to suffer." **Charles Handy at WorkTech, December 2013**

Competition vs collaboration

'Healthy' competition is characterised by clear boundaries of ethics and rules that the parties recognise, with regulatory mechanisms to prevent excess. Inside organisations, competition becomes unhealthy when the common interest becomes weak. For example

- metrics in different business areas that undermine the motivation to collaborate or share
- scarcity of resources, fuelling conflict across divisions
- poor cultural fit or distance between functions/business areas, fostering suspicion
- leadership failings, resulting in lack of teamwork at the top – which is where silos start.

In staff surveys, employees have long complained of internal rivalries more fierce than competing externally.

Yet there is a strengthening trend towards collaborative business models and behaviour. This requires organisations to become ambidextrous – able to support multiple business models, and partnering with a wide range of organisations including once deadly rivals. Low trust organisations inevitably struggle in this context. High trust organisations are more likely to have the confidence to share, and the ability to engage in the give and take a healthy relationship needs.

7.2

Growth vs contraction

When an organisation is achieving success and growing, it is relatively easy to generate a positive atmosphere, whatever the leadership team is like. However, if insufficient attention is paid to maintaining healthy relationships and trust, over time negative behaviours can develop.

Positive features of growth	The dark side of growth
Confidence, willingness to experiment.	Over-confidence, hubris, over-stretch.
Increased range of opportunities, attractive for talent.	Weakening of quality through 'bums on seats' recruitment and selection.
Greater brand visibility, perceived strength, assumed reliability, influencing ability.	Perceived arrogance, bullying, 'too big to fail' or listen and collaborate, believing own 'hype'.
Success fuels further ambition.	Success fuels complacency, greed, selfishness.

When an organisation is **on a plateau or shrinking**, it is similarly easy for cohesion to suffer, talent to jump ship. A management team's ability to inspire trust in long-term prospects is critical. In adversity, an organisation and its leaders show their true colours. Trust-inspiring leaders

- develop a compelling vision and plan, enabling talent to see opportunities
- build confidence and collective ownership through participation and co-creation
- inspire ingenuity that can overcome adversity
- role-model resilience and selflessness.

7.3

Cost reduction vs innovation

Cost reduction and innovation are two classic strategies for becoming more competitive. In principle, they can be complementary, but in practice this is rare unless, as Herriott, Hirsh & Reilly observe, "they are managed with consummate skill and in the context of mutual trust between top management and others".

All too often, employees' experience of cost-cutting is insufficient resources, and greater pressure for no extra reward or recognition. Experience walks out the door (although it may get hired back as consultants), and the focus is on cheaper, not better value.

"People and organisations regularly find ways to compensate for the dysfunction created by a lack of trust. In large part the 'quick fixes are unhealthy and also extremely costly in both financial and human terms." **Robert Galford & Anne Seibold Drapeau. authors**

By contrast, the atmosphere around innovation is usually about investment, opportunity, learning, and improving things.

The way to build trust in lean periods is through

- inclusive leadership that 'gets into the trenches' both to inspire and be better informed of front-line realities
- making optimal use of knowledge and talent through involving everyone in finding ingenious ways to do things better and do better things.

Some of the world's leading companies began in tough times, benefitting greatly from the rigours of early privation. The trick is to remember how to be economical **and** inspirational once you get big. Healthy cost-cutting and innovation both involve building, not destroying trust.

Change brought about by **restructuring or mergers and acquisitions** can be particularly challenging for trust, as they engender uncertainty and fear in employees.

- Leaders often fail to involve people or address 'what's in it for me'.
- Other stakeholders' interests seem to take precedence – especially 'bosses' and shareholders – even though it is employees who bear the weight.
- Information held back intrinsically says 'we don't trust you'.
- Change management processes are often developed in remote programme offices, and fail to tap into employee experience during planning and implementation, often leading to repeats of past mistakes.

For employees the lightning rod issue is **job security**. In low-trust organisations, uncertainty leads to speculation, talent exits and in extreme cases to industrial action. High trust organisations by contrast do their utmost to avoid knee-jerk change and nasty surprises, and build in positivity about fairness and opportunity from the start.

7.4

'Numbers don't lie' vs 'damned statistics'

Facts and evidence are important in establishing truth that builds trust, but numbers can be misleading. Accountants and actuaries can bend figures to suit a purpose. Also, functions usually have different approaches to metrics: eg Finance and HR seem to come from different planets, while Marketing and PR are perceived by many as 'spin merchants'.

So, who can be trusted, and what should be done? Leaders can

- move different functions towards a common philosophy and integrated approach to metrics, enabling more powerful correlations and exploitation of new data sources
- ensure that organisational values emphasising trust, ethics and engagement encourage openness and honesty in use of statistics.

Case Notes

- Saga provides a good example of recognising, and repairing, temporary amnesia about values as a result of growth. By contrast, most of the UK's large banks are still early in the process of re-inventing themselves.
- Rolls-Royce has lowered the potential for negative internal competition by reducing the complexity of its matrix structure, and reducing uncertainty about internal investment through a new 'level playing field' plant performance measurement system.
- William Hill and Standard Chartered both accentuate mutuality through language they use to demonstrate respect for diverse contributions. For example, William Hill deliberately uses the term 'colleagues' rather than 'employees'.
- In addressing its massive trust challenge, BP has encouraged viral and bottom-up activity in support of the values, as well as role-modelling at the top.

"There are three kinds of lies: lies, damned lies, and statistics." **Mark Twain, attributed to Benjamin Disraeli**

Before and after a crisis

All too commonly, organisations do not face up to trust issues until they try to recover from a crisis, when for some it is too late. Here are some pointers for recovery from a major failure.

- How sincere are the organisation's apologies and reparations? Do they match the harm done?
- How clearly do they improve internal and external listening, and follow-through?
- How is consciousness of the requirement to 'do good' maintained over time, especially as leaders come and go?

Even when an organisation is doing well, stakeholders should assess how well the organisation

- invests in good values and behaviours (prevention)
- builds a positive trust fund (insurance)
- engages in thorough, realistic scenario and crisis planning.

Potentially HR could help – despite its reputation for being numbers-shy and unscientific. Certain trends may reverse this, with greater focus on

- an evidence-based approach to HR, to improve insight and decision-taking
- people-focused risk management – recognise the significance of behaviour, culture
- investment in HR information systems, and analytics, exploiting 'big data'.

Improving capability in this area offers HR a great opportunity to increase its impact.

- moving different functions towards a common philosophy and integrated approach to metrics, allowing for more powerful correlations and exploitation of new data sources.
- ensuring that organisational values that emphasise trust, ethics and engagement encourage openness and honesty in use of statistics.

7.5 Conclusion

The common thread in each of the themes explored in this chapter is that, to achieve trust, ethics and honesty always provide the answer, even if it is not a comfortable one. Pragmatism and realism are important too but, if adopted at the expense of trust, can be the start of a descent down a slippery slope.

8

CONCLUSIONS AND RECOMMENDATIONS

Topics covered

- 8.1 Conclusions
- 8.2 Recommendations

Introduction

- 51 In the final chapter, we highlight some key conclusions of our research. We also
- 52 present recommendations applicable to particular groups, including HR and boards.

“Meeting the trust challenge includes putting ethics back into the operation of free enterprise (capitalism) and restoring ‘service’ to public service.” **David Blunkett, MP**

Regulators stung into action

The public and politicians are increasingly focusing criticism on regulators for allowing misdemeanours to happen. In some cases, regulators are being restructured. In the UK, examples include the Care Quality Commission (health), Ofgem (energy), Press Complaints Authority, and the Financial Services Authority.

In the UK and US, record fines are being imposed on banks in particular, although it is arguable whether punitive regulatory action can actually be successful in inducing culture change.

Tracey McDermott, director of enforcement at the UK’s new Financial Conduct Authority, commented in October 2013 that misconduct has thrived because the industry “places profits over ethics.” She added “firms must grasp the nettle, embed positive behaviour and make clear there is no room for misconduct.”

8.1

Conclusions

- There are significant trust deficits across both public and private sectors, particularly in certain countries. Some international bodies score highly, others low. Some whole sectors can currently be described as being in a trust crisis.
- Survey data show that, in general, low trust is attributed more to leadership deficits than to problems with institutions, which retain a level of respect.
- Trust in commercial organisations is low due to leaders focusing more on generating financial returns than building trust across all stakeholders. Some have favoured investors over customers and employees; others may just have been inattentive.
- Some boards and top teams do not have serious discussions about what trust means until they get into trouble. This damages their reputation further.
- Understanding of personal and organisational psychology is often weak among board and executive directors. The practice of looking hard in the mirror does not come naturally to those who are accustomed to self-perceptions of status and power.
- There has been lack of rigour in board appointments, specifically as regards talent planning and assessment (Paul Flowers of the Co-operative Bank is a recent example). Reputations and track record have been taken at face value, with insufficient attention paid to creating a diverse group of talents. While this is changing among more progressive boards, we see room for better board development and talent processes.
- Many leaders get to the top because they are adept at politics and power games, and thence manipulating trust. Particularly in sectors that are not exposed to full competitive forces, organisations can still operate with leaders who do not inspire trust, and with followers who are complicit or cowed.
- However, the trend in the face of recent perceived abuses, is to value inclusive, team-oriented senior executives, ahead of the strong, charismatic figures admired in the past.
- Furthermore, there **are** organisations and leaders setting out their stall as genuine forces for good, in society and in business, echoing visionary leaders of the past. Examples include Unilever’s strategic focus on sustainability and Standard Chartered’s ‘here for good’ pledge.
- These leading organisations are taking organisational values and behaviours seriously, and embedding them deeply in performance requirements and people processes.

“Those enterprises that adapt to a world in which engagement, integrity and purpose are more important to trust than financial returns will earn the License to Lead.” **Edelman Trust Barometer 2013**

8.2

Recommendations

For boards and top teams

- Given the key role leaders play in developing and sustaining trust, boards and top teams should consider the state of stakeholder trust in the organisation. This can be done regularly as part of strategy development, supported by survey and risk data. An external advisor can provide an impartial perspective. Consideration should be given to what trust means for the organisation, how it is measured, and what actions the top team should take to build and sustain trust. This may include difficult decisions such as shedding businesses or high performers whose behaviour is inconsistent with the organisation’s stated values.
- Board directors and senior executives should develop a solid understanding of human systems and organisational psychology, and how this relates to trust. Particular thought should be given to enhancing capability in key areas of responsibility – including C-suite recruitment and succession management; risk and reputation management; organisation culture, ethics and management behaviour; reward and talent development.
- Individuals nominated to boards and executive teams should first be thoroughly assessed about their experience, knowledge and orientation from a trust perspective.
- Boards and executive teams should agree critical dimensions of organisation effectiveness and express these as deliverables that internal and external stakeholders can trust.
- Consider creating a standing Brand and Values board committee to provide sharp focus on behaviour, standards, reputation and trust, and how this feeds into organisational value.
- HR needs to
 - ensure the organisation’s purpose and values inspire trust, and are well communicated and embedded
 - establish absolute clarity at board and executive team level about the behavioural standards the organisation should aspire to and be held to account for
 - build in the views and experience of other important stakeholders
 - get agreement on the resources and other key enablers that will allow these standards to be reached
 - project-manage all related change processes
 - guide and co-ordinate the contributions of other functions and teams in enhancing organisational trust
 - develop robust governance processes, with a clear line of sight from the board to the front line.

Organisational capabilities

- **Organisational effectiveness.** HR needs to work with the organisation in all areas of performance to achieve the quality and dependability that builds a lasting reputation. This includes creating a culture of excellence in both internal and external service.

HR Role and Responsibilities

- HR leaders should establish whether HR is responsible for addressing trust issues and culture in the organisation, working with and through leaders and line management – and if not, who is. This includes taking the lead on organisational values and behaviours, and designing and implementing codes of conduct.
- In exercising that role, HR needs to
 - ensure the organisation’s purpose and values inspire trust, and are well communicated and embedded
 - establish absolute clarity at board and executive team level about the behavioural standards the organisation should aspire to and be held to account for
 - build in the views and experience of other important stakeholders
 - get agreement on the resources and other key enablers that will allow these standards to be reached
 - project-manage all related change processes
 - guide and co-ordinate the contributions of other functions and teams in enhancing organisational trust
 - develop robust governance processes, with a clear line of sight from the board to the front line.

“Over the long term, trust may be the single most significant determinant of a company’s success.”

Robert Galford

Selected learning from case studies

- How Saga has used a strengths-based approach to transform the quality of its recruitment and on-boarding, feeding directly into improved engagement, enhanced customer service and reduced costs.
- How HR in Rolls-Royce is facilitating an integrated process of communicating business and people strategy, and embedding values and behaviours to achieve the strategic promise of being ‘trusted to deliver excellence’
- How ABF creates an environment of motivated, committed managers through delegation, ensuring that head office interactions with their businesses are enquiringly supportive rather than interfering; and investing in networking as corporate glue.
- How BP and Standard Chartered are recovering from reputational challenges, albeit of different orders of magnitude, and embedding codes of conduct.
- The place of values and behaviours in helping William Hill to remain cohesive and collegiate as it expands internationally.

- **Relationship management.** Focus on developing organisational capabilities and rigour in managing relationships with stakeholders. This includes
 - developing line manager communication skills
 - encouraging greater ‘proximity’– using ‘face-to-face’ communication and fostering collaboration as a capability
 - integrating with inclusion and diversity policies.
- **Involvement.** Encouraging co-creation and collaboration, thereby enabling continual adaptation and readiness for change.
- **Head office integration and service.** Ensure central functions work in an integrated and collaborative way, and also adopt a service approach in the way they support, guide and, where necessary police, the organisation.
- **Digital competence, new ways of working.** Ensuring both leadership and the organisation are well prepared and aligned in adapting to new working methods, ways of learning and communication.

Organisation design

Ensure the organisation design aids effective relationships and minimises barriers. That includes reducing complexity, maximising clarity of accountability, and focusing on flexibility and agility.

Culture

HR should ensure people processes are designed, implemented and operated in a way that maximises trust and thence productive outputs.

Managing the employment relationship

Ensure people policies and approaches are optimised to develop and sustain mutual trust and productivity in the end-to-end employment relationship, including

- well targeted and welcoming recruitment
- getting the best out of people through excellent ‘fit’ (eg using strengths-based recruitment)
- supportive on-boarding
- continuous focus on development and advancement opportunities
- ongoing focus on engagement up to and after departure (converting to ‘alumni advocates’).

Measurement

HR should include analytics capabilities that drive high quality analysis, integrated thinking, and problem-solving in metrics management across functions, leading to greater alignment, effectiveness and trust – and making best use of advances in metrics technology.

HR capabilities

Work through the implications of being a facilitator of organisational effectiveness and trust. These include

- personal qualities – courage, persistence, gravitas, business orientation
- soft skills – influencing, facilitating, coaching
- hard skills – strategic and commercial understanding, analysis, numeracy.

The aim should be that HR is perceived to add value, solve business problems, act as a trusted advisor and catalyst for performance improvement, underpinned by reliable and high quality services.

9

CASE STUDIES

Topics covered

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Introduction

In this chapter we present six case studies highlighting how organisations are tackling issues of trust – either as part of ongoing operations or in response to a crisis situation.

About William Hill

William Hill has in recent times become the leader in its sector. Founded in the UK in 1934, it employs nearly 17,000 people, and has a market capitalisation of around £4bn. Just over 50% of revenue derives from betting, the remainder from gaming products. It has been expanding internationally, most recently into the US and Australia, and now operates in nine countries. It has also developed on a multi-channel basis, adding on-line, mobile and self-service dimensions to its traditional retail outlets.

9.1

William Hill

Trust is a critical factor for William Hill.

- Customers need to believe they will be dealt with openly and fairly, and that money they lodge with the company is safe. It has built a good reputation for friendly service in its retail branches – many customers become well-known to colleagues – and this now has to extend to the much trickier customer environment of the internet.
- Mutual trust between the company and employees is also a fundamental ingredient in managing the business.

“Relationships is very much what this company is about”, observed CEO Ralph Topping. “We may not talk a great deal about trust in a formal way, but that’s because we all know it is a pre-requisite for us to operate. Our people can be trusted, and like to be.”

The HOME philosophy

In 2010, William Hill initiated a multi-stage process to enhance internal alignment and teamwork, in order to build its competitiveness as a business and an employer, and to ensure cohesion as the organisation changes, including spreading internationally and on-line.

In effect this was a significant investment in both the customer and employer dimensions of its brand, using the word ‘home’ as a vehicle to convey the company’s values.

- In 2010, the company adopted the strapline ‘The home of betting’, incorporating this in an advertising roll-out.
- At the same time it began a process to define ‘William Hill ways of working’.
- The process started at executive team level, exploring ideas around a consistent approach to work and success.
- This was followed by 40 workshops with some 450 colleagues around the world, which captured the best of practices as well as things that could be done better.

The results included using ‘HOME’ to articulate four principles.

- Hungry for success – embracing the challenges of change in the market, ways of working and in customer requirements.
- Outstanding service – satisfying customer wants, supporting colleagues internally, and adapting to the different service demands of new channels.
- Making it happen – recognising and developing William Hill people’s strengths in working together and supporting people in getting things done.
- Everyone matters – customers and colleagues, recognising everyone’s contribution.

Various steps were then taken to communicate and embed these principles, including people volunteering to be HOME champions.

“We made it clear that this wasn’t a promotional campaign or focus for the year,” commented group HR director David Russell. “This was partly about identifying and then investing in our latent qualities and strengths. It was also about getting wide participation in shaping the company to be even fitter for the future.”

From a trust perspective, the ‘E’ of Home perhaps presented the biggest challenge, Russell observed, given the typical tensions in balancing commercial and people agendas.

Focusing on being a great place to work directly helps to increase the attractiveness of William Hill for employees of companies acquired internationally. “We want them to buy in and contribute as much as possible and as soon as possible – and become valued ambassadors of a brand that can be fully trusted.”

Other steps

The importance of relationships and teamwork are underlined in other ways – here are two examples.

25 and 40 year service awards are a prominent feature at William Hill, and have been developed into an annual ‘thank you’ celebration.

- A prize draw is a major feature – the range of prizes in 2013 included 16 Caribbean cruises with £1500 spending money, and tickets with full hospitality to the top sporting events that the company sponsors.
- Organiser Angela Shannon commented proudly “people outside William Hill are always astonished to learn what we do for our long servers.”

William Hill has also undertaken a long-term project to develop education in an impoverished location in Kenya. Employees serve as volunteers in what doubles as a rewarding personal and team development experience.

Succession challenge

In any organisation, the CEO role is an inherently significant shaper of trust internally and externally. Current CEO Ralph Topping has overseen a period of stability and growth in recent years, and provides a reassuring presence with over 40 years’ service in the company. He is due to retire in 2015, and the board faces the challenge of finding a replacement who can maintain confidence in such a relationship-oriented environment. This will also be a test of the board’s ability to engender trust, both in the process it adopts and in the outcome it achieves.

CRF observations

A growing company always faces challenges in retaining trust and cohesion as it spreads and does new things. The danger is that processes start to become more rigid and the organisation becomes more bureaucratic. Increased formality is both off-putting and symptomatic of undermined trust.

The HOME philosophy serves to underline the company’s strengths in providing freedom to get things done, within a clear framework, and in valuing relationships as an engine for customer and employee satisfaction.

As success comes, it is also important to avoid arrogance and hubris. HOME seeks to guard against this.

The ‘trust’ test for William Hill’s board is to manage the succession process such that continued stability, confidence and performance is maintained.

About Rolls-Royce

Rolls-Royce was founded in 1906; the motor business went into separate ownership in 1973. Rolls-Royce Holdings is a UK headquartered power systems group operating in three areas.

- Aerospace – 2nd largest in aero-engine products and services
- Marine – products on 30k vessels and serving 70 navies
- Energy – world leader in power for the gas industry, offshore and onshore.

It has customers in 120 countries and operations in 50. It has 44,000 employees – 40% now outside the UK – and a market capitalisation of around 22 billion (June 2013).

9.2

Rolls-Royce

A core value declared by Rolls-Royce is ‘trusted to deliver excellence’. It is engaged in a process of internal improvement and renewal that seeks to embed this deeply into its relationships both externally and internally.

Investing in the brand

Rolls-Royce is one of the most famous brands in the world. In the company’s own words “it opens doors; attracts talented people; reassures customers and gives us the credibility to move into new markets.”

What were the triggers for a significant exercise to re-fresh the brand?

- The arrival of a new chief executive and other top team members, taking a fresh look at things.
- Reinforcing the organisation’s ethical standards in advance of tighter regulatory requirements, having found itself having to declare issues to the UK’s Serious Fraud Office and regulators in various other jurisdictions.
- A continuing agenda to simplify and streamline an organisation that has a legacy of complexity from a surfeit of localised practices (see case study in *Configuring HR for Tomorrow’s Challenges*, CRF 2009).
- The continuing strategic ambition to be world-class and competition-beating in delivering services, underpinned by lean and cost-effective processes, and a highly committed and resilient workforce.
- Recognising the need to build a more global and diverse team in order to succeed in the future.

The top team agreed that ‘trusted to deliver excellence’ had to be more than a brand promise to customers. It must be reflected internally in the way the company operates – sales, production, research, everything – and inform every decision people take. “Everyone at Rolls-Royce must be trusted to deliver excellence. This is a statement of values everyone can understand, take confidence from, be inspired by and always strive to achieve.”

CEO John Rishton made it clear he was under no illusions how high the bar is that they would be setting. It would need a thorough and sustained process to make it a reality. See the column for the key elements and workstreams designed to achieve this.

Code of conduct

Rolls-Royce has

- appointed Lord Gold – prominent for his investigative work at BAE and Serco – to review anti-corruption and bribery practices, with a licence to wander throughout the organisation and advise
- developed a code of conduct, currently being rolled out. Every employee will be expected to sign it and affirm that they understand the obligations and have had the opportunity to talk about it.

Regarding the code, Durrant commented “we can’t control everything people do, nor would we want to. That’s not how you get trust. Trust is developed by experiencing competence, care, courage and consistency. We want people to take ownership and exercise good judgement as part of an adult-to-adult relationship with what is their company.”

Durrant observed that people are fallible – everyone can make a mistake. But having more openness would allow Rolls-Royce to get issues and dilemmas on the table, so that people can reflect on choices and any mistakes, and thence how they might do things in the future.

“So we are seeking a higher consciousness of responsibility for our actions. People must feel ‘this is not some far away issue, it’s do with me.’ And it is about big and little things. It means realising, for example, that we don’t wander around with unencrypted data on a USB stick. And if we sign for something, we’ve really done it. It’s about all trusting each other to do the right thing.”

The way we do things round here

In addition to the formal code, a short document articulating the company’s vision, values business and people strategy will be disseminated directly from the Executive team to each employee, again with an expectation that teams will discuss what it means to them locally.

The plan is to ensure quality discussions involving all employees in small groups, exploring the values in their terms as well as discussing the code.

The debate is expected to cover a wide range of topics, as it has done within the senior leadership population – quality, process effectiveness, doing things quicker AND better.

In addition there will be people issues, such as diversity, inclusion, and treating people with respect. Historically Rolls-Royce has been a quite homogeneous company – mainly white, male and British. Internationalisation has been a learning experience as different cultures start to merge and work together. Recruitment and development of women – never easy in an engineering environment – is another area of focus. Trust issues are interwoven through these changes.

“John Rishton has made it clear that a focus on culture is as much about making sure everyone belongs as it is about compliance issues”, said Durrant.

Hearts and minds

That process started in 2012 with in-depth discussions within the Executive team. “We spent many days discussing vision, values and the business and people strategy”, commented Kath Durrant, Group HR Director.

This was followed by

- ‘leadership in action’ sessions with the top 300 managers – Executive team members worked in pairs to facilitate debate in groups of 15-20
- a three-day senior management conference discussing strategic direction, culture and leadership for the top 100, who in turn will have in-depth discussions with their teams.

It is still early days. The last staff survey results recorded scores of over 90% for pride in the company, but only 46% for trust. “That may be about average, but our intention is to drive that much higher, and reduce a wide variation in ratings for line managers.”

Recruitment and Trust

“Rolls-Royce has long had positive strengths in its culture,” explained Kath Durrant. “It is collegiate, and ‘politicians’, self-interest and arrogance don’t go down well. We take care to recruit people that match our value set, especially taking into account our recent work on this.”

Structured assessment processes for management recruits include integrity tests and dilemmas. The company is looking for people who will be honest about admitting mistakes, and who demonstrate how to learn from them. “This is a strength, not a weakness, especially in an organisation that focuses as hard as we must on both innovation and risk management.”

“Our five core values are about openness, collaboration and putting the needs of the customer first. At all times, we aspire to be courageous, responsive, international, creative and trustworthy.”
Standard Chartered

About Standard Chartered

Standard Chartered’s roots go back 150 years. It is distinctive in its diverse and international flavour. It differs from other large banks in being a trading bank with a focus on Asia, Africa and the Middle East, rather than having a major retail presence in a ‘home country’. Headquartered in London, it has 1700 branches in 70 countries, and employs almost 90,000 people – just under 50% female – drawn from 127 nationalities.

It has survived the banking crisis better than many banks partly due to its presence being predominantly in newer economies.

Trouble in New York

In August 2012, Benjamin Lawsky, the New York financial services regulator, filed a 27 page order against Standard Chartered alleging “wilful and egregious violations of law” concerning the somewhat complex US restrictions on US dollar trades with Iran.

- The fairness of the charges – and alleged ‘grandstanding’ of the regulator – were hotly debated at the time, with the ‘serious’ press generally giving credit to the bank’s reputation for rigorous compliance and focus on good behaviour.
- The bank acknowledged misconduct in connection with some Iranian payments, paid a series of settlement terms that include improvements to its controls and ongoing monitoring of the banks compliance with sanctions and anti-laundering measures.

Structural change

Simplification is a priority. Complexity creates distance, confusion and can reduce effectiveness – all of which serve to reduce trust and confidence.

- Matrix structures and working are being reduced.
- Supply chains and support have been integrated into customer-facing business divisions.
- There is a strong focus on better quality management information.
- The legacy of past acquisitions will be more firmly addressed, so that the brand becomes core rather than an umbrella.

“We intend to be more like BP and GSK, which have been tougher about integrating acquisitions.”

Of course, making such changes also throws up trust challenges, including old labour agreements. Particularly sensitive is how investment decisions relate to productivity achievement – the outcome of which ultimately determines the future of a plant or site.

HR has therefore developed a system called ‘Blueprint’ that assesses all manufacturing sites in a systematic and consistent way. It allows fair comparison and aids understanding of causal factors regarding productivity. “The proposition to the workforce is that, if you deliver, we’ll invest.” Transparency is hugely important in such a sensitive area.

Greater standardisation will eventually mean less supporting structures. Again sensitivities need to be managed, including influencing managers to be more self-reliant, eg through smart, easy-to-use systems.

CRF observations

It is impressive to see how central trust is to the company’s business strategy and leadership development priorities. There is no delusion about how long it will take to get to a more desirable level, and of course this is an unending journey. It should become clear to every employee that this is not just an ‘initiative’, but about reinforcing the best ways of working and mutual accountability, and thus investing in everyone’s future.

9.3

Standard Chartered Bank Group

Financial services is not a comfortable place to be for an organisation whose brand promise is ‘Here for good’. Scarcely a week passes without some major controversy about failures of behaviour, service, trust and governance in banking, in particular.

“Does the board understand all the latest thinking on the psychology of trust? Perhaps not. But are they fully focused on conduct risk and the consequences for the organisation? Absolutely.”
Tracy Clarke, Group HRD, Standard Chartered Bank Group

Standard Chartered was generally acknowledged reputationally to have been comparatively unscathed by the banking crisis compared to most other leading banks. However, in 2012 the New York financial services regulator stunned pretty much everybody concerned – including other regulators and the bank’s rivals – with accusations that Standard Chartered was a ‘rogue institution’ (see the column).

This was hurtful for an organisation deemed even by outsiders to be obsessive about compliance, and after CEO Peter Sands had just talked publicly about how its values were “the ultimate protection against risk.”

We spoke to Tracy Clarke, Group HRD – also responsible for Compliance and Corporate Communications – about the bank’s continued efforts to live and demonstrate trust.

Living ‘here for good’

“We genuinely believe that we all want to do the right things as a company, including supporting economic growth in the countries we operate in, and building deep ethical relationships with customers,” said Clarke. “What’s changed is that we have to work harder to prove it. It is a big agenda item for us in 2014, just as in 2013.”

Broader than the issue of working with regulators, the bank recognises there can be no complacency in managing relationships with customers. “We can presume nothing. They have choices. And there’s a lot of innovation.”

The realities of the media revolution require a very different approach to sustaining reputation. “It’s no longer good enough for the CEO to talk to the media when an issue arises. And people’s views are coloured rather more by what they see on Twitter, websites and blogs than what the CEO says.”

As well as looking through new lenses, the bank seeks to maintain confidence by continuing to invest in relationships.

- Its approach to diversity and inclusion is fundamental to the character of the organisation, and a key aspect of the brand promise.
- It engages with external networks and initiatives, in order to collaborate, learn and share good practice. Examples include the Global Banking Alliance for Women, Diversity and Inclusion Asia Network, Center for Talent Innovation and Inclusion and Diversity Consortium.
- The employee volunteering programme also aims to facilitate a culture of inclusion inside countries. In 2012 staff donated over 65,000 days to volunteering.

Debates and choices

The top team and board have devoted much time to thinking strategically what markets, products and clients to concentrate on, and the ‘opportunities’ it should pass up. This is a multi-faceted discussion, involving different levels. “It’s often not obvious what passes the ‘here for good’ test”, observed Clarke.

- In Myanmar, for example, building a safe and transparent financial services sector, with systems and processes that combat financial crime, can clearly help the country’s rehabilitation. But there is no shortage of gainsayers.
- Even with existing clients, the bank is more discerning than ever about the types of transactions it engages in, and what is reputationally sensible to be associated with.

The board is also pre-occupied with balancing the expectations of multiple regulators around the world, while at the same time doing right by customers and employees. Regulators are not always aligned and can have quite different approaches, whereas the bank requires consistency and integration to ensure efficiency and adequate controls.

“Does the board understand all the latest thinking on the psychology of trust? Perhaps not. But are they fully focused on conduct risk and the consequences for the organisation? Absolutely.”

“Our distinctive culture and values act as our moral compass and are the reason why clients and customers choose to bank with us, and our employees want to join and stay with us.”

Fair accountability principles

These have been devised and launched to address staff concerns about the potential personal consequences for them of the conduct issues and regulatory action that have been accumulating across financial services.

Standard Chartered is using the principles to reassure its people that they can use their judgement without fear of being judged unfairly in retrospect. Likewise they will not be blamed for mistakes made in good faith and for understandable reasons.

This fits with the ‘creativity’ value, which encourages experimentation and innovation.

The company has good performance review and disciplinary processes, but an extra level of assurance is necessary. External trust issues lead rapidly to internal trust issues when reviews and enquiries commence.

“The principles have gone down well, but inevitably people feel the proof of the pudding is in the eating. There’s such a lot of blaming going on out in the market.”

Governance

Standard Chartered is one of very few companies with a standing Board Committee on brand and values. “Its job is to challenge, and it certainly does.”

It also helps that Clarke has responsibility for compliance as well as people and communications. This directly helps to avoid the silo thinking and tensions that occur in some organisations. “Yes, I put my hand up to being the person who should integrate thinking and action in trust-building.”

The bank has recently re-launched its Code of Conduct. Clarke commented that

- the aim is to embed consciousness that the behaviour of a single employee can have significant impact on how 89,000 other colleagues are trusted
- what was quite a dry document, full of ‘don’t do’s’, has been re-written to make it more immediate and real for everyone, and link clearly to the brand promise of ‘being here for good’
- much attention is being paid to managers, in terms of their role modelling and their ability to address dilemmas where the solution is not black and white
- the message includes the idea that just following rules is not enough – it’s the spirit that counts, not just working to the letter of the law.

Also recently launched have been some fair accountability principles (see column).

Engagement

Standard Chartered has long prided itself on

- its dedication to employee engagement, and to strengths-based management
- underpinning this with rigour in collecting and using evidence – see for example the case study in *Making the Most of Employee Surveys*, (CRF 2006)
- gaining insights from both lead and lag factor data.

Thus the board Brand and Values Committee will regularly consider not just the engagement survey results – including specific questions on trust – but also conduct risk data that the Risk Committee receives, to see the behavioural picture in the round. Similarly they can contrast feedback on the Conduct code roll-out with how people really feel about openness and transparency.

Improvements to the engagement survey process are planned in 2014, making it more flexible and effective in targeting current issues of importance.

“We expect to be held to high standards in what we do. We strive to be a safety leader in our industry, a world-class operator, a good corporate citizen and a great employer.” BP Values and behaviours statement

Going social?

Among the many awards Standard Chartered has garnered for its banking and service excellence, it has also received plaudits for its use of social media externally. It has a team working 24/7 across a range of channels around the world.

However, in common with many other banks, it has been slow to adopt social media internally. Nearly 50% of employees have had to resort to creating their own communities using available tools such as LinkedIn and Facebook, in the absence of any suitable company systems.

The significance of this issue as an inhibitor to trust, productivity and innovation is now recognised at the top. “The board does also understand about Generation Y and Millenials, and that this is about how we work in future.”

All banks naturally have issues to address about security. Yet intrinsic attitudes to secrecy and openness vary. “We are more open and collaborative than many”, Clarke feels. “There’s not a lot that’s tightly held. We spend much more time on encouraging communication than on what we can’t say. Our starting point is to be open and timely. That builds trust. But people do understand communication protocols about who says what externally.”

CRF observations

Standard Chartered has ridden out its first significant reputational challenge in recent years reasonably well. In doing so it was striking to see the benefits of having a ‘trust bank’ through its investment in relationships, processes and ‘being here for good’. It has also strengthened the resolve to stay on the front foot in trust-building.

9.4

BP

BP has engaged in a major values and behaviours programme. We talked to Communications Director David Bickerton and Kirsty Bashforth, Group Head of Organisational Effectiveness, about what this entails.

New values

The advent of a new chief executive following a reputational failure provides an opportunity to look into the mirror, reflect and set a new direction.

The longer-term aspiration agreed by the management team was to become a safety leader in the industry, a world-class operator in terms of effectiveness, a good corporate citizen, and a great employer. This would require a very substantial shift in perception.

About BP

Originating as the Anglo-Persian Oil Company in 1909, the name British Petroleum was adopted in 1954. BP is now a leading global oil and gas company, currently employing 86,000 people in over 80 countries with sales of over \$375bn. Headquartered in London, the USA is its largest operating country by number of employees.

Its main brand is BP, and it also owns Castrol (lubricants), Aral (fuel retailer in Germany) and the ‘ampm’ and Wild Bean Cafe outlets.

BP has experienced a series of major safety-related incidents since 2005 – mostly in the USA – the most recent, in 2010 in the Gulf of Mexico being the largest in terms of cost and reputational damage. The consequences have been many and various, including the resignation of CEO Tony Hayward and ongoing legal processes, all of which have been extensively reported in the media.

Communicating the code

A large organisation with varied workforce cultures across the world should be imaginative about how it communicates and embeds important new procedures, particularly a new code of conduct. Roll-outs need to take account of local circumstances – starting with the reality that by no means is everyone connected by electronic media.

BP has one interesting example. Some 1800 field workers in Brazil biofuels – widely dispersed, with varying levels of education and literacy – experienced a short, interactive play to bring its new conduct code alive, using local actors and references.

“We say what is true, we do what is right.” **Opening words of BP code of conduct.**

BP's New Values

- **Safety** heads the list – for the workforce, communities and the environment.
- **Respect** – articulated as “respect for the world in which we operate”, not just obeying laws but meeting the highest ethical standards and behaving “in ways that earn the trust of others.” This includes focusing on relationships, diversity and caring about the consequences of all decisions, large or small.
- **Excellence** – words used include “systematic and disciplined management of operations, commitment to quality outcomes, a thirst to learn and improve, and correcting things that need to be put right.”
- **Courage** – to do the right thing and try new things, to speak up, be unafraid to ask for help, be honest with oneself and seek feedback. Despite short-term pressures, the aim should be to leave a lasting legacy for strong, sustained performance.
- **One team** – putting the team ahead of personal success, commit to building its capability, and trusting each other to deliver on obligations.

To rebuild trust and go on to deliver sustained high performance, a core conclusion was that BP must recognise that ‘how’ it does business is as important as ‘what’ it does. This meant forging and embedding a refreshed set of values (see the column), with linked behaviours which have been embedded into a number of people processes across BP, and being prepared to be held to high standards of behaviour.

The previous value set had fine words too – Responsible, Innovative, Performance, Progressive – with an aspiration “to be one of the world’s great companies” and achieve a sustainable long-term future “beyond petroleum.” What will be different now?

Anyone familiar with the BP story will appreciate the significance of the newly selected words. Still, the real test is to put them into effect, and that takes time and focus.

Embedding values

Generating the new value set took a year of analysis and debate within the executive team, including many months of listening to external stakeholders and employees. No words were actually written until the last 2 months. “We had to create something we all owned and would sign up to for the long term”, said Bashforth.

- The value set was released in November 2011, articulating what was expected of each and every employee.
- It was communicated with a refreshed code of conduct and individual performance management frameworks, creating an ecosystem of expectations and processes.
- The values and behaviours over time have been worked into other core processes such as recruitment, promotion, induction, learning, development and recognition programmes.
- A ‘Responsible Leadership’ programme was developed for the top 500, which includes handling dilemmas and diversity issues.

“We are now in year three of what will be a five to seven year journey,” Bashforth said. The project team of just three people will be stood down soon, “as the values become part of the fabric of how we work.” Minimal use was made of consultancy support.

The approach continues to be to combine top-down leadership example-setting with “middle-out” distributed ownership and enthusiasm.

- CEO Bob Dudley constantly communicates the values and behaviours, in speeches and in town hall meetings. “He just lives them. He’s a great role model,” Bickerton observed.
- Other C-suite members join together with Bob on stage, and promote values through engagement initiatives in their areas. “I do quarterly reviews with the ExCo on all aspects of this”, said Bashforth.

- There is a viral network of some 600 volunteers, plus 60 people nominated by business areas with formal objectives to foster values & behaviours as part of everyday performance.

“We are building trust by ensuring they share best practice and create engagement tools,” explained Bashforth. “We are providing some support through workshops and internal social media tools to facilitate connectivity. We provide the network with early sight of context and new work, so that they are equipped ahead of the rest of the organisation.

Other important levers to address organisational culture include:

- initiatives on diversity and engagement;
- organisation design, in particular efforts to simplify – “complexity gets in the way of trust”;
- greater clarity of accountabilities;
- improvements in risk management; and
- crisis management training.

“What we are building is a new, joined-up ecosystem addressing brand, safety, risk, employee relations, compliance, performance and development,” said Bashforth.

Measurement

Unsurprisingly, trust levels declined sharply externally and internally after the Gulf incident. “We took stock, did a lot of correlation analysis, and discussed with the board a new trust index to help us monitor our progress in rebuilding trust,” explained Bickerton.

Progress is tracked with a range of audiences – for example opinion leaders, opinion formers, the investment community, employees and potential recruits.

The internal staff survey was remodelled around group priorities – particularly safety and risk management, rebuilding trust, and generating shareholder value.

Previously there had been local variations in surveying, including use of different software.

- Now a single bespoke survey tool has been adopted, a question library developed, and greater discipline placed around local surveys.
- Local surveys of more than 100 employees must contain 3 trust-related questions, with results being monitored centrally. This offers the ability for more frequent ‘pulse-taking’.

“We’ve tightened everything to ensure a consistent methodology and metrics, enabling regular reports to the Group Risk Committee and the board as a whole, and a more transparent view through the company. So far the results show slow and steady progress”, Bickerton added, “but we all know this is a long haul.”

Consistency

One of the practical challenges has been to ensure that the new language about expectations and accountabilities is adopted consistently across a complex and diverse set of businesses and geographies.

“There’s always the temptation for leaders and managers to add or subtract a little. When you are re-establishing trust, people start reading things into that, and when they are anxious there is a danger of confusion and scepticism,” explained Bashforth. “Leaders have to learn to say the same things over and over again, however boring it might be, as it takes time and repetition to embed things deeply,” added Bickerton.

Secrecy vs openness

The new values encourage dialogue and feedback with colleagues, managers, HR, legal etc. For sensitive matters there are also local ethics and compliance officers, and BP’s confidential helpline ‘Open Talk’ which can take calls in 75 different languages, 24/7.

Bashforth added that CEO Bob Dudley’s openness, approachability and listening style sets the tone. “He talks about ensuring we listen to the quietest voice in the room.”

“To be a trusted company, year after year, we need to work to a consistent and higher set of standards and follow them in everything we do and say, every day, everywhere we work.”

Bob Dudley, CEO of BP

About Saga and AA

Saga provides a range of holiday, insurance, legal and health services for the over-50s. It employs around 30,000 people, including the Healthline business (formerly Allied Healthcare). It has some 2.7m customers, and Saga magazine is the UK’s widest circulated monthly magazine.

Saga is owned by Acromas Holdings together with the AA – the leading road services and insurance group – which has approximately 8,000 staff. There is some co-management between the two businesses. Acromas in turn is owned by three leading private equity companies.

There is long-standing market speculation that one or both businesses might be sold or undergo an IPO, but there are no firm plans for this.

BP is just starting to review how to enhance internal use of social media tools. Bashforth mentioned that ‘values and behaviours’ is the most heavily accessed section of internal social media tools, with conversations and mini-polls. “This has become an important channel for the values and behaviours network, as an alternative to email.”

CRF observations

The hornet’s nest of BP critics in the US is still buzzing, and there is no illusion about the mountain to climb in restoring trust and morale. An estimated half a million jobs in the US depend on BP, and this can ultimately be turned into a strength if all staff can start feeling positive and acting ambassadorial. BP’s adoption of an organic rather than largely top-down approach is notable.

9.5

Saga and AA

This case study focuses on how Saga re-engineered their approach to recruitment, with highly beneficial results in engendering trust, improving effectiveness and reducing costs.

Saga in particular has experienced considerable growth in recent years. In 2011, the company took the view that staff turn-over rates, although matching industry norms, were incompatible with looking after customers properly.

Work was undertaken to analyse attraction and retention issues, and identify a solution. Saga worked with Sally Bibb of Engaging Minds, former CRF associate and co-author of *Trust Matters*, on introducing a strengths-based approach to recruiting.

Introducing a strengths-based approach

The process was simple but rigorous.

First, it involved extensive internal research to identify employees who were both excellent and passionate about their work and the company, and then building desired profiles for recruitment based on their characteristics. Commented HR Director Lynda Greenshields, “this uncovered hitherto unarticulated strengths, and gave a sharper perspective on what great customer service, as well as great employees, looked like.”

Second, recruitment processes were extensively re-modelled.

- Practice had been very much a conventional approach, filling positions as fast as possible with people who seemed to fit the competency profile.
- The tools and processes designed from a strengths-based stance are radically different, and ensure a far closer fit with what is needed. Selection is only made when all the criteria – around 10 factors, depending on the job – are met.

- All interactions with candidates have been re-thought and made more productive. This includes phone interviews, and face-to-face interviews now involve 2 people – one to talk and the other to observe.
- The website process and forms were previously off-putting, overly-dominated by the legal requirements of financial services regulation. These have been re-modelled to be applicant-friendly, communicating the company values up-front.
- Communication with applicants is highly welcoming. Interviewed candidates – successful or unsuccessful – are spoken to in person by phone; it’s no longer an impersonal email.
- The style of communication, including through advertising, is no longer about ‘here’s the package’ but about ‘are you the kind of person who...’

The result has been far better targeted recruitment – with people being excluded who ultimately would just be ‘doing a job’, while also attracting from a wider and different candidate pool – and retention thereafter.

The new approach has meant facing up to the old chestnut of people, especially in sales, who are high achievers without having the right values. The ‘how’ now counts, rather than just the ‘what’. There needs to be collaboration as well as good competitive instincts. The research findings also guide re-design of induction.

“What we’ve done is adopted the principle of treating recruits as valued colleagues from the outset, not widgets to be processed. We’re applying customer thinking internally, from the first point of contact through to retention,” added Greenshields. “It includes simple, symbolic things like no longer making candidates sit outside security barriers, indicating we don’t trust them.”

Saga had always prided itself on its attention to detail in serving customers – ‘nothing is too much trouble’ is the watchword. There had always been a good collegiate culture, with the various departments aligning around achieving high service standards. The sense is that growth pressures had temporarily meant a loss of perspective – “we just needed to remember ourselves” was how one staffer put it.

Further work is now being done on career paths and longer-term retention, in order to reduce the potential for staff to be tempted away by rival companies.

Saga and AA are also now starting to become more focused in facilitating internal use of social media, to match the expectations of new employees.

CRF observations

This is a practical example of how re-focusing on quality of relationships provides real performance improvements for a company. It helps that Saga and AA are inherently customer-focused organisations, but shows that even then a thorough self-examination and willingness to try new things yields significant dividends in enhancing both internal and external trust in the brand.

Benefits

The benefits have been clear to see.

- Improved productivity – rapid progression to full performance levels after recruitment; lower performance targets no longer have to apply during the early period.
- Turnover reduced by 20%, with all that means in terms of reduced collateral damage in both people and money terms.
- More better-fit people means both more engaged employees and better customer service.
- Anecdotal evidence suggests considerable strengthening of trust and thus the employer brand, which the results of the next staff survey should confirm.
- Even unsuccessful candidates have been providing good feedback – which can only be good for brand perception.

The strength-based approach – job analysis leading to process re-design – is now being extended from call centres to other populations – into Healthcare and for team manager roles.

“No one wants to go back to the old ways,” Greenshields said. “There is great enthusiasm as managers and colleagues can see such a difference. Our processes need to communicate the kind of company we are.”

About ABF

The Associated British Foods group is an international food, ingredients and retail group operating in 47 countries, with sales of over £13bn through some 65 operating companies grouped in 5 divisions, and more than 113,000 employees. The range of operations is highly diverse – eg Primark, British Sugar, Twinings, Allied Bakeries, Ovaltine and a range of agricultural businesses.

Trust – a constant focus

Des Pullen explains that “we talk explicitly about trust. It’s a constant pre-occupation. Centrally it’s about knowing each other and ensuring good working relationships.”

Woven into the corporate narrative and into management development at group and local level are examples and expectations of how things should work. “We also use examples of where things haven’t worked, but we make it very clear that we are not legislating for the 2% of things that might go awry. We work hard to avoid the kind of knee-jerk reaction that companies are prone to.”

As a safety mechanism, every 3-4 years an independent consultant who knows the group well undertakes a listening exercise and then holds the mirror up to the group about the health of internal relationships. Pullen pointed out that, for example, “the danger in any large organisation is that people at the centre can start getting a bit too big for their boots. They start using their boss’s name to lean on people. It’s a natural tendency but it obviously undermines relationships and trust. We focus hard on avoiding that kind of attitude, and try to stick to our business model and culture.”

9.6

Associated British Foods

Some organisations go through cycles of decentralisation and centralisation. The latter often occurs in after a performance downturn or crisis – when the leadership wants to take a firmer grip, perhaps after being embarrassed by not knowing what has been done in their name.

Also, in many organisations there is scar tissue surrounding the relationship and trust levels between company HQ and the operating parts.

ABF has assiduously sought to avoid these situations.

- It prides itself on maintaining a highly decentralised structure and small head office through thick and thin.
- The relative freedom of managers in ABF to run their businesses is a major source of motivation, attraction and retention of talent.

We asked Group HR director Des Pullen about the approach and mechanisms that allow the ‘group’ to exercise governance responsibilities, to trust subsidiary company managers to do the right thing, and to be trusted in return not to ‘interfere’.

Three lenses

Des Pullen pointed to three lenses which ABF uses to oversee the group’s operations, and to set the boundaries within which freedom can be exercised.

The ‘Red Book’

This is a 25 page set of rules which all ABF companies must sign up to, articulating three levers in particular.

- Finance – the group office is the banker and treasury function; businesses cannot raise their own capital, and the group must be satisfied that investments are sound.
- Legal – the group legal function is involved in all significant legal agreements.
- Talent – the group HR function is involved in all appointments covering the top two tiers of operating companies, moves executives between companies, and takes an interest in the development of leaders and the succession pool.

The slimline head office largely comprises people concerned with these three functions.

Systematic audits

Audits cover financial management, investment and talent in particular. “This is not just a checking process – we develop a continuing narrative.”

Relationships

Head office roles are designed to provide continuity and longevity in relationships. Senior group executives (and there are not many of them) are normally in the same job for 5-10 years. Post-holders spend a large proportion of their time engaging with the operating companies, maintaining their knowledge and understanding, and participating in local meetings and conferences. "We travel a lot!"

Other mechanisms

Given the focus on subsidiaries – some of which are themselves sizeable groups – managing themselves, ABF is "not big on group activities." However, there are some additional mechanisms.

- Leadership and talent programs – with successive cohorts that stay in touch.
- Suite of executive education materials.
- Moving people between divisions (and a few in and out of head office).
- Annual conference for divisional CEOs and Group direct reports – "there's no big standing agenda – it's whatever's current."
- Ad hoc conferences on a variety of topics, involving those who are relevant.
- A recent network analysis, facilitated by CRF contributor Professor Rob Cross, enabled the group to understand connections and flows. "It demonstrated how networked we are compared to other companies."
- Occasional group-wide surveys – two in the last 10 years – "confirm that we are highly networked and people love the autonomy." Employee surveying really happens at operating level.

CRF observations

ABF provides an example of using what might seem to some to be quite informal and ad hoc ways to ensure good oversight and cohesion on things that matter. While these ways are tried and tested, they are also constantly thought about and worked at – which is what is needed to maintain any trusting relationship.

Code of conduct

Anti-bribery and anti-corruption rules are explicitly covered in the 'Red Book', and reinforced locally depending on how much of an issue it might be for each business. There is a group Code of Practice that is addressed in induction and is supported by in-depth training for post-holders most exposed.

"That includes facilitation payments that various front-line employees get asked for in some country cultures – not a bribe as much as speeding things along. We have provided cards they can give to whoever asks for payment that explains they are part of a London-based group that specifically outlaws this. The person asking will back off because they can see it's counterproductive. And the pressure is off the employee."

Providing that protection is actually one of the few ways ABF is visible to front-end employees. "We get our businesses to define what corporate responsibility means and be explicit about how it should be addressed, in accordance with their local situation. So it's not one size fits all, but everyone knows it's important and has reputational ramifications."

10

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