

THE TRUSTWORTHY LEADER: THE FIRST STEP TOWARD CREATING HIGH-TRUST ORGANIZATIONS

Robert Hurley

Is there a crisis of trust? Can organizations or even nations prosper when trust has eroded? Why have some institutions and their leaders defied the odds and built trust against this backdrop of increased cynicism?

Harris Poll surveys show a steady decline of people who expressed a great deal of confidence in business, from 55 percent in 1966 to only 15 percent in

2010. After the global financial crisis of 2008, trust in banks and insurance companies is at the lowest level on record. In 2010, a global Edelman survey showed that only 38 percent of people say that information that they heard from a CEO would be “extremely” or “very” credible. A Pew Research Center survey in March 2010 showed that only 22 percent of Americans trusted government “just about always or most of the time.”

A different holy grail of organizational life...

Since a substantial body of research confirms that productivity and progress of any organization or nation decrease as trust declines, some have suggested that there is a “trust crisis.” While I agree that any serious erosion of public trust is a major problem because it inhibits the instinct to cooperate, which is the basis for collaboration and progress, I do not believe we have a trust crisis. To understand and solve the problem, it is important to recognize it as a *trustworthiness* crisis. The low trust scores merely reflect good judgment being applied to trustees that have displayed a noticeable lack of trustworthiness. For example, one of the major reasons for low trust in Congress is that citizens took notice of the gridlock that led to a failure to increase the debt ceiling or to deal with deficits, which led to a downgrade of the U.S. credit rating. The only way to address the trust deficit is to increase tangible signs of trustworthiness, and this must start with leadership.

Conceptualizing the Trustworthy Organization

I define *trust* as confident reliance on a person, group, organization, or system (for example, the financial system) in the face of risk and uncertainty. When we trust, we feel comfortable that the trustee will serve our needs fairly and competently. Despite the dire trust scores, some firms are leading the way toward the creation of high-trust organizations. The high-trust firms, including companies like Google, Ernst and Young, Zappos, SAS, and QuikTrip, show some common patterns. They see a different holy grail of organizational life, one that is not simply about increasing profit or stock price but rather about sustaining valuable relationships among a wider group

of stakeholders (employees, customers, investors, and communities). When these companies consider how to measure relationships among stakeholders with diverse interests, one measure comes up time and time again—trust. Trust characterizes the positive expectations that stakeholders have toward their exchanges with world-class organizations. In the case of Google, Zappos, and QuikTrip, this virtuous business model begins with establishing employee trust in order to deeply engage associates in vigorous and integrated collaboration to create value for customers. Customer trust, in turn, is monetized over a long-term period through higher market share and customer loyalty. This ultimately helps reward and serve communities, employees, suppliers, and shareholders.

The challenge is building a trustworthy organization that reliably serves all stakeholders. Having worked with a number of global firms on building trust, I see two essential elements to creating a high-trust organization: develop trustworthy leaders, and enable those leaders to embed trustworthiness in the architecture (strategy, structure, culture, systems, and processes) of their organizations.

Figure 1 provides a conceptual model for understanding the elements of a trustworthy organization. Firms exist and are legitimized in an environment of stakeholders (communities, governments, investors, employees, and so on). They draw resources from their environment and act to create value, and their actions, in turn, affect these stakeholders. For high-trust firms, the exchanges with stakeholders enhance judgments of trust and other aspects of reputational capital. This occurs because all elements of the organization (mission, strategy, leadership, structure, culture, systems, and core processes) work congruently to serve all stakeholders in a trustworthy manner. These stakeholders feel they can place trust—confident reliance—in these firms because of their track record. A key element of this model is leadership. In fact, it is not possible to have a high-trust firm without having a cadre of trustworthy leaders. The first step in creating a high-trust firm is to educate and hold leaders accountable for manifesting trustworthiness among all stakeholders.



FIGURE 1. THE TRUSTWORTHY ORGANIZATION

The Trustworthy Leader

People and organizations emit positive and negative signals of trustworthiness, and these signals become inputs to our trust decisions. Examining the extensive literature on trust and working with more than 3,000 managers in North America, Europe, and Asia, I developed a model that helps illuminate the major factors that people consider when making the decision to trust or distrust. Figure 2 outlines some of the major elements of the decision to trust model (DTM). Six major areas can help build trust:

1. Create *similarities*: Establish value congruence and a common identity.

Trust has a tribal component. Social identity theory suggests that we tend to trust people we think are similar to us; they are members of our tribe and share our values. All high-trust leaders and high-trust organizations create bonds of trust by establishing and getting commitment to some common values and beliefs and

establishing an esprit de corps. Creating a stronger sense of unity and identity in a company or workplace requires a leader who is willing to take on the role of chief social engineer. Leaders who engage people in creating some meaning and sense in pride of being a part of a team help create a foundation for trust. A major part of this sense of meaning and pride develops from the inferences people make about what is important, which are based on observations of the leader's reactions.

Jack Welch, a great example of a leader shaping common values, said that General Electric made a tremendous leap when the company began to identify and remove "Type 4" managers—people who get results but do not live out the company's values. Of Type 4, Welch said, "This type is the toughest to part with because organizations always want to deliver, and to let someone go who gets the job done is yet another unnatural act. But we have to remove these Type 4's because they have the power, by themselves, to destroy

<i>Not Apparent</i>	Similarities	<i>Apparent</i>
<i>Conflicting</i>	Interests	<i>Aligned</i>
<i>Not Demonstrated</i>	Benevolent Concern	<i>Demonstrated</i>
<i>Low</i>	Capability	<i>High</i>
<i>Low</i>	Predictability / Integrity	<i>High</i>
<i>Poor</i>	Communication	<i>Good</i>

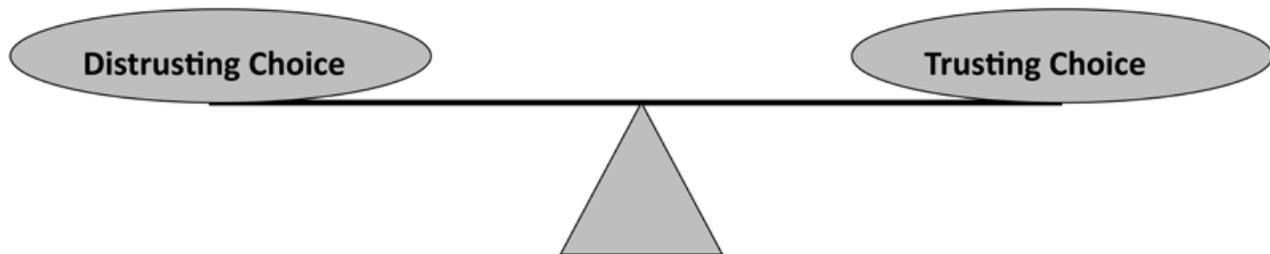


FIGURE 2. DECISION TO TRUST MODEL

the open, informal, trust-based culture we need to win today and tomorrow.” He believed that only by taking this drastic action could he persuade stakeholders and employees of GE that the company took its values seriously and intended for the entire organization to stick to them.

2. *Align interests* with those whose trust you want.

Before we trust, we weigh the question: *How likely is this person to serve my interests?* When interests are well aligned, it’s much easier to trust. When interests conflict, some level of distrust is often prudent. High-trust leaders try to move their enterprise together by encapsulating stakeholders’ interests and not pitting stakeholders against one another. If you want to build trust, start by clarifying and aligning stakeholder interests and prove that you will pro-

mote those interests in a fair manner. High-trust organizations do a lot of this alignment in their strategic planning processes.

At QuikTrip Convenience Stores, CEO Chester Cadieux made sure that all leaders and managers were keenly aware that they were responsible for ensuring that every employee understood the company’s strategy, as laid out in the company’s strategic plan. In interviews and focus groups that I conducted at QuikTrip, employees in various departments and at various levels all described the company’s strategy in nearly identical terms. The company’s strong performance and famously low rate of employee turnover are due in part to the fact that all employees have largely internalized the same set of strategies and goals. In a real sense, they are one team all rowing in the same direction.

3. Demonstrate *benevolent concern*.

We tend to trust people we believe will care about our welfare—people who demonstrate a benevolent character. People who appear concerned only with themselves engender distrust. If you want to earn trust, demonstrate to others that you will do the right thing for them even if it puts you at risk. One CEO chose to notify a vice president of marketing of impending termination just prior to that company’s marketing plan development period. He knew that this would hurt the

Trust has a tribal component.

*Selfless service is larger
than just one person.*

company's planning but opted to give this VP as much time as possible to find another job because he thought it was the right thing to do.

For many years, the U.S. Army has had selfless service as one of its values: "Put the welfare of the Nation, the Army and your subordinates before your own. Selfless service is larger than just one person. In serving your country, you are doing your duty loyally without thought of recognition or gain." In his book *Good to Great*, Jim Collins refers to "Level 5" leaders, who are driven but humble in demeanor. Their primary motivation is not self-gratification but building an institution that is much bigger than themselves. This devotion to others, and to a larger mission at one's own expense, breeds trust and very often the reciprocation of that devotion: loyalty.

4. Develop and demonstrate *capability* in the matter at hand.

We are only trustworthy if we can deliver on our commitments. If you want to earn trust, prove that you can reliably deliver on your promises. This is sometimes the downfall of visionary leaders. I am reminded of the leader of a consulting firm who was enamored of his brilliant visions but failed to realize that visions without execution often look like delusions. While people liked him, they were conditioned to distrust him. High-trust leaders make sure they have a reasonable probability and capability of delivery before they make promises.

In today's risky and turbulent environment, employees are looking to leaders for some sign that they know what they are doing and that the firm will prevail if they just stay focused. To project confidence in turbulent times, a leader must be able to

- Think strategically about the future and anticipate change.
- Break changes down into manageable initiatives that can be implemented over time.
- Stay focused and execute.
- Mobilize groups of people in a change process.
- Develop and maintain good relationships.

A final capability, and perhaps the most critical aspect of maintaining trust, is the leader's self-awareness and humility. When leaders are comfortable enough to acknowledge areas where they are *not* competent and then compensate for each area by sharing or delegating responsibilities, they build trust. Conversely, leaders who are blind to the limits of their capabilities breed distrust.

5. Create a track record of *predictability and integrity*.

At some point in the trust decision, the trustor asks, "How certain am I about my prediction about how the trustee will act?" To earn trust we must have a predictable pattern in how we act. Randomness leads to distrust. High-trust leaders tend to practice values-based leadership, which creates consistency and coherence in their behavior. An important part of predictability is integrity—honoring your word. High-trust managers always try to honor their word—and if they fail to do so, they apologize and make sure it does not become a habit. When Warren Buffett was embarrassed by revelations that his right-hand man, David Sokol, had an undisclosed conflict of interest (\$10 million worth of shares held personally) in a major deal, he did not hide behind lawyers or say "no comment." He admitted the mistake and put measures in place to ensure that it would not happen again. Most people know that perfection can only be an aspiration. Trust comes from constant striving to honor one's word.

At the heart of trust in leadership is the integrity and authenticity that come from clear values that guide behavior. When we have internalized our values, we know when we have strayed and are acting without integrity. It feels wrong, and this discomfort causes us to stop, examine our conscience, and discern what

is right. There is a reason that all major religions advocate some periodic examination of conscience (Christian penance, Judaic atonement, and Islamic recollectedness).

6. *Communicate*, communicate, communicate—and do it clearly and openly.

A talent for public speaking is a very valuable tool for any leader, but public speaking is not the same as communicating. Some of the most untrustworthy leaders have been great public speakers. The invention of radio in the twentieth century was partly responsible for allowing great orators like Stalin, Hitler, Mussolini, and Mao Zedong to manipulate and exploit their followers.

The following are five keys to leading with trust from a communication standpoint:

- Share information.
- Tell the truth.
- Admit mistakes.
- Give and receive constructive feedback.
- Maintain confidentiality.

Research supports the view that using direct communication by consulting with followers and expressing support for them is the leadership style most closely associated with trust building. This approach, along with being willing to receive feedback, creates an important element of trust: establishing that you are approachable. Approachability facilitates dialogue, listening, and support, which are more important to building trust than great oratory and manipulation.

If this factor is low . . .	Then you should . . .
Similarities	<ul style="list-style-type: none"> • Create a “one firm” focus. • Embed cultural values that promote trust (integrity, benevolence, power sharing, serving stakeholders, and so on). • Create identity and meaning in being part of the enterprise, beyond geographical, business unit, or functional identity.
Interests	<ul style="list-style-type: none"> • Be clear about whose interests you are serving when you act. Take others’ interests into account and find a win for them where possible. • Align people with the strategy and vision — find common goals. • Shape a culture that reinforces doing the right thing for the enterprise.
Benevolent Concern	<ul style="list-style-type: none"> • Take actions that demonstrate a genuine concern for others. • Serve others’ interests even if, on occasion, you bear some loss (and find a tasteful way to show that by your choice, they won more than you did).
Capability	<ul style="list-style-type: none"> • Demonstrate your capability and competence in areas where you want trust. • Increase your understanding of what it takes to deliver on expectations. • Build the firm’s capability to execute strategies. • Take action on problems or people who impede consistency of execution.
Predictability and Integrity	<ul style="list-style-type: none"> • Do what you said you would do. • Describe the values that drive your behavior, so that others see consistency rather than randomness. • Adopt a rigorous daily process of self-examination of conscience.
Level of Communication	<ul style="list-style-type: none"> • Increase the frequency and candor of your communications. • Occasionally engage in non-task or work-related relationship-building activities (lunch, sporting event, and so on) that enable you to relate to others outside your respective roles. • Emphasize listening, consultation, and support in communication. • Promote direct communication and avoid gossip.

TABLE 1. LEADERSHIP TRUST PRACTICES

Wired to understand social settings...

Table 1 presents some specific leadership practices that can be used to manifest the six elements of trustworthiness. Incorporating some of these practices into your leadership style will increase perceptions of trustworthiness and the degree of trust that others report that they have in you.

Conclusion: Embedding Trustworthiness

Trust in leadership is critical in that it sets the tone for the rest of the organization, but the job of ensuring trust is not complete until leaders embed trustworthiness in the basic culture of the firm. The reason for this is fundamental to human nature. We are wired to understand the social settings we enter and adapt to them. Research in psychology shows that culture trumps personality in shaping behavior. This means that if we take 100 ethical, benevolent, and otherwise trustworthy people and put them in an unethical and untrustworthy organization, many of them are likely to adapt over time and become untrustworthy. This is particularly true if we pay them a lot of money and offer them high status in their careers (as on Wall Street). They will begin to try to excel at the game presented to them.

So we need our high-trust leaders to use their understanding of organizations to embed these six elements of trustworthiness into the strategy, culture, structure, and systems (reward, promotion, and the like). I have used the model in Figure 1 to help guide leaders in

this process. When a company has high-trust leaders actively engineering a trustworthy organization, it captures the trust advantage while others struggle to cope with the high costs of distrust (such as customer and employee defection). The road is not easy, but the way forward is clear—and it starts with leadership.



Robert Hurley is an award-winning professor at Fordham University and president of Hurley Associates. He consults with organizations on leadership development, top team development, coaching, and managing transformation. He has been a core faculty member in Columbia Business School's High Impact Leadership Program for 20 years. Earlier in his career he was a product manager at Kraft Foods, where he led and managed new product development and established-brands teams. Hurley has a B.S. from Fordham University and earned his MBA at the Wharton School. He received his doctorate from Columbia University. He can be reached at Drbobhurley@gmail.com.