Building Trust in Business 2012

How Top Companies Leverage Trust, Leadership, and Collaboration

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In partnership with:
Human Capital Institute

About This Research

Building Trust in Business is research exploring the overlap of leadership, trust, and collaboration — and has been conducted annually since 2009 by Interaction Associates. This report was developed in June 2012 by Interaction Associates and the Human Capital Institute (HCI). More than 300 organizations worldwide were surveyed, with 440 participants completing a survey of 82 questions. The surveys were distributed to a combined target list of HCI members and business leaders from Interaction Associates' database.

The results of the survey form the basis of this research and are summarized in this report. In addition, several in-depth interviews were conducted with a group of thought leaders, analysts, and practitioners, including:

- Leslie Camino-Markowitz, Director, Next Generation Leadership, Global Learning and Leadership Development, Agilent Technologies
- Dan Satterthwaite, Head of Human Resources, DreamWorks Animation SKG
- Raj Sisodia, Chairman, Conscious Capitalism Institute and Professor, Marketing, Bentley University
- Linda Stewart, President and CEO, Interaction Associates
- Alan Webber, Co-Founding Editor, *Fast Company* magazine; Former Editorial Director, *Harvard Business Review*

To supplement the primary research methods described, the researchers reviewed previous studies by Interaction Associates

Definition of Key Terms

Organizational Trust
This means the extent to which employees trust others within their organization by way of consistency, predictability and quality of work and actions; and/or trust others based on ability and evidence of past accomplishments; and/or trust others based on a shared sense of commitment and responsibility to achieving a common goal.

Level of Trust
This means the extent to which: people have a shared sense of commitment and responsibility within an organization; individuals feel safe communicating their ideas and opinions among colleagues, peers, and supervisors.

High Performing Organizations
Organizations whose net profit grew more than 5% over the last year.

Low Performing Organizations
These are organizations whose net profit grew less than 5%, or shrank over the last year.

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I. Executive Summary

The *Building Trust in Business* survey, now in its fourth year, is designed to explore trust levels in organizations and examine the relationship between trust and corporate growth, profitability, and performance.

The data in the annual survey shows 2012 to be a largely stable year with some improvements in growth and profitability — but trust levels are still low. However, the survey points to a much higher level of trust in companies that demonstrate growth in revenue, net income and EPS.

Building Trust in Business 2012 surveyed 440 respondents from more than 300 companies across a broad spectrum of the business landscape. The study not only collected information about the environment for leadership, trust, and collaboration in these organizations, but also surveyed the financial situations of these companies — aiming to see links, if any, among these key issues.

The top five findings from *Building Trust in Business 2012*:

1. With the U.S. economy still fluctuating, our 2012 data indicate a fourth consecutive year of big declines in leadership effectiveness and trust. Additionally, the biggest drop in trust is on the question of whether *leadership is consistent, predictable, and transparent in decisions and actions.*
2. Our 2012 results show a clear-cut, explicit relationship between high performance in key financial results and robust measures of leadership, trust, and collaboration within an organization.
3. Since 2009, the focus has shifted for companies we identify as high performing organizations (HPOs). Their top priorities in 2012 are *top line revenue growth* and *profit growth*, with *customer loyalty and retention*, and *attraction*, *deployment, and development of talent* tied for third. Low performing organizations (LPOs) have different emphases. While they are similarly focused on revenue and profit growth, their attention is focused on containing costs and becoming more efficient and agile.
4. High performing organizations have shifted to a focus on building and managing relationships as a key priority, which differentiates them from the rest of the pack. A key differentiator for HPOs is that their workforces *share responsibility for success*.
5. Though employee engagement and involvement levels are down at both high and low performing organizations, employee involvement levels at HPOs are twice as high as in LPOs — and HPOs are more effective at retaining key employees.

II. What's Changed: 2009 vs. 2012

Building Trust in Business was first conducted in 2009 in the immediate aftermath of the financial crisis and dramatic economic downturn in much of the world. Trust levels plummeted worldwide at that time — but our 2009 research results revealed how top-performing companies were achieving key business goals by continuing to build trust with customers and employees.

In fact, our 2009 research pointed to several important gaps between companies with high scores in the areas of trust, leadership, and collaboration and companies with lower scores. Those gaps include:

- Companies with effective leadership exhibited high levels of *confidence in their ability to weather the current economic crisis.*
- High-trust companies were far more likely than other companies to exhibit *organizational behavior consistent with their espoused values and ethics* (85% high-trust companies vs. 46% other companies).
- Highly collaborative companies were significantly more productive, entrepreneurial and innovative than other companies (74% highly collaborative companies vs. 22% others).
- A sense of *shared responsibility for success* and *accountability for self and others* correlated with high levels of operational efficiency inside organizations.

Comparing Trust Levels: 2009 vs. 2012

In a Fast-Forward to 2012, and an improving economic climate, we wondered if trust levels were trending up, too. Listed below are the starkest comparisons between 2009 and 2012:

- The 2012 scores for both trust and leadership decreased in comparison to the 2009 survey results.
- Since 2009, ratings for organizational leaders declined by 10–17% in measures of: *modeling and reflecting company values; demonstrating a commitment to employee development; and effectively communicating the organization's vision, mission, and strategy.*
- Coupled with declining leadership scores, the level of trust within organizations has deteriorated since 2009, most notably the sense of *shared responsibility among employees* and *consistent efforts and actions by colleagues and leaders.*
- The biggest decline in trust between 2009 and 2012 is on the question of *leadership consistency, predictability, and transparency in decisions and actions.*

"Transparency in leadership isn't about cheerleading. It's about the whole truth and really exploring everything that is going on… It forces a kind of introspection [that] has proven invaluable because it breeds transparency and breeds trust, which helps develop managers."

Dan Satterthwaite
Head of Human Resources, DreamWorks Animation SKG

Our research over the past four years has demonstrated the relationship among leadership, trust, and collaboration and strong business results. Given the erosion of trust and leadership since 2009, organizations would do well to focus on improving these areas, or risk diminished business success.

"It's perhaps a cliché, but leaders need to walk the walk. The key question to ask ourselves: Do I do what I say I'm going to do?" according to Leslie Camino-Markowitz, Director, Next Generation Leadership Programs at Agilent Technologies. "Employees are listening and watching for behavior that matches our words. Look for moments when you can demonstrate proof that you're trustworthy."

Business Goals and Priorities 2009 vs. 2012

The fluctuating economy and other changes since 2009 understandably mean that business goals and priorities have also shifted in the past few years. As a point of comparison, during the 2009 economic downturn, organizations generally held as their highest priorities: containing costs, retaining existing clients, and improving operational efficiencies. (See Figures 1 and 2)

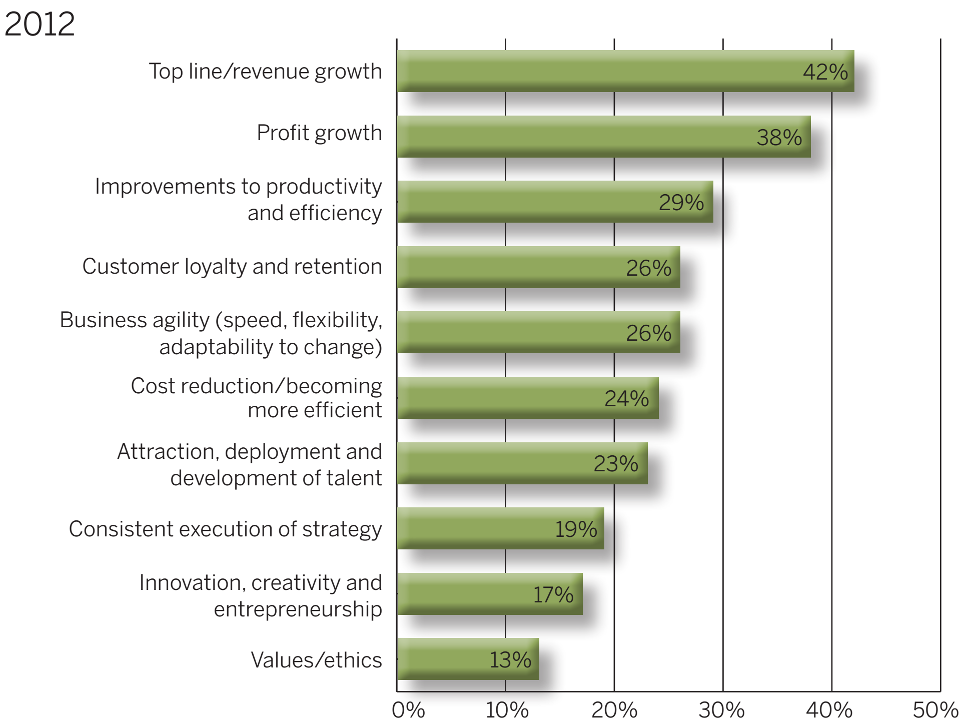
Key Findings:

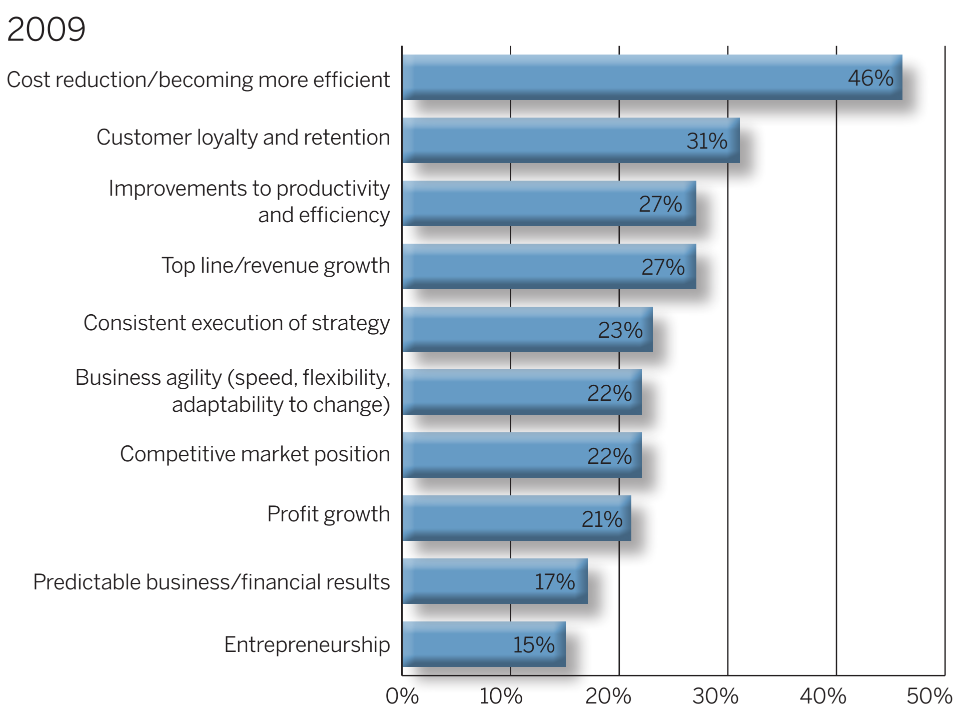
- Many companies in the 2012 survey have shifted their focus to a new and different priority: seeking ways to spark growth in revenues and profits.
- A more pointed change in 2012 has developed around talent issues: our survey data indicate that organizations have more than doubled their focus on the *attraction, deployment, and development of talent since 2009.*

"As the economy gains traction, employees may feel more confident leaving their positions for better employment opportunities. To retain key employees, leaders must take care to create an innovative, productive, and desirable place to work."

Linda Stewart
President and CEO,
Interaction Associates

Figures 1 & 2:
What are your organization's three most important business goals or priorities for the next 12 months?





III. Re-examining Trust in Business: 2012 Lens

Understanding Organizational Performance

A major aim of this research was to evaluate the links between organizational financial performance and levels of trust, leadership, and collaboration.

To better understand our respondents and their companies — while simultaneously exploring the relationship between trust and the bottom line — we asked several questions about an organization's profit and revenue growth over the previous fiscal year.

High Performing Organizations (HPOs)
Organizations whose net profit grew more than 5% over the last year.

Low Performing Organizations (LPOs)
Organizations whose net profit grew less than 5%, or shrank over the last year.

Respondents who stated their organizations' net profit grew more than 5% over the previous year were classified as working for *High Performing Organizations (HPOs)*.

Companies with profit growth below 5% in the previous fiscal year were classified as *Low Performing Organizations (LPOs)*.

To verify these classifications, we compared respondents' self-reported company performance with publicly available financial data. We verified the actual profit growth from the previous fiscal year for each company, and related these to the self-reported classification of HPO or LPO. In each case, the self-reported categorization matched the actual financial performance of the company.

Key Findings:

- Of the more than 300 organizations participating in the survey, 35% were categorized as HPOs. The remaining 65% were identified as LPOs.
- The most fundamental difference between HPOs and LPOs is the financial success they experienced in the previous fiscal year. HPOs had robust revenue growth while LPOs experienced stagnant or negative growth. (See Figure 3)
- Additionally, 44% more HPOs reported having an above-target profit growth rate and an above-target net profit in the previous fiscal year than their LPO counterparts. These organizations experienced a higher rate of success at a time when many companies struggled to achieve modest growth. (See Figure 4)

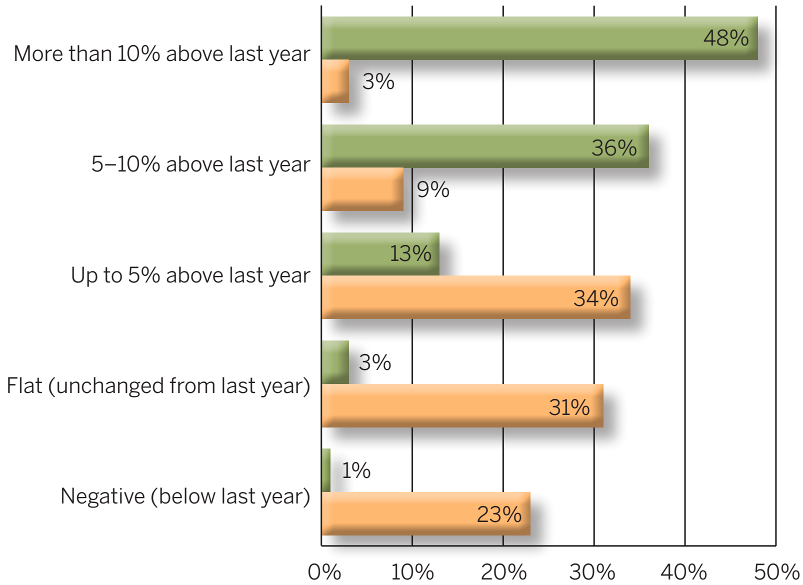


Figure 3:
What was the growth rate of your revenue last year?

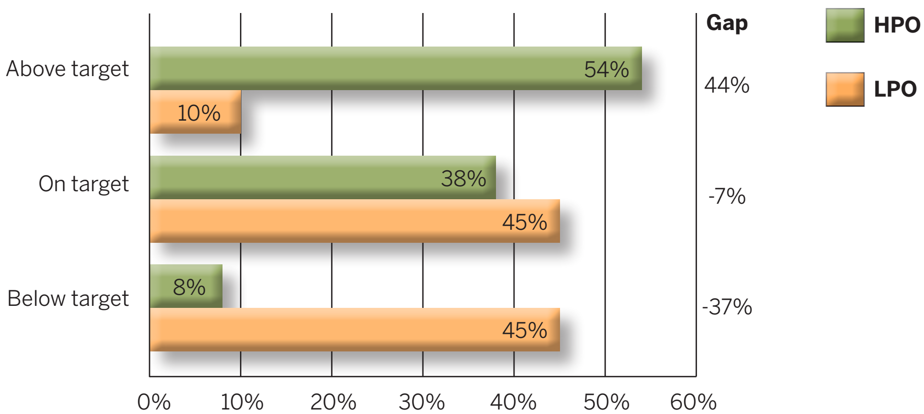


Figure 4:
Relative to your organization's plans, what best characterizes the profit growth rate and net profit of the last year?

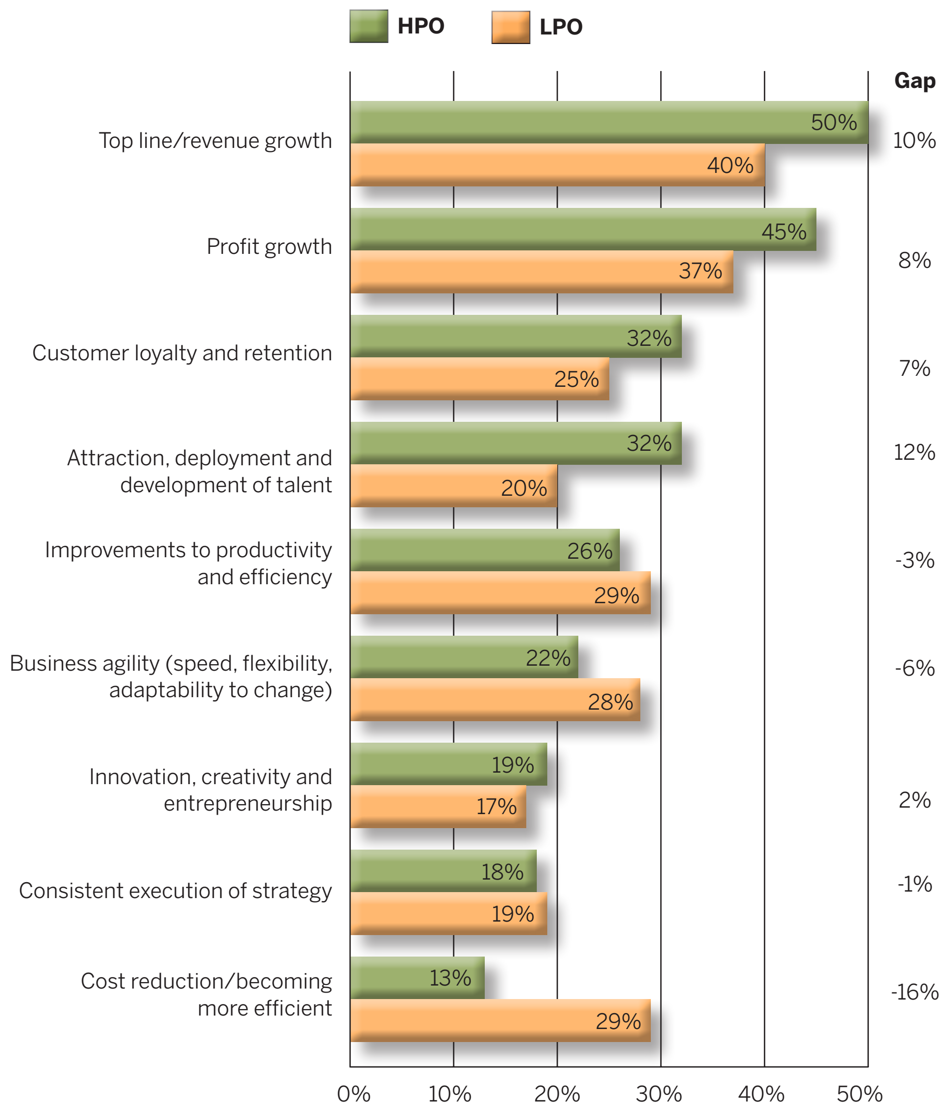
Having identified high-performing and low-performing organizations, we look next at how they compare --- in terms of their business priorities and how they measure up in the categories of trust, leadership, and collaboration.

> "As the size of [our] workforce has grown, the capacity for the studio has grown and the complexity of the work has grown. . . Trust has become even more integral to what we do, and we've developed internal transparency to help foster this."
>
> **Dan Satterthwaite**
> Head of Human Resources,
> DreamWorks Animation SKG

Business Goals and Priorities

We first set out to identify the business priorities that differentiate HPOs from LPOs. HPOs have different organizational priorities than LPOs. (See Figure 5)

Figure 5:
What are your organization's three most important business goals or priorities for the next 12 months?



Key Findings:

HPOs indicate that their top three business priorities are:

- *Top line/revenue (50%) and profit growth (45%)*
- *Attracting, deploying, and developing talent (32%)*
- *Focusing on customer loyalty and retention (32%)*

While LPOs also are looking to grow revenue (40%) and profit (37%), they are also uniquely focused on:

- *Increased productivity (29%)*
- *Becoming more efficient through cost reduction (29%)*
- *Improved business agility (28%)*

HPOs 2012: An Increased Emphasis on Relationships

An important set of survey findings revolves around the emphasis HPOs place on the priorities of *customer loyalty and retention* and the *attraction, deployment, and development of talent*.

Key Findings:

- In 2012, HPOs are paying more attention to customer and employee relationships than at any other time in the history of our survey.
- All organizations surveyed (even HPOs) reported lower effectiveness ratings for talent retention and attraction than they had hoped or expected.

These findings underscore the reality that companies cannot neglect the relationship dimension. In an improving economy, employees get wider access to other employment opportunities. Without strong relationships with colleagues and leadership, they may become disengaged and eager to move on. This is why sustaining the elements of trust, leadership and collaboration is so important.

According to Raj Sisodia, Chairman of the Conscious Capitalism Institute, "When anyone has a choice of where to work or who to do business with, they are going to be impacted by things like organizational trust, authentic leadership, and cultures aligned to these values. In a healthy job market, people are going to gravitate toward trustworthy companies. Meaningful work with people you can trust is important to people."

Achieving Results & Outcomes

In evaluating results, HPOs are more effective at actually achieving the outcomes they set for themselves than their LPO counterparts.

Key Findings:

- The largest gaps in effectiveness between HPOs and LPOs are related to revenue and profit growth and competitive market position. (See Figure 6)
- Compared to LPOs, HPOs are more effective at accomplishing goals in these critical areas:
  - *Customer loyalty and retention*
  - *Achieving predictable results*
  - *Business agility*
  - *Practicing innovation and creativity*

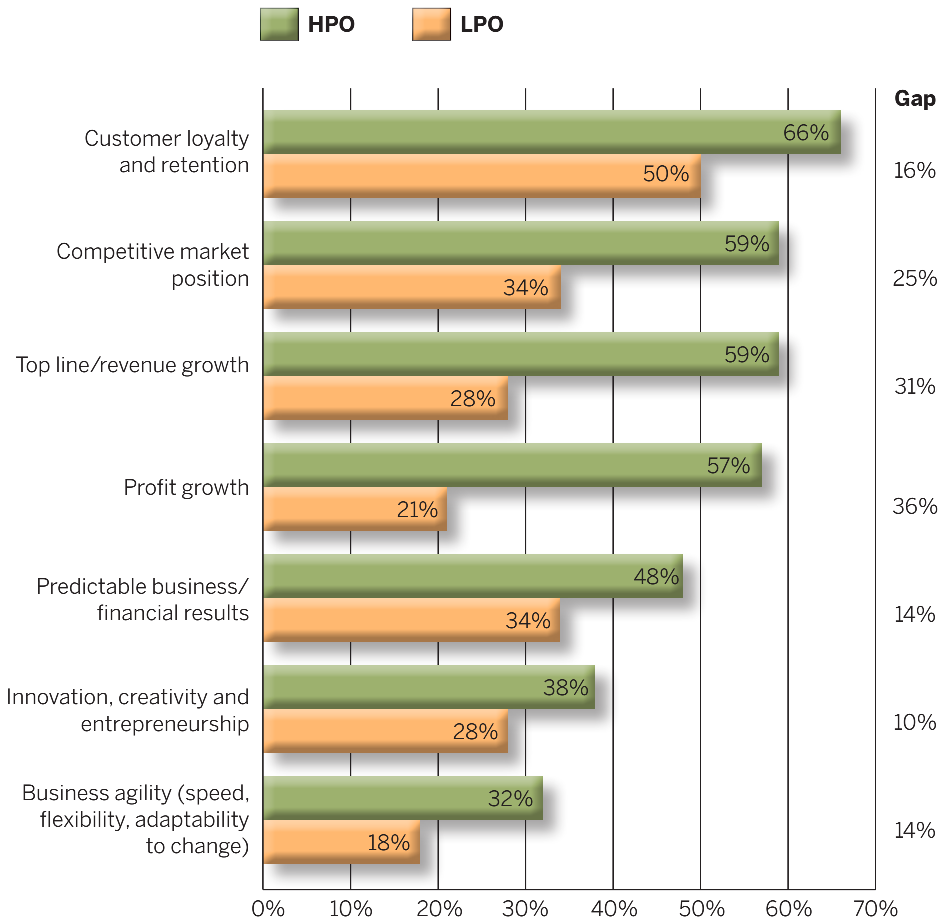


Figure 6:
How effective is your organization in achieving each of the following business outcomes?

(Percentage answering "Extremely Effective" or "Very Effective")

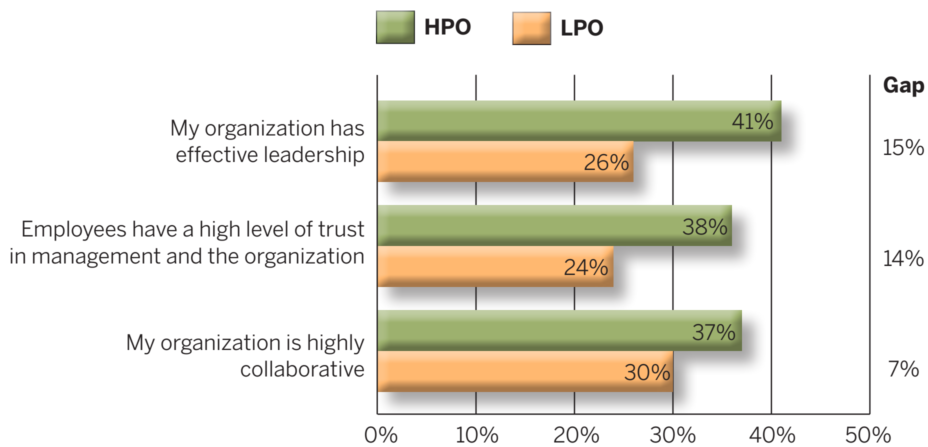
And while it may seem obvious that HPOs would get strong results in those areas, what's often less obvious is the role that trust — and intelligent risk taking — play in successful companies. "If you don't have a culture where people feel that it's OK to take a risk, with the understanding that the risk could fail, you're unlikely to have much innovation," said Alan Webber, co-founding editor of *Fast Company* magazine. "And a willingness to take on risk is all about trust."

IV. Driving High Performance

A striking difference emerged when we asked respondents to describe their organizations in terms of leadership, trust, and collaboration. Across the board, HPO employees have a higher degree of trust in their leaders and colleagues, have greater respect for leadership, and report a greater degree of collaboration inside their organizations, than do employees in LPOs. (See Figure 7)

Figure 7:
To what extent do the following statements describe your organization?

(Percentage answering "Describes Extremely Well" or "Describes Very Well")



Key Findings:

- Compared to LPOs, 14% more HPO respondents agree that employees have a high level of trust in management and the organization, and 15% more agree that their organizational leadership is effective.
- Additionally, 7% more HPO than LPO employees describe their organizations as highly collaborative.
- Levels of high performance, coupled with strong skills in leadership, trust, and collaboration are linked to employee retention. 62% of HPOs reporting effective leadership and collaboration — and high levels of trust — are effective at retaining key employees, compared with only 30% of LPOs. (See Figure 8)

"It's not just how you make money that matters, it's how you go about your business on a day-to-day basis that creates the context for your organization, and attracts talent, and keeps people engaged. That focus gives people a chance to contribute and make a difference during difficult times."

Alan Webber
Co-Founding Editor,
Fast Company magazine

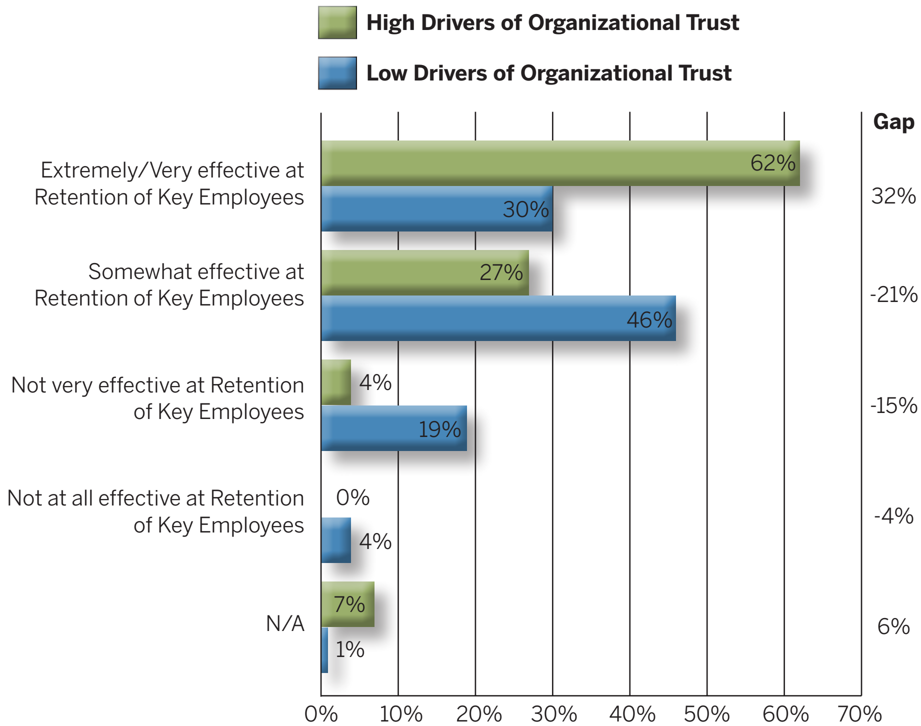


Figure 8:
Organizations who described themselves as highly collaborative, having effective leadership, and having a high level of trust in management also were effective at retaining key employees.

Effectiveness in retaining key employees in high and low trust organizations

Trust, which creates safety and stability for employees, forms a strong foundation for talent retention. Dan Satterthwaite, Head of Human Resources at DreamWorks Animation SKG, said, "[At Dreamworks] we are extraordinarily focused on creating a stable, secure environment for people to do work in, and as a result, we have a 90-98% retention rate. When the Great Recession began . . . we cut operational costs like everyone, but the last thing we were going to do was let our people go. In late January 2009, our CEO got in front of everyone and said as much. So everyone felt stable, secure about their positions, protected — and could therefore continue to do their best work. As a result, we were able to attract better talent over the past three years than ever before."

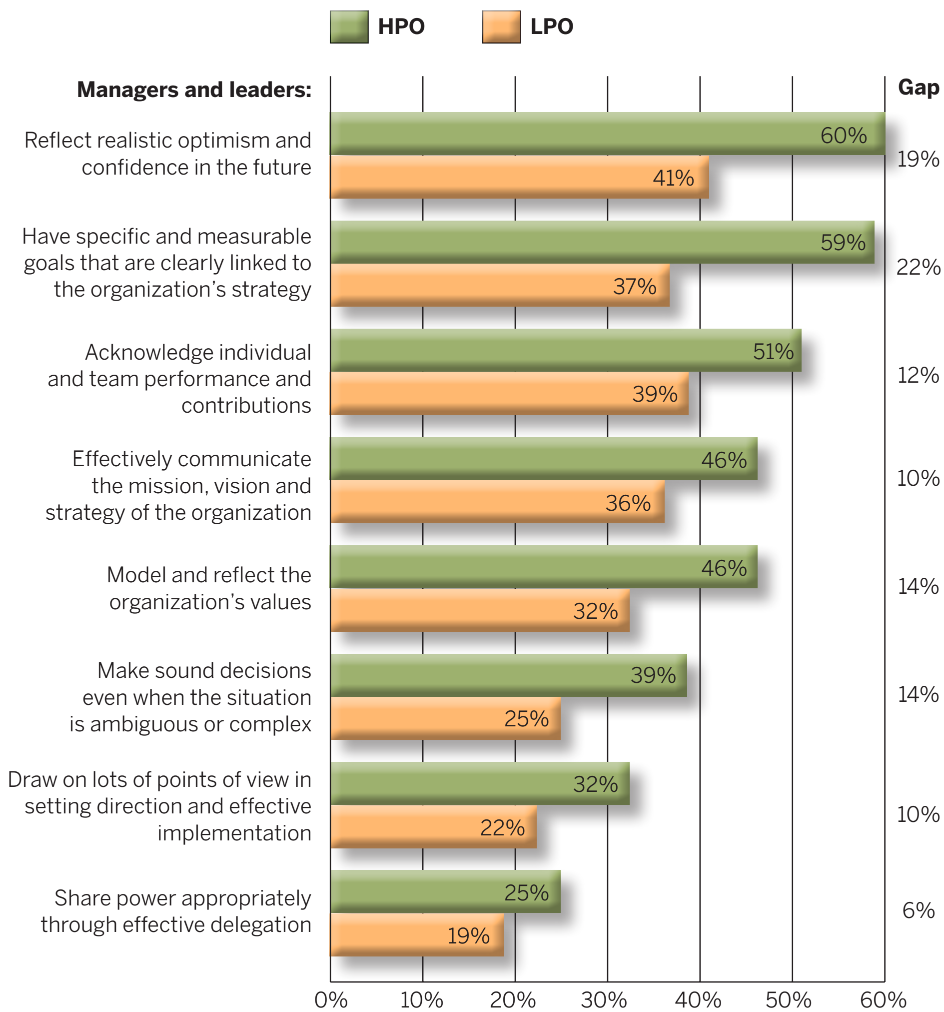
Effective Leadership

In addition to differences in financial performance, HPOs and LPOs are distinct from one another in the actual behaviors that are exhibited within their organizations by managers and employees.

As discussed earlier, the behavior and practices of leaders are cornerstones for building trust within an organization. Our data from the *Building Trust in Business 2012* survey reinforce this understanding. Even more critical is that one of the biggest gaps between HPOs and LPOs is in how their leaders do or do not practice trust-building behaviors. (See Figure 9)

Figure 9: *Thinking about LEADERSHIP within your organization, to what degree do the following statements describe your company?*

(Percentage answering "Describes Extremely Well" or "Describes Very Well")



Key Findings:

- Employees value clear direction and strategic goals in which they can participate. In fact, nearly a quarter more HPO respondents (22%) agree that their organizational managers and leaders have *specific and measurable goals that are clearly linked to an organization's strategy.*
- HPOs are 19% more likely than LPOs to have *leaders that reflect realistic optimism and confidence in the future.*
- Additionally, HPOs are 14% more likely to have leaders who also *model and reflect the organizations' values* through word and deed. This finding indicates that employees are more positively influenced by organizational leaders who balance expectations with reality, and are less motivated by those who are excessively idealistic.
- HPO leaders *acknowledge individual and team performance and contributions* (51% vs. 39% at LPOs).
- Perhaps as a result of these behaviors, HPOs have demonstrated that their leaders are more likely to *make sound decisions, even in ambiguous or complex situations.*

Raj Sisodia stressed the importance of organizational trust in fostering innovation. "When you're operating in a defensive mode, you're operating in a state of fear, and that shuts people down," Sisodia noted. "[Mistrust] stifles the creative energy that organizations rely on. You cannot think outside of the box if you are fearful. The absence of trust becomes about survival, which means you cannot concentrate or move beyond it. Trust is foundational. Without it, nothing else can happen."

"When there's a lack of trust, employees are not fully present. They're wondering what's happening. They're wondering what leaders are keeping from them. They're not focused on innovating, and bringing their whole selves to work."

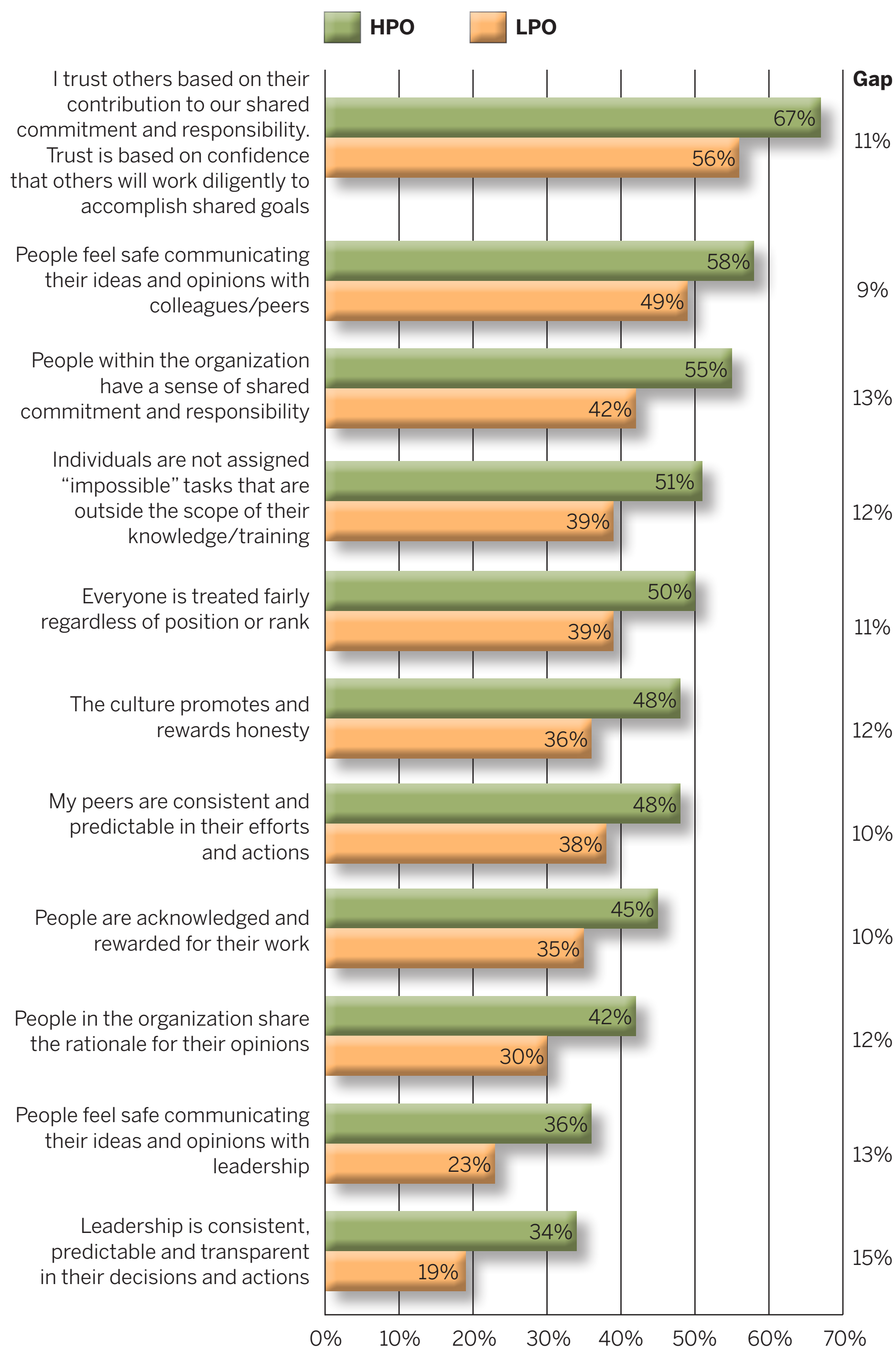
Leslie Camino-Markowitz
Director of Next Generation Leadership, Global Learning and Leadership Development, Agilent Technologies

Trust-Building Behaviors

Trust-building behaviors are also exhibited at markedly higher levels among HPOs compared to LPOs. (See Figure 10)

Figure 10
Thinking about the LEVEL OF TRUST within your organization, to what degree do the following statements describe your company?

(Percentage answering "Describes Extremely Well" or "Describes Very Well")



Key Findings:

- HPO respondents indicate that they are 12% more likely to be part of an organizational *culture that promotes and rewards honesty*.
- HPO respondents work for leaders who are 15% more likely to be *transparent and predictable in their decisions and actions*.
- The leaders in HPOs are 12% less likely to *assign individuals "impossible" tasks or projects outside of their scope of knowledge, or beyond their resources*. Thus, in HPOs, individuals are better positioned to achieve success — in part because they feel safe communicating and sharing ideas and opinions.
- *Treating employees fairly no matter their rank or position* is a strongly exhibited behavior inside HPOs and is 11% more prevalent than in LPOs.
- HPOs are 13% more likely to have employees who share a *sense of commitment and responsibility* to one another and the organization.

As one survey respondent noted, accountability is at the core of establishing peer trust. "I think one of the biggest ways an individual, group, or company gains trust can be boiled down to showing through their actions that they are accountable, [which include] being up-front and honest about things, communicating clearly, accepting responsibility when things go wrong. and handling their obligations."

"Accountability is also something that needs to go both ways — between leaders and employees, as well as between colleagues. "The legendary Red Auerbach of the Boston Celtics said trust is a two-way street," said Alan Webber. "And by that he meant: If you want your top performers to trust you, you have to trust them. It's a mutual relationship — and it's not something that the boss confers on the employee. It's something you have in a relationship."

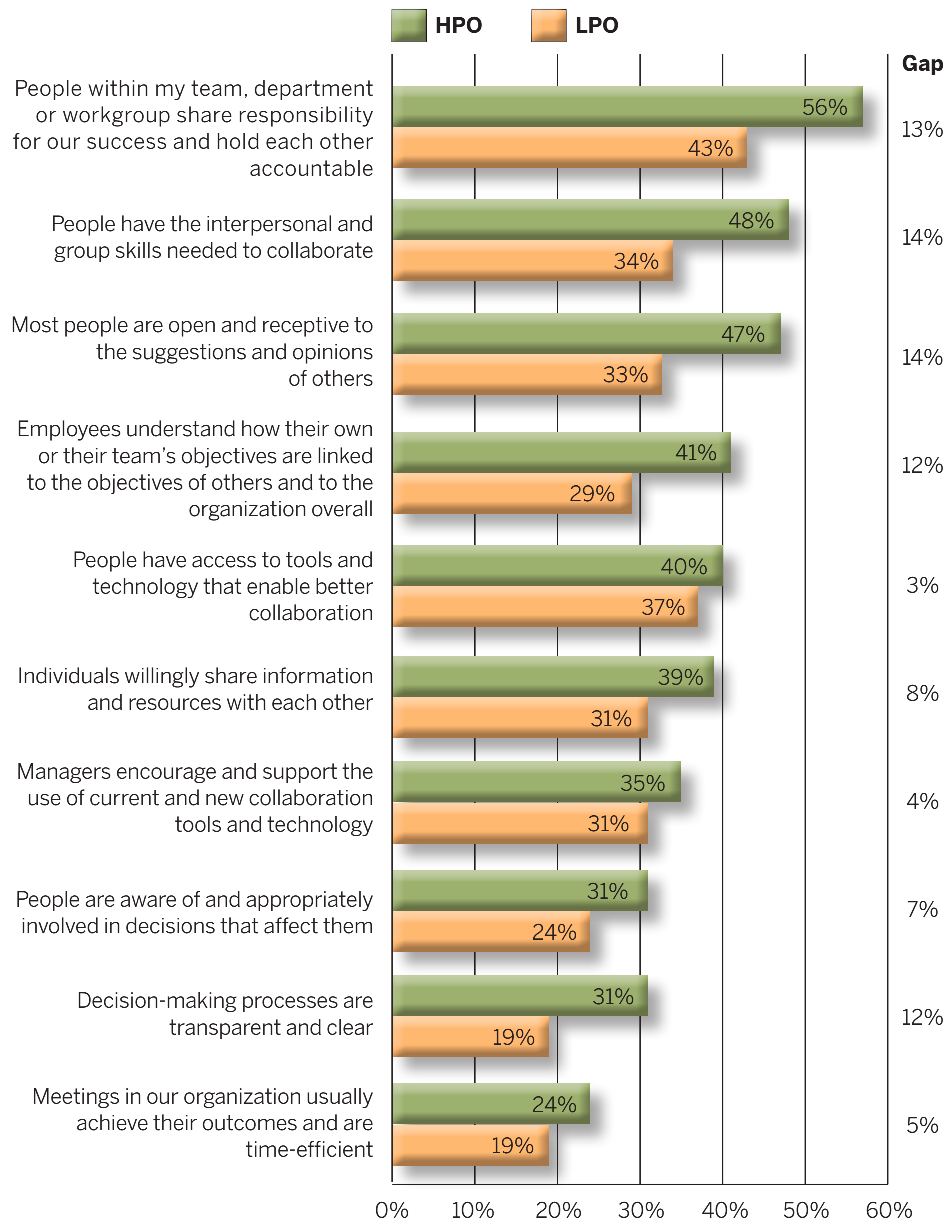
Alan Webber
Co-Founding Editor,
Fast Company magazine

Collaboration

As with leadership and trust, HPOs excel at exhibiting collaborative behaviors between employees and leaders, and they score significantly higher than LPOs in each characteristic we surveyed. (See Figure 11)

Figure 11
Thinking about the ENVIRONMENT FOR COLLABORATION within your organization, to what degree do the following statements describe your company:

(Percentage answering "Describes Extremely Well" or "Describes Very Well)



Key Findings:

- HPOs are 13% more likely than LPOs to provide a collaborative environment founded on *shared responsibility for success.*
- *Clear decision-making structures and processes* are 12% more prevalent in HPOs than LPOs.
- HPO employees are 12% more likely to *recognize how their tasks are linked to the organization's overall objectives* than employees in LPOs.
- HPOs are 14% more likely to have an environment where *people have the necessary interpersonal and group skills to be collaborative* and work cooperatively; and are 14% more likely to have employees that are *receptive to hearing and applying opinions and suggestions from others.*

Interestingly, it is the conduct of people — and not necessarily tools and technology — that differentiate HPOs from LPOs.

HPOs exhibit a strong propensity for *shared responsibility for success*, as demonstrated in both Figures 11 and 12. This indicates employees and leaders are committed to a common goal and are eager to collaborate to make that goal happen. The large differential between HPOs and LPOs in this particular characteristic suggests that *shared responsibility for success* is a key driver of performance for HPOs.

Our research findings imply that one of the reasons HPOs benefit from increased profitability and growth is because their organizational environments provide ample opportunity for collaboration.

Comments from one survey respondent also underscored the importance of trust in driving effective collaboration: "Success in collaboration is initially built by how team members perceive the skills, abilities and knowledge of others on the team. If they find them credible, a pillar of hard work and a resource for learning, [then] collaboration can hit new levels across the board."

"It's not surprising that HPOs score highly in collaboration — leaders at HPOs typically have high levels of collaborative acumen — the ability to set up, engage, and build ownership among stakeholders on a project or initiative. When leaders consciously model collaboration, it spreads like wildfire in an organization."

Linda Stewart
President and CEO
Interaction Associates

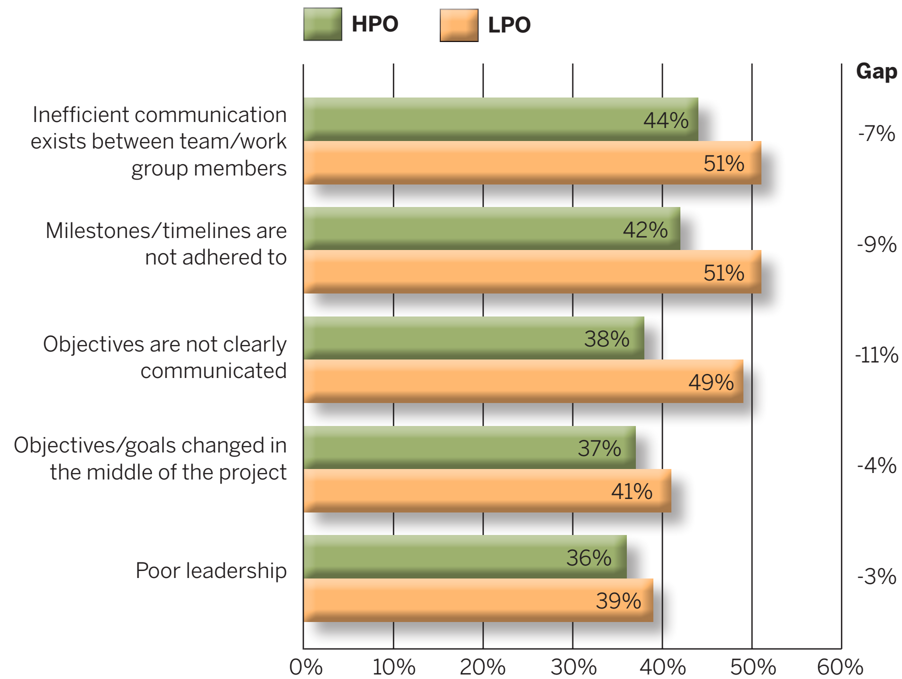
V. Additional Research Findings

Barriers to Collaboration

Collaborative efforts fail for different reasons at both HPOs and LPOs. (See Figure 12)

Figure 12:
How often do the following factors contribute when collaborative efforts fail at your organization?

(Percentage answering "Always" or "Often")



Key Findings:

- *Poor communication and failure to adhere to project milestones* are significant contributors to collaborative failures in HPOs and LPOs, but the issue is more pronounced among LPOs.
- LPOs are 11% more likely to experience collaboration failures as a result of *not clearly communicating objectives* than their HPO counterparts.

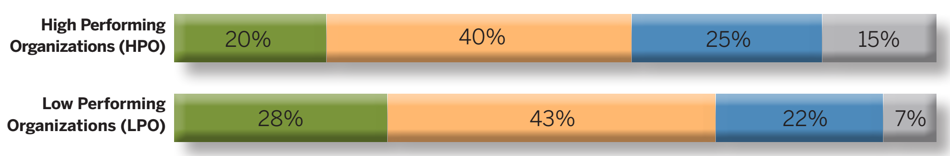
Raj Sisodia commented on the potential for collaborative failures when trust is lacking in a company. "Trust is an essential attribute because without trust, you have a lot of friction within organizations. When people are uncomfortable or unable to trust one another, they are in a defensive mode. You don't find a lot of collaboration in these kinds of companies because people are not inclined to collaborate with people who they think will take advantage of them. It is a zero sum game where someone benefits at the expense of someone else, and in these types of organizations, trust is eroded, along with high performance and productivity."

Those HPOs that have blended the elements of trust — including effective communication, strong leadership and a culture of accountability — are in a prime position to reduce collaborative failures.

According to a survey participant: "We see trust as a cornerstone of building a sustainable organization. We are a high accountability culture, and we have been working with our leaders to understand the need for psychological safety when working within a high accountability environment. We offer a lot of information to create transparency. The trick is to assure leadership consistency in delivering the information and making it available to our staff at the front-line."

Employee Mindsets: From Disengagement to Involvement

One of the fundamental influencers of business performance is the level of employee engagement within an organization. A large body of research suggests that the construct of employee engagement is not an either-or proposition, but is best described as a continuum. The general range of possible employee attitudes and behaviors can be divided into four stages — *Disengaged, Passively Engaged, Engaged*, and *Involved*. This continuum is detailed in Figure 13.



Disengaged	Passively Engaged	Engaged	Involved
Our employees view their jobs as a means to a paycheck; if another opportunity came along, they would take it	Our employees are satisfied with the company; they see it as a good place to work. Few would be motivated to seek another job	Our employees are highly engaged and are committed to their profession and jobs; employees willingly expend discretionary effort to achieve results	In addition to being highly engaged, our employees are actively involved and share responsibility for the organization's success; managers provide meaningful opportunities for employees to give input and/or participate in decisions that affect them

Figure 13:
Which of the following statements best describes your organization?

Employees on the engagement continuum that are *Involved* are defined as individuals who go beyond highly engaged behaviors to be actively involved and share responsibility for the organization's success. In addition, managers provide meaningful opportunities for employees to give input and/or participate in decisions that affect them. Alan Webber alluded to these elements of involvement and their impact when he said, "I support the notion that organizations that welcome and facilitate the involvement of people at all levels are going to get better performance."

> "A high trust organization is differentiated in that it is made up of people that are highly engaged and motivated. Organizations run on creative human energy, and this cannot be harnessed in an organization without a high level of trust."
>
> **Raj Sisodia**
> Chairman, Conscious Capitalism Institute; Professor, Bentley University

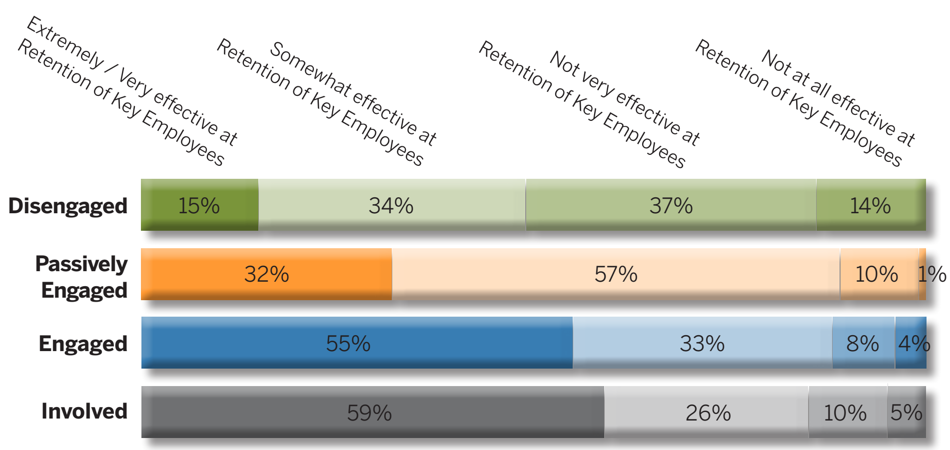
Key Finding:

- Among HPOs, fewer employees are described as disengaged or passively engaged than their LPO counterparts. Instead, HPOs boast 3% more engaged employees, and more than double the percentage of involved employees.

"A highly engaged employee is an asset: he or she cares deeply about the job, and about doing excellent work as a professional. He has a high degree of loyalty to the company, and speaks well of the organization," Linda Stewart said. "But involvement takes the attitude and actions a step further — moving the employee from 'me' to 'we.' The involved employee has such a stake in the success of the company that he or she is willing to share in the responsibility for that success. It is really the highest level of being instrumental in the decisions and the behaviors that drive the results of the company. These employees have skin in the game, and it shows up in high performance."

Our research also shows that employee engagement tracks closely to the organization's effectiveness at retaining key employees. (See Figure 14)

Figure 14:
Effectiveness in retaining key employees at different levels of engagement/ involvement



Key Finding:

- Respondents that report high numbers of involved employees at their organization are much more likely to effectively retain key employees (59%) than those that report a disengaged workforce (15%). Involvement outperforms engagement at retaining key employees, ensuring the highest retention effectiveness rating.

VI. Building Trust: Three Experts Weigh In

We conducted detailed interviews with three thought-leaders for context and background on trust issues in business generally. This section excerpts their insights and analysis.

Alan Webber
Co-Founding Editor, *Fast Company* magazine;
Former Editorial Director, *Harvard Business Review*

How some leaders manage hard times: "Leaders usually adopt one of two strategies for moving the culture of an organization through tough times. One is what I'd call *batten down the hatches — it's going to be a stormy ride.* That is often a self-defeating strategy but it's a very time-honored one — and mostly is about control."

Why the need for control can hurt leadership: "The thinking goes like this: We're going to control information, we're going to control what people know, we're going to control how we interact with people. If we have to make cuts, we'll do it suddenly, abruptly, and with very little explanation. And I think that produces a climate of fear — and it's largely a version of reality that gets practiced in big companies and in old-fashioned companies where the top down leadership model is more common."

The importance of effective communication: "The other very different leadership model involves adopting specific trust building practices with regard to investors, employees, and customers. This approach means that people know what you're doing, why you're doing it. You're appealing to their values — and practicing more transparency, utilizing more clarity in communications."

The benefits of emotional leadership: "By being more empathetic in your emotional connections — especially in hard times — you end up bringing out better results in the people in your organization. You end up with employees and customers rooting for you to succeed rather than gritting their teeth and waiting for you to fail or lacking any confidence that you have their interests in consideration."

Raj Sisodia
Chairman of Conscious Capitalism Institute,
Professor of Marketing, Bentley University

Choosing future leaders to foster a culture of trust: "The onus on selecting the right leaders with the right attributes is so important to ensuring that trust is built and fostered within organizations. We have to pick leaders not just for their technical proficiency or their ability to 'make the numbers'. To a large extent, technical skills can be taught. But great leadership is more about living and breathing the values and the purpose of the organization. Leaders must embody and live the values of their organization — communicate them constantly, demonstrate them constantly, and embody the purpose. It is critical in any organization now, and is increasingly important for the future."

Top down leadership risks: "The key barrier that most organizations struggling with trust face is the realization that building trust has to start at the top. In the same vein, eroding trust happens at the top. When leaders say one thing and do another; when employees are laid off, but senior management then accepts bonuses. Employees recognize the lack of alignment between values and behaviors."

Where organizational trust begins: "The leadership of business units really sets the tone of trust within an organization, and a key element of that is integrity. Leaders cannot have self-serving agendas, and violations of trust must be dealt with fiercely. When it's perceived that people get away with violations, nepotism, and other bad behaviors, those actions breed cynicism and destroy trust."

Linda Stewart
President and CEO, Interaction Associates

The urgency around trust in business: "In 2012, the biggest decline in trust is in leadership – people are noting a lack of consistency, predictability, and transparency in leaders' decisions and actions. This is a real wake-up call to leaders. It's a communication issue for sure – and it's also an issue of involving employees at the right level."

The role of consistency in leadership: "Successful leaders are consistent and they draw clear connections between the company's goals and its associated strategies. And they're transparent in their leadership style, so they can promote a shared responsibility for the overall results of the organization."

Transparency and openness are critical: "How best to be transparent? Inform employees fully, and, where possible, involve them in decisions that affect them. That's how leaders build trust levels within the organization. And that's how to move employees from being engaged to being involved.

Going beyond employee engagement: "Companies need employees who are actively and highly engaged — which means they care about their own individual performance — *and* they go beyond engagement to a level of involvement — where *they share responsibility for the results of the organization — in a sense, they take ownership for the performance of the company*."

A team is greater than the sum of its players: "This is a critical shift [from engagement to involvement] — it's really about going from "me" to "we." To use a sports analogy: *Engaged* employees are thinking about the name on the back of their shirts — thinking about their own performance. But *Involved* employees are thinking about the name on the front of the shirt — and how their specific performance impacts the whole team."

How trust impacts the bottom line: "When you have a highly involved workforce, employees are much more likely to stay and give it their best. That's when trust, leadership, and collaboration are truly powering your performance, and it shows up in your bottom line."

VII. Conclusion and Recommendations

Building Trust in Business 2012 continues the pattern established in past years' research by showcasing how top performing organizations drive strong results when they excel at leadership, trust, and collaboration.

Since Interaction Associates first conducted this study in 2009, there has been a steady decline in the levels of trust and confidence in leadership. Decisions made during the recession — including layoffs, wage freezes and relying on staffs to do more with less — have had a long-term detrimental impact on employee loyalty and confidence in leadership. More disturbingly, this deteriorating level of trust has not been isolated to leadership, as ratings of peer-to-peer trust have also decreased significantly. For many organizations, this diminished level of trust hinders growth opportunities.

Fortunately, not all companies are operating within an atmosphere of weakened leadership credibility, limited organizational trust, and poor peer collaboration. Encouragingly, these HPOs have not only been able to survive, but have even thrived in these economically challenging times. They were able to do so by relying on a solid foundation of trust and collaboration, driven by leadership and consistently carried out at all levels of the organization.

Without question, HPOs benefit from behaviors that reflect environments with highly effective leadership, trust, and collaboration. These behaviors are linked to increased top line growth and revenue. In order to be positioned as an HPO, leaders must demonstrate, foster, and embrace trust at all levels of their company.

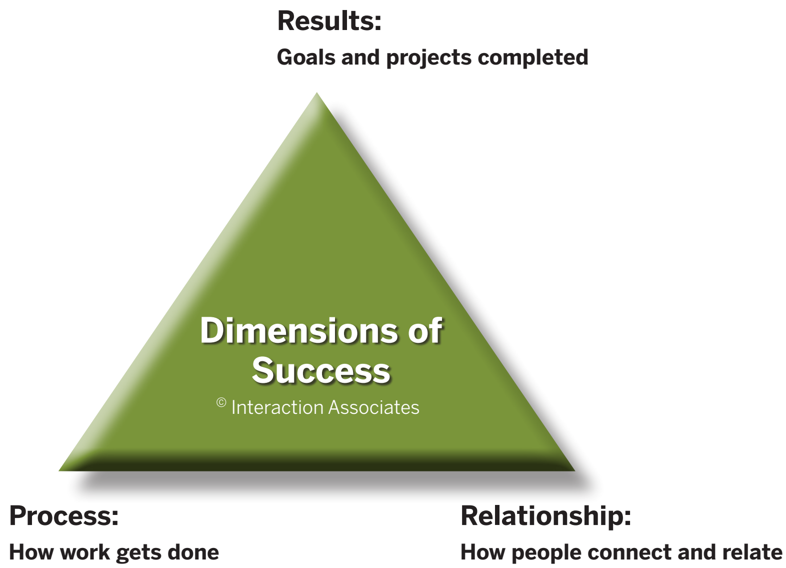
Both HPOs and LPOs should address five distinct functional areas to increase the level of trust within their organizations:

- **Leader Confidence —** Like most organizational initiatives, building and maintaining a trustful organizational culture begins with leadership. But, upon further analysis, the data also show that in addition to certain behaviors, HPO leaders are much more effective at demonstrating realistic optimism for the future. Similar to the increasingly important construct of authenticity, leaders who are realistically optimistic about their organization's growth and potential are better positioned to earn the trust and involvement of their employees.

- **Clarity and Consistency —** Among HPOs, consistent strategy and clearly defined goals were commonly cited behaviors that contribute to and help maintain a collaborative environment. By contrast, LPO respondents said that a lack of consistency among leadership behaviors and a deficit of clearly defined project goals reduces the level of trust among employees. Organizational leaders must recognize that their behaviors and communications set the tone of trust for the entire organization, and that their support of this construct is crucial to implementing a foundation of trust.

- **Shared Responsibility for Success —** Beyond ensuring that managers and leaders practice trust-building behaviors, HPOs encourage a culture that embraces shared responsibility for success. This is critical to maintaining the presence of trust at all levels of an organization. An environment of organizational trust cannot be created or maintained in only one area of a company, and HPOs address this by promoting behaviors and governance that drive empowerment and shared commitment to the organization as a whole.
- **From Engagement to Involvement —** It's no surprise that engagement is at an all-time low in both HPOs and LPOs — this is independently verified in several recent engagement studies as well. Even the highest-performing companies can stand to improve their employees' attitudes and actions. By focusing on key behaviors that build leadership, trust, and collaboration, companies can focus their efforts on driving toward the *Involvement* level in their workforces. As employees move from a focus on "me" to a focus on "we," the retention of critical employees is strengthened, and company performance improves.
- **Focus on Relationship —** High performing organizations place a high priority on customer loyalty and retention and the attraction, deployment, and development of talent. These are areas that Interaction Associates defines as **relationship** focal points — one of three key *dimensions of success* that organizations are wise to keep in balance. The three components are: results, process, and relationship. (See Figure 15)

Figure 15:
Dimensions of Success®



"When defining business success, of course, leaders look at the bottom line. Financial results are of the utmost importance. Most companies, including the highest performers, are concentrating hard on those financials," Linda Stewart, President and CEO, Interaction Associates said. "But at Interaction Associates, we argue that sustained success is three-dimensional. Results are critical — and, typically, **results** are supported and driven by strong **relationships** and efficient **processes**. Relationships and process success are the leading of indicators of financial success. Companies ignore relationships and processes at their own peril."

VIII. Appendix

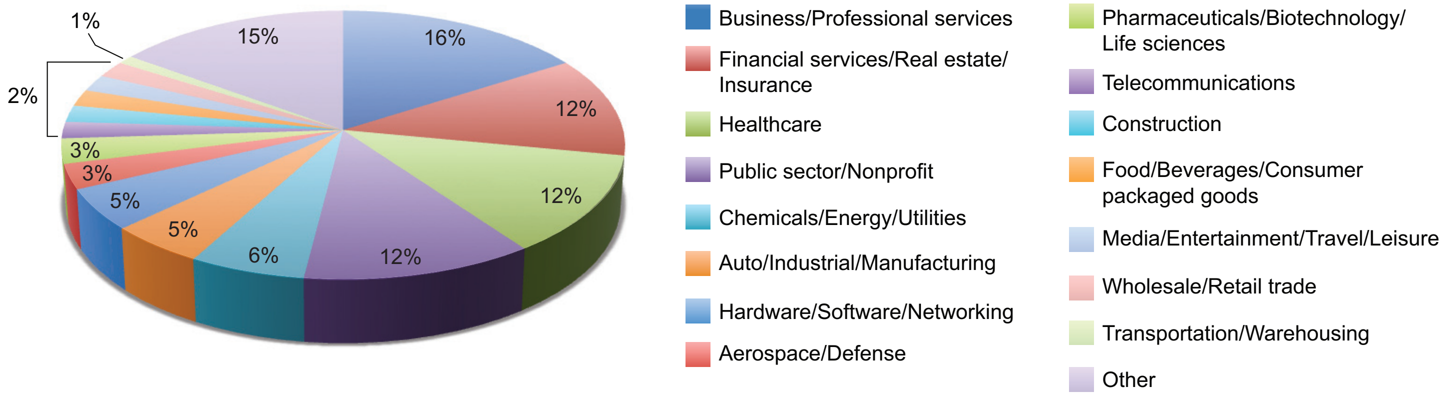
About the Authors

Andy Atkins currently serves as the Chief Innovation Officer of Interaction Associates, and brings thirty years of experience in management and education to his work with clients. Prior to joining Interaction Associates, he served as a leadership and organization development and human resources executive with Bank of America, Fleet Bank, and Genuity. Previously, Mr. Atkins led human resources organizations and change efforts at Arthur D. Little, Fidelity Investments, and Mercer Management Consulting. He has worked with organizations internationally in industries including financial services, chemicals and pharmaceuticals, transportation, manufacturing, publishing, and education, and has published articles on change management, quality, and human resources strategy. Mr. Atkins is an adjunct professor at Babson College in Wellesley, MA, where he teaches the MBA course in Leading and Managing Change. He earned his MBA from Columbia University where he was a Goldman Sachs Fellow, and has an MA from the State University of New York at Stony Brook and a BA from Hofstra University, where he was elected to Phi Beta Kappa.

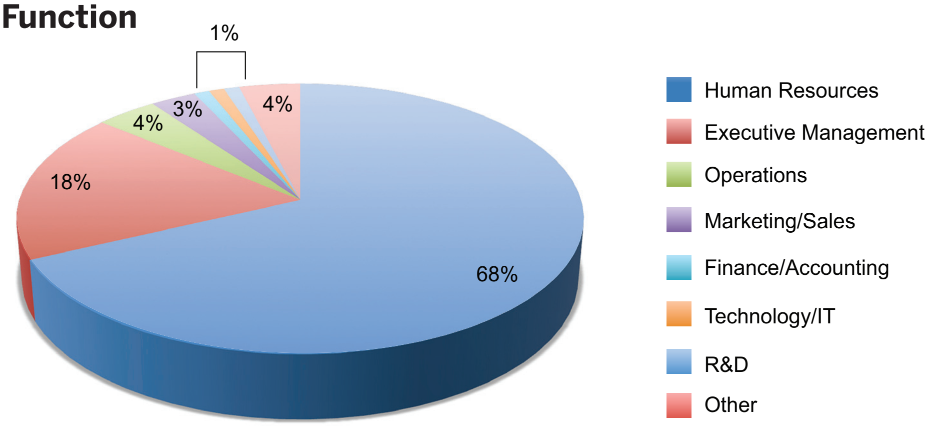
Aubrey Krekeler Wiete, MA is a Senior Analyst at the Human Capital Institute within the Organizational Development & Leadership Practice Area. Previously, she worked at the University of Kentucky, where she focused on the use of social media as recruiting tools and the business imperative of Global English. Aubrey's past research publications include understanding the necessity for cross-generational mentorship and coaching, new executive development techniques for senior leaders, and recognizing the imperative of career development plans to foster employee engagement. Her other areas of interest include leveraging talent mobility and performance, and methods to cultivate creative business cultures. She earned her bachelor's degree from Saint Louis University and a Master's degree in Organizational Communication and Health Communication from the University of Kentucky. Aubrey is currently based in Cincinnati, OH.

Demographics

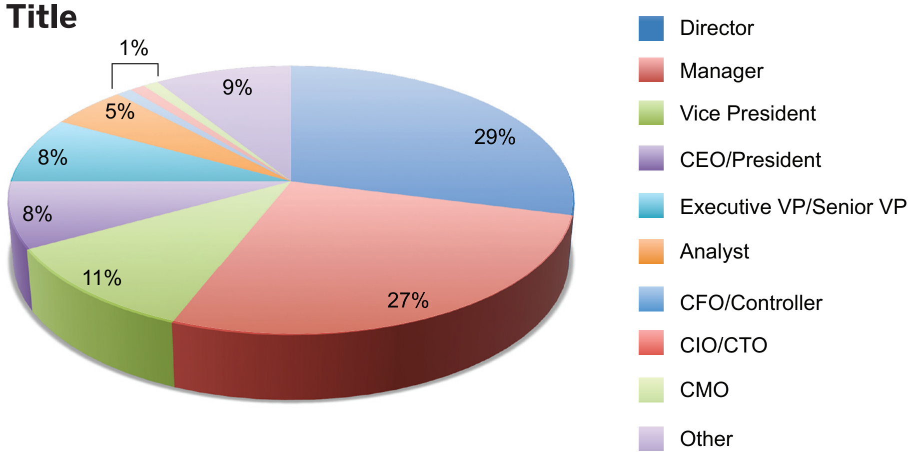
Industry



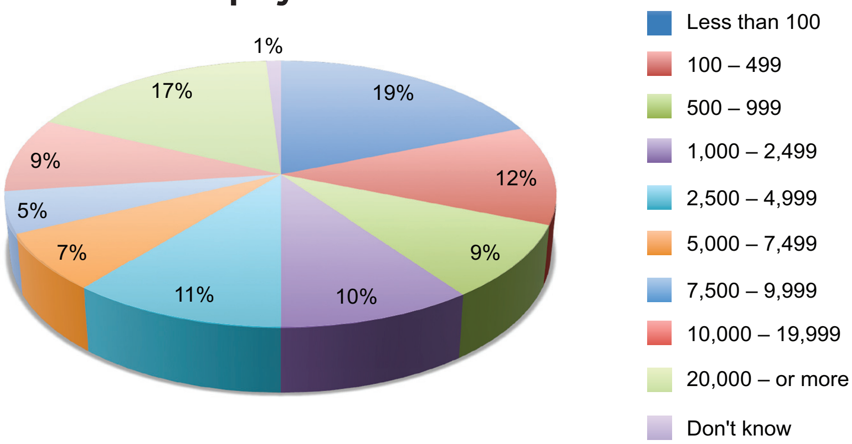
Function



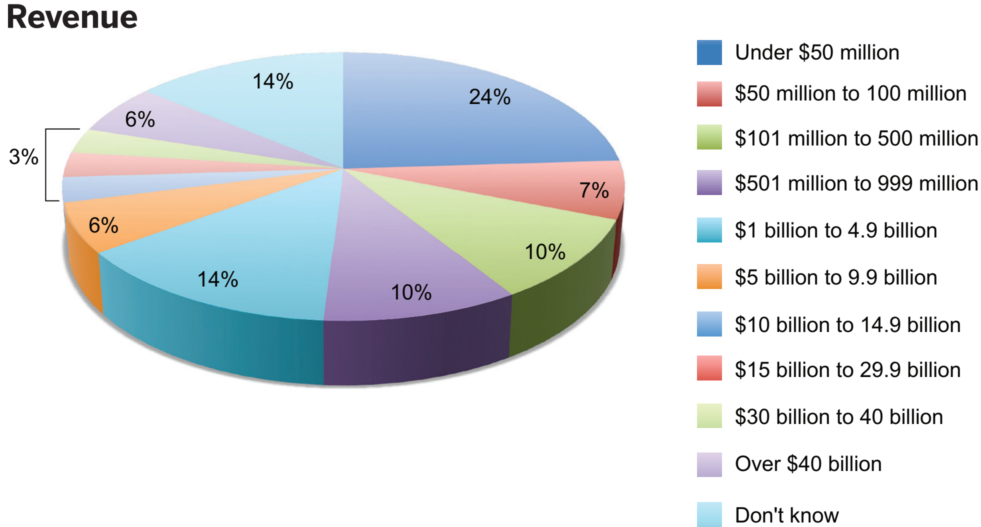
Title



Number of Employees



Revenue



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