Who do you trust?

Understanding how to repair organisational trust

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Unsurprisingly, the media and Edelman’s (2012) trust barometer reveals that our trust in organisations and leaders is at an all time low. Events, such as the unveiling of News International’s phone-hacking practices, or the excessive bonuses typical in our financial sector coupled with some ‘interesting’ tax practices of this sector which has only recently been bailed out with taxpayers’ money, all serve to undermine our trust in institutions and organisations. However, this loss of trust has serious consequences for both organisations, but more importantly for our society as a whole.

The current climate graphically shows the fragility of trust in organizations, yet research indicates trust in organisations is vital (Child and Mollering, 2003, Searle et al., 2011b). Trust can be a key economic advantage for firms (Barney and Hansen, 1994), enhancing their effectiveness, efficiency and performance (Dirks and Ferrin, 2002). Trust in organisations has been shown as highly significant in the fostering of desirable work-related behaviours (Kramer, 1999). Employees who have high trust in the organizations they work for stay for longer, put in more effort and work more cooperatively, while those with low or no trust often reduce the effectiveness of their work (Dirks and Ferrin, 2001), engage in counterproductive behaviour, such as obstruction or seeking revenge (Bies and Tripp, 1996), or simply decide to leave (Robinson, 1996). Despite growing attention towards trust, our understanding about how it can be repaired has been slower. In part this is due to the sensitivities around the topic, but those studies that have looked at repair have tended to focus almost exclusively on trust at the interpersonal level (for a comprehensive review, Dirks et al., 2009). At a conceptual level the repair of organisational trust has been argued to be fundamentally different from its restoration at the interpersonal level (Gillespie and Dietz, 2009). To date, however, little field-based examination has considered the issue of trust repair at the organisational level. In order to address this important omission in 2011 the CIPD decided to fund a short study entitled "Where has all the trust gone?" as a
means of exploring how organisations can repair this valuable asset once it has been damaged. This article briefly highlights the key findings of our CIPD 2012 research report.

Central to Trust – and its repair – at whatever levels are individuals’ perceptions of the trustworthiness of the another party, whether this is an organisation, leaders, or those in line management. Earlier studies have revealed four distinct components to such trustworthiness (figure1): “ability” – the extent to which this party is believed to have the skills or competence; “benevolence” – how much they are regarded as caring genuinely about his or her well-being; “integrity” – which focuses on the other’s adherence to moral principles and high standards of behaviours; and lastly, “predictability” - the perceived consistency of the other's behaviour over time. These dimensions inform whether and how far leaders are trusted, or not.

Figure 1: Four dimensions of trustworthiness

Our study involved two sets of data. First, a large scale survey with over 2,500 respondents from a YouGov UK panel which was selected and weighted to be representative of the UK workforce in relation to sector and size, industry type , full/part time workers by gender. Second, interviews and focus groups from case studies of 14 different organizations from both private and public sector (see footnote 2 for acknowledgement).
Why does trust matter?

Our questions in the CIPD’s quarterly survey underlined why trust matters in organization – it emerged as important in employees’ decisions about:

- whether to recommend their employer to others (.59),
- their levels of job satisfaction (.49)
- and a slightly less significant role in contributing towards employee’s intention to leave their employer (-.24). [The figures in brackets here show the strength of association from a correlation].

The following graph (Graph 1) reflects the states of three distinct levels of trust in organisations: High, average and low. Significantly, respondents in the public sector had smaller levels of both high and low trust than those in the other two sectors.

Graph 1: trust levels by sector

A key finding of our study was evidence of the three important areas which employees use to provide clues to help them gauge whether their organisation is to be trusted, or not. First, the survey showed that the leaders of an organisation are synonymous with the organisation itself. Figure two reveals that there is more likely to be low levels of trust in the leaders of the public sector organizations. These findings reflect how the actions and behaviours of those at the top have real significance for trust in the organisation as a whole.

Figure 2 Trust in senior management by sector
Strikingly the survey showed that, as with other studies we have conducted in this area, those at the top of the organisation were far more likely to report high levels of organisational trust (see figure 3). This is not surprising as those in senior positions are more likely to be involved in decision-making and so have greater awareness and insight into the decisions and strategies of an organisation. However, this finding underlies how important it is to look at organisational trust by including those at lower levels rather than relying on the perceptions of those at the top. Status really can shape these insights and make them very different.

Figure 3 – Trust in the Organization by Employment Level

In addition, in line with other work we have done in this domain, we found that trust and organizational size are related: high level trust is easier to obtain within smaller organizations (see figure four). In this sample larger firms were overrepresented in the low trust category (63%). This reflects the complexity of communication processes within bigger firms, and is something we discuss in more detail in our recommendations for firms section.

Figure 4: Organisational Trust by Size of Organisation
A second significant clue used by employees is the trustworthiness of their direct line manager. Like the more remote senior leader, it is those in positions of responsibility that have a crucial role in shaping employees' experiences of the organisation. We did a stepwise regression to show which factors were most strongly associated with organisational trust. This analysis indicated that over 35% of the variance could be accounted for by line managers’ behaviours. This confirms the results obtained from an earlier European study, (Searle et al., 2011a), which indicated how important the consistent behaviour of managers was for employees’ trust. Managers’ actions are pivotal in shaping perceptions of the organisation as a whole. In particular the survey showed the importance of open communication in building and maintaining trust. Significantly, these results confirmed that trust is not merely a one-way concern: Instead employees’ trust in organisations is generated and sustained when they also feel trusted by their managers. Thus, it is not sufficient for managers to require trust from their employees, they must reciprocate and show trust in their delegation and talk.

Our current CIPD study was interested in looking at the impact of HR. Scholars have indicated the importance of HR for organisational trust (Whitener, 1997). More recently we have started to consider why and how these formal aspects of organisations and how they are experienced by employees might affect trust (Searle and Skinner, 2011)(see also trust and HRM web resource at end of this article). HR systems are “touch points” in the lives of employees operating throughout their time with the organisation. Both separately and collectively, these policies provide clues and signals of the trustworthiness of the organisation. Further, the way managers or leaders implement HR practices provides tangible evidence to employees about whether their intentions are genuine.
What is happening to trust in UK organisations?

The case studies we gathered in our small study revealed five distinct foci for trust within organisations. They showed how organisations vary in which relationships they attend to and focus recourses in the building and sustaining of trust.

Figure 2: Taxonomy of key organisational trust relationships © Hope-Hailey, Searle and Dietz 2012

There were five distinct types of approaches to trust management we found. **Type 1: Trust in each other** – optimistic expectations and productive relations are maintained with customers, among employees and their line managers, and with the organisation and its senior managers, formed a virtuous and reinforcing “circle of trust”. **Type 2: Trust in leaders** – the main emphasis was placed on trusting senior managers, with a tendency to focus on “heroic” or “visionary” leaders. **Type 3: Trust in the organisation** – typically found in public sector organisations, here the role and impact of individual leaders, whether politicians or CEOs, was of less significance to employees than the purpose of the organisation itself. **Type 4: Trust in external relations** – senior management and, to a degree, employees viewed their central trust relationship as being with key external stakeholders, most often customers, rather than focusing on any key internal trust relationships. **Type 5: Trust in the direct line manager** – here attention was given to maintaining the trust relationship between employees and their direct bosses. This could be due to turbulence and problems with more remote senior managers.

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1 We acknowledge the input of Sue Abbertson with an earlier version of this framework.
or due to the sheer size of organisations. As a result the trust in the organisation was actually fragmented into smaller fiefdoms around local leaders.

**How can we rebuild trust in times of economic adversity?**

Figure 3: Hope-Hailey, Searle and Dietz’s 6 recommendations for organisational trust rebuilding

1. Creating a trust fund

   We found that one of the most successful types of organisations were those in Type 1. These were organisations which emphasised the importance of “trust in each other”. As a result those within these organisations had a strong and persistent focus on maintaining trust across a wider array of key stakeholders—both inside and out, and this was attended to by employees at all levels. Before the financial crisis such firms had been able to create a deep fund of trust that operated across a wide range of internal and external stakeholders, including: employees, customers, senior managers, shareholders, trade unions and the local community. Thus, once the environment became more difficult, these workplaces were able to draw on a multiplicity of established trust relationships. In this way if one area of relationships became pivotal, such as their customers, then the other relationships were sufficiently strong to allow the organisation to draw on the existing support, goodwill and trust. These virtuous circles of support were reserves that they could pull from without needing to manage so actively – the other groups understood the issue and so expected less and supported them more because they knew what was happening and why. These longer term trust reserves were an important resource with the longstanding support that lay behind them. In contrast those organisations which had relied exclusively
on “trust in leaders” (Type 2) were particularly vulnerable to the loss of trust during the recession especially if those same leaders were suddenly found to be lacking in key trust areas, such as competence, benevolence, or integrity. (Think of some of the leaders of well known banks.) In addition organisations that were type 3 found it hard to sustain employees’ trust where they became merged and their central purpose was changed, or practices changed. This latter type of organisation suddenly found its balance altered and its raison d’être up in the air.

2. Leading with integrity in difficult times

Some of the senior managers we interviewed recognised that they had a choice over how to lead in difficult times. This enlightened group were acutely aware that they had the power to make things better, or worse, for their staff. For example, the chief executive of the law firm Norton Rose decided to consult the whole workforce prior to undertaking plans to introduce a short-time working. Similarly, John Lewis implemented a restructuring scheme that resulted in redundancies on a scale never experienced in its 80-year history. Both of these firms showed in how they involved and informed staff in difficult decision that trust could actually be enhanced (see People Management March 2012 for a case study).

Such leadership was not just confined to the private sector, in a public sector organisation that we studied, Sunderland City Council, the CEO appealed directly to the whole community to support their efforts to minimise job cuts and maintain public services. He was aware that in the current economic climate, difficult decisions could not be avoided, and so decided to work actively with employees and other stakeholders to implement tough decisions that were forced onto them. As a result trust was enhanced.

3. Servant Leadership serving the workforce

We found that leaders who demonstrated on a day-to-day basis their benevolence and integrity made a difference to their organisations. Those who showed their trustworthiness often revealed a clear sense of duty to serve the needs of their employees, as well as their customers. Kirit Patel, CEO of the Day Lewis Pharmacy Group, is a wonderful example of this. He showed deep respect for his staff through his honesty, integrity and commitment to their well-being. This case graphically revealed how,
with employees support, it was possible to get through even in very tough times. His courage to be open and honest about the situation the organisation was facing, and through the dialogues he created allowed him to gain valuable insights and solutions from staff. As a result he was made aware of just how capable his employees were, and what a wonderful and powerful resource they were to the business. Our cases indicated that, if done well, even having to make redundancies can raise trust and engagement in an organisation.

4. Leave out the spin

Both the survey and the case studies identified how much employees value open communication. We found even if the news was bad, staff appreciated honest, direct information. They wanted to be treated as adults. “Trust is about honesty,” said one local authority manager. “If you’re going to shut us, shut us. Tell us you’re going to shut us. Don’t give us false hope.” Importantly in such situation, good communication was often personal and came directly from senior managers. As a recent US study supports these insights revealing that managers who provide information that they may feel makes them vulnerable, actually enable their subordinates to perceive such leaders are worth going that extra mile for (Colquitt and Rodell, 2011). In HMRC, for example, we found senior managers had taken the decision to spend far more time out of London, visiting local workplaces and talking to staff. In other organisations senior managers had apologised publicly to their employees for their past mistakes. In doing so they were asking actively to be shown some benevolence themselves. Similarly, a financial institution in our study informed its staff of a commitment to doing things differently in the future, particularly by focusing on new ways of selecting and developing leaders.

5. Reconnecting at a local level

Trust could, we found, be repaired by senior managers’ efforts to consult and clarify the organisation’s goals with local line managers. This helped create a line of trust through the organisation. In some workplaces, trust in senior managers was reduced during the downturn because the line managers had made a decision to “jump into the trenches with the troops”, and began to apportion all the blame for cuts on the organisation’s senior leaders. Our case studies identified that the greater the
firm relied on the direct interaction between customers and low level employees, then the more crucial it was that the link of trust between senior managers, line managers and employees was not broken.

6. Re-positioning the employment relationship

Finally, and importantly this study identified that organisations which succeeded in repairing trust invested actively in reviewing and reinterpreting their formal contractual relationships with employees. Through being open about the realities of what the business was now facing, they were able to begin to develop new, more realistic employment relationships that allowed them to move away from unsustainable earlier agreements with the co-operation of their employees. HMRC, for example, has been slowly through a sustained dialogue creating more realistic contracts with staff and thus improving previously damaged trust relations.

Conclusions

The Dutch have a lovely expression that beautifully encapsulates the reality of trust in organizations - 'trust enters on foot, but leaves on horseback'. It can take considerable time to restore trust once it is gone. Our research indicates that senior and local managers, but also organisations’ policies play a critical role in both the formation and restoration of trust relationships. Our full report is available from the CIPD, and People Management has an article which includes some more in-depth case studies. We would like to acknowledge the support and interest of the CIPD in funding this work and to the organisations who allowed us access, and were partners in this initial study. Trust is such an important topic for UK plc and our public sector, our work in this field is going to be continuing and we will use OP Matters to inform you of our findings.

Like to know more:

CIPD members can access the “where has all the trust gone?” report: www.cipd.co.uk/research

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2 Organisations involved the research were: BIS – Department for Business, Innovation and Skills; Cable & Wireless Worldwide PLC; City of Sunderland Council; Day Lewis Pharmacy Group; Ernst & Young; GKN PLC; Hampshire County Council; HM Revenue & Customs; John Lewis Partnership; Norfolk County Council; Norton Rose Group; Orvis; Royal Mail; and a financial institution that did not wish to be identified.
Slides and information are also on trust and HRM are available from the ESRC sponsored seminar series at [http://www.open.ac.uk/socialsciences/trustinhrm/index.php](http://www.open.ac.uk/socialsciences/trustinhrm/index.php)

The research team are beginning further research to develop these preliminary findings. If you are interested in getting involved please contact Prof. Ros Searle who is leading the team.

**References**


EDELMAN 2012. Trust Barometer


