Trust Is Becoming a Necessity

Let me start this justification by focusing on your world. Take a moment to think about the highest performing group of people you have ever worked with—now or previously in your career. Do you have these people in your mind—stop and picture them. Then answer these questions: Did this group have high trust? What would have happened if trust were diminished in that group? I ask clients these questions all the time. Overwhelmingly, they say that trust, in fact, is the single biggest contributor to a high-performing team and agree that lack of trust is the single biggest reason for dysfunctions on teams.

You may be saying, "But wait a minute, Joe. Organizations have operated quite profitably throughout history while having very low trust between management and workers." It used to be no surprise to come across scores of managers who got the job done but their people could not trust them as far as they could throw them. In fact, you may have worked for one.

One reason low-trust managers and organizations were financially successful in the past is that most organizations were focused more on productivity as a function of keeping cost down. So their economics didn't demand the more complex work environment for which trust is essential. Today's competitive climate requires far more creativity, knowledge sharing, problem solving, and diverse talent.

That is why there is a sudden surge in the need for trust. Things have changed dramatically because of several economic factors. For example, low-cost production is not the singular issue it once was. For more than a decade, organizations have tried to compete globally by getting people to work harder and cheaper. However, organizations are realizing that, while hard work is important, working smart is really what they need employees to do. While managers who can instill fear can get people to work pretty hard, managers who can build trust get people to work harder and more creatively over the long run.

Therefore, most organizations have shifted from solely focusing on productivity to adding value by applying creativity. This has led to constantly improving processes. You have certainly seen that, in the past decade, change is the new norm. All this change requires far more communication. It also requires constant knowledge sharing.

Another big shift is that we can no longer tolerate large numbers of mediocre workers bogging down an organization. The need to develop talent and retain it is far more important than it was in the past.

Employees Are More Likely to Quit Low-Trust Bosses

The availability of information and the transient nature of the world make it very hard for organizations to hide bad management practices. Compared to workers in the Industrial Age, the economic wealth that the working world now enjoys is giving workers unprecedented power to quit their jobs and invest their talents elsewhere. Simply put, low-trust management did not cost as much during the Industrial Age and thus was more tolerated. The British comedian and star of the BBC comedy show, *Monty Python,* reveals how some workers feel about their bosses.

> ***I find it rather easy to portray a businessman: Being bland, rather cruel, and incompetent comes naturally to me.***
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> ***—John Cleese (1939–)***

The reason low trust didn't cost as much during the Industrial Age is that employees had minimal ability to hold the bad manager accountable by quitting. The marketplace was not nearly as competitive. Today, the market holds managers accountable because customers press organizations for the level of service and quality that only higher functioning employees can provide.

High Trust Spurs Innovation and Profits

Let me give you two quick examples of how building trust pays off in today's market.

Google Trust

When Google started as an Internet search engine company, its competitors were providing search results that allowed those that paid for advertising to achieve higher rankings. Of course, this reduced the accuracy of the search result and was considered deceptive because in many cases the user was not made aware of which listings were a legitimate result of the search and which were showing up because money had changed hands.

Google opted to embrace a higher trust relationship with its users and would not let advertising income dictate its listings. Instead, it put a separate area to the right of the listing for paid advertiser's links that were relevant to the search. This section was clearly labeled: "Sponsored Links." One of Google's founders and one of three top leaders, Sergey Brin, was worth $14 billion in 2006 as a result of Google generated wealth. He underscored that Google would take a high-trust approach when he said we will "do no evil."

It is further interesting to note that Google was not first to market with its product. So it did not have the luxury of making easy money and high profits that then allowed them to take the higher ground. Google started on the higher ground because it *was* a competitive advantage. If you want some interesting reading, search the Web for "early search engines" and you will find that there were at least 24 search engines or directories that were competing between 1993 and 2006. Even though Google came on the scene rather late in 1998, it dominates today.

Cost of Broken Trust and the Power of Harnessing It

Employees of American Airlines would have agreed with John Cleese's snide statement had you talked to them after what they found out in 2003. American Airlines CEO Donald J. Carty asked rank and file employees to concede deep cuts in their compensation. However, he quietly got the board to approve giving senior executives perks and bonuses. He acted under the misguided belief that they needed to secretly do this to retain top talent, but could not be honest with the airline employees who were taking pay cuts.

By law, Carty had to make these executive perks public in a filing to the Securities and Exchange Commission (SEC). So he waited until the day after the union agreed to take massive wage cuts and then made the SEC filing that told the public about the executive perks. The union members felt betrayed and threatened a revote because of his bad faith.

In the past century, an executive may have gotten away with this low-trust tactic. However, in this case, the board asked Carty to resign rather than risk the union reneging on its vote to cut wages.

With a painful lesson learned by American Airlines management, a new age had dawned and this story had a good ending. Wade Goodwyn of National Public Radio told a different story about the company on December 7, 2006, that revealed the power of trust to create results.

American Airlines Vice President Carmine J. Romano, who is in charge of American Airline's maintenance facility, broke from the old tradition to protect his power. He began to share power and decision making with the union in an attempt to spur innovation and cost cutting. The union willingly cut their wages as he built trust. Employees were given input into running the operation.

Dennis Burchette, president of TWU Local 514, spoke of the dramatic difference trust makes in permitting people to grow, change, and innovate when he said, "When I have my union meetings now and I've got 200 guys in there, instead of complaining about management, they sound like businesspeople. . . . Look what they're doing to us. They're changing us down here. We used to cuss management and now all we do is talk about business."

The airlines and the union developed a shared goal. Instead of giving in to the global trend to farm out costly labor-intensive work like airline maintenance to cheaper labor markets, they set out to improve their operation to be able to compete. They were so successful that they not only avoided the job losses associated with outsourcing, but began to "in-source" work from overseas. The workers redesigned entire business models. It used to take 800 mechanics working 25 days to perform an overhaul. Now, it is accomplished with 450 mechanics working 13 days. The over-all cost was reduced by 55 percent.

Romano summarizes their success with a simple statement, "When they implement, it is a much quicker success." The business case for trust is solidly made by the fact that American Airlines has become so good at maintenance that they moved beyond servicing their own planes and now have 50 outside customers. They estimate that revenue from in-sourcing in 2007 will be $100 million and in 2008 will be $175 million.

Employee Partnership and Collaboration

Global competition is forcing people and organizations to embrace the idea of partnership with customers, employees, and even vendors.