ORGANIZATIONAL TRUST AMID CRISIS

As excerpt from

Leading Under Pressure: From Surviving to Thriving Before, During, and After a Crisis

by

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Whether a business crisis leads to positive or a negative organizational outcome is a function of the actions of the leader as well as an important organizational capability that allows leaders to flourish during times of crisis; that capability is trust. Trust is an organization's capability to create and sustain mutually beneficial relationships with key stakeholders. We maintain that the firms that do this well are better able to address crises when they occur than firms that are not able to establish trust across stakeholders.

On the surface, the notion of trust seems a simple construct. It is one of the first lessons in childhood and it factors into every stage and phase of life. We either trust a person, or we do not. We are either trustworthy or we are not. Simple! At its most basic level, trust represents our ability or willingness to depend on someone else. When we trust others, we feel confident and secure in another's actions to the extent that those actions relate to or affect us. People talk casually but confidently about trust being the foundation of any meaningful relationship—personal or professional. They judge people and their effectiveness in work and in life on how trustworthy they are. And the assumptions they hold about trust are relatively universal. For example, it is not uncommon to hear people say the following: "trust takes a long time to develop, but can be broken in an instant" or "trust has to be earned." In reality, the feelings, emotions, and experiences of trust suggest that it is a complex phenomenon as anyone who has experienced a betrayal can probably attest.

Defining trust in a way that resonates similarly with everyone's unique perspective of trust is a challenge. Moreover, distinguishing trust from related terms such as dependability, cooperation, familiarity, or confidence has been difficult. Yet, there are several features of trust that appear to be consistent across unique definitions of the term. They are: competence, openness, concern, reliability, and vulnerability.

Competence is an essential component of trust, and particularly so in the context of work or organizational life. At the base of any work relationship is a degree of trust in one's competence. In the modern organization, work is a highly interdependent function and each one of us depends to some extent on others to fulfill our role in meeting the objectives of the organization. The ability to do that requires that people are competent at what they do, and that others have confidence in their competence. Competence-based trust involves respecting the knowledge, skills, abilities, and judgments of others. The behavioral display of that respect, however, is what truly demonstrates a willingness or capacity to trust others. In fact, people's sense of value is often closely tied to their sense of competence in their work or job. The best leaders recognize this and create opportunities to enhance a sense of competence in their employees, thereby creating an overall organizational environment characterized by *competence trust*. These organizations are then empowered with people who value learning, feel empowered to take risks, and are inclined to think creatively with respect to problem solving.

The significance of competence-based trust is particularly relevant during times of crisis. Under circumstances of uncertainty, time pressure, novelty, and severe consequences, it is imperative that employees trust their leaders to make competent decisions in an effort to resolve the crisis. Likewise, consumers and stockholders expect that firm leaders will competently resolve crises so that they are either not affected or minimally affected in the process. People are vulnerable and afraid during a crisis, and these feelings are unlikely to inspire high-quality work, much less contribute to crisis resolution. But when employees feel they can trust in the competence of their leaders, and that their organization's culture inspires competence trust, then the likelihood of their being able to work with senior leaders to resolve a crisis increases. In short, competence trust at the interpersonal level (e.g., between a boss and subordinate) and the organizational level (e.g., a culture of competence trust) can facilitate not only effective handling of crises, but ultimately can facilitate a crisis leadership mindset across the organization whereby crises are resolved in such a way that the firm and its stakeholders will be resilient following a crisis.

Openness, and to use a related term, honesty, is another key element of trusting relationships. To create effective workplaces employees must trust their leaders to be open with them about strategic plans for the organization as well as with mundane information and decisions. When leaders are open with employees they are better positioned to attract and retain followers, and to promote organizational change and innovation. In addition, openness can lead to trust by helping organizations characterized by silos, or heavily matrixed organizations, become more coordinated. Being open creates an environment that allows leaders to be effective in organizational agility, and promotes creativity and innovation in problem solving. Taken together, organizations that are experienced by employees as open and honest can facilitate crisis leadership.

Employees are often the first to recognize the warning signs of a pending crisis. When employees feel comfortable communicating these concerns to senior leaders, rather than fear rejection of their ideas or punishment for bringing negative news to their attention, then there is a greater likelihood that further investigation into the problem will commence. This may be all that is necessary to ward off a potential crisis. In less open environments, however, leaders may be more reticent to hear or heed the warning signs that are indicative of potential crisis.

Trust is as much a function of *concern* as it is openness and competence. Concern is one person's belief that he or she will not be exploited by another. Stated in the affirmative, concern represents an interest in someone other than oneself and engaging with others in such a way as to demonstrate care for their well-being. To be clear, the concern dimension of trust involves a balance of concern for self and a concern for other. If one is perceived as being overly or exclusively concerned for others his or her sincerity may be called into question and consequently trustworthiness is ultimately undermined. Research shows that employees are more likely to trust top managers when they believe that managers will care about employees' job security; and during times of significant organizational change, employees evaluate management on the extent to which it can be trusted to be concerned with employees' welfare and interests.

Concern plays a tremendous role in crisis. Crises are traumatic events and stakeholders seek guidance, reassurance, and a sense of concern from their leaders. If they do not trust that crisis handlers have their best interest at heart then effective functioning and participation will dissipate quickly. To highlight this point, consider the handling of Hurricane Katrina that hit the Gulf Coast region of the United States in 2005. Nearly every aspect of the crisis was mishandled and residents all along the coastal region, and in New Orleans in particular, experienced tremendous pain and suffering as a result. There was very little indication that the crisis handlers were competent at dealing with the safety of the residents, managing the potential and actual levy breach, communicating and coordinating among federal and state officials, evacuating the community, adequately anticipating and managing the subsequent crime, and so on. The mishandling of this crisis resulted in outrage across the country and accusations that the crisis handlers, including then U.S. President George W. Bush and others at the level of local state and city government, were not adequately concerned for the victims. Whether a lack of concern led to the poor handling of the crisis, or whether the poor handling let to a perception of lack of concern is more or less irrelevant. In this case, perceptions of limited concern from their leaders clearly had a negative impact on the victims and other stakeholders of Hurricane Katrina.

The last dimension that characterizes trust is *reliability*. The confidence that can be gained from knowing what to expect from another person, whether the expectations are positive are negative, is generally perceived to be reassuring. We are comforted by consistency. We can plan around reliability. Reliability is akin to credibility and dependability, all generally considered to be positive virtues. During a crisis, a leader's reliability is especially important for assessments of trustworthiness by stakeholders. As with the previous dimensions of trust, reliability is important not only for hierarchical or interpersonal relationships but also for the broader organization. Customers, suppliers, and in some cases competitors may all rely on a firm's perceived reliability to gauge the level or type of engagement they will have with the firm.

Finally, there is one dimension of trust that is so fundamental to our experience of trust that we become blind to its importance. That dimension is *vulnerability*. When conducting workshops on trust with executive audiences we will often share the following two definitions of trust: 1) *Trust is a relationship of mutual confidence in agreed upon performance, honest communication, expected competence, and a capacity of unguarded interaction; and 2) Trust is a state involving confident positive expectations about another's motives with respect to oneself in* *situations entailing risk*. When asked what aspects of these definitions resonate with participants, the executives consistently point to the notion of "unguarded interaction" in the first definition and "situations entailing risk" in the second. Each of those phrases suggests a sense of vulnerability. In other words, trust is a demonstration of behavior in which one risks harm by the person in whom trust has been placed. Managers show trust in subordinates by allowing them to perform work and make decisions using their best judgment, rather than demanding that subordinates follow a strict set of rules or even expectations about how work should be achieved. To the extent that the subordinates' performance reflects on or has implications for the manager, then the manager has behaviorally demonstrated trust by being vulnerable to the actions and work output of his or her subordinates. The manager has taken a risk by displaying unguarded interaction.

Based on the five dimensions of trust just described, it becomes clear that the more dimensions in which one is trusted, the more he or she will be characterized as trustworthy. The same holds true for the perceived trustworthiness of organizations. Organizations that demonstrate reliable performance, that are perceived to have concern for the welfare of their customers, that have a culture of openness and honesty, and that are competent in their work are more trustworthy than those organizations that may be perceived positively on only one or two of those dimensions. Organizations are vulnerable in that they have to trust that information that is shared with employees will not be abused, and that employees will perform to the best of their abilities to produce high-quality work that will enable the firm to be competitive.

The Flip Side of Trust: Betrayal

No discussion of trust would be complete without at least a brief mention of betrayal, and depending on its source and nature, a crisis might be perceived as the ultimate betrayal. We argue that a betrayal is simply the perception that one party's actions are sufficiently negative as to violate the other party's trust. The consequences of a betrayal for the violated party are experienced in two ways. Cognitively, the violated party *thinks* about the significance of the violation, its ramifications on others, where the fault for the violation lies, and so on. Emotionally, the violated may *feel* sadness, despair, hurt, anger, or revenge. In both cases, the consequences of a violation can be so severe as to be debilitating, which poses a problem in the workplace that requires fully functioning employees.

We believe that acts of betrayal can be intentional or unintentional, and they can be minor or major in their perceived scope. Yet regardless of how a betrayal is labeled, the pain associated with any betrayal can prove problematic, precisely because it hits us at the core of what we consider important, namely our set of values, assumptions, beliefs, and expectations about how the world should operate, and how people should behave in the world. Let us be clearer. Any given action only has meaning or is judged positively or negatively because we give it meaning and choose to judge it in a particular way. When we judge a person's behavior positively we want to reinforce it and reward the person who performed it. But we do not usually consider how the action, or our interpretation of the action, is fundamentally tied to our core set of values and beliefs. Yet, behavior that we judge to be bad can be hurtful precisely because it violates what we believe to be true about the world. It violates our core set of values, assumptions, beliefs, or expectations. Behavior that has no effect on our values generally has no effect on us—we simply do not care enough about it to be aroused one way or the other.

When we do perceive that a core value or belief system has been violated, we tend to draw a set of negative conclusions about the person or group of people who performed the betrayal. Those negative conclusions subsequently lead to negative feelings, which ultimately manifest in negative behavior. When the negative behavior is directed back to the person that "caused" the initial betrayal we refer to that as revenge. But what is worse is when the person who was initially violated takes their negative emotions out on someone else, and in so doing violates a core set of values or beliefs of a new target. Now this person will likely experience a betrayal, and the cycle starts anew.

For many people, a business crisis is a form of betrayal. Acts of malice, including sabotage, workplace violence, harassment and discrimination, or rumors can certainly be perceived as a violation of someone's trust. Likewise, corruption and corporate fraud are also interpreted as a betrayal, both by internal (employees) and external (customers, analysts, shareholders) stakeholders. In the end, the reputational loss that is so often accompanied with betrayal and crisis can be far more difficult to overcome than financial or other losses, precisely because regaining trust is so difficult. Adopting crisis leadership behaviors, including communicating effectively through the use of appropriate rhetoric, choosing the most effective communication strategy for the type of crisis, and taking appropriate risk is of paramount importance in order to preserve and rebuild trust before, during and after a crisis.

The Role of Trust in Crisis Response

Clearly, being perceived as trustworthy is an important leadership and organizational characteristic. As we have described up to this point, crisis situations can heighten the need people have to feel confident in the trustworthiness of their leaders and of the organizations. When trust pervades the organization, employees are more likely to act in the best interest of the firm and to follow the edict of their leaders certainly in times of relative calm, but also in times of uncertainty. But when trust is not present during times of crisis, employees may be more inclined to behave in ways that preserve their own self-interest rather than the interest of the firm. So how specifically does organizational trust translate into how a firm will respond during a crisis?

A well-articulated theory known as the *threat-rigidity* hypothesis assumes that crises and other threatening events will evoke a set of rigid behaviors in which the firm and its decision makers: 1) employ well-learned or standard responses to deal with abnormal situations (e.g., crises), 2) restrict information flow from those outside senior levels in the organization, and 3) centralize decision making. The consequences of such rigid responses to a crisis situation is that it may prevent the firm and its crisis handlers from realizing and pursuing creative and innovative ways for addressing the crisis, and more importantly may prevent them from manifesting opportunities from the crisis. We argue that a more decentralized approach to decision making may facilitate these outcomes, and trust is one mechanism by which decentralized decision making can occur.

Stated simply, centralization and decentralization is the extent to which decision making is distributed to people throughout the organization (decentralized decision making), or limited to those individuals at the higher levels of a firm's hierarchy (centralized decision making). Decision making in response to a crisis generally becomes more rather than less centralized, in part because top managers may want to demonstrate control and legitimacy to key stakeholders in light of the uncertainty that a crisis can pose. Alternatively, others have suggested that decision making becomes more centralized during a crisis because those at lower organizational levels want to distance themselves from the situation to avoid making mistakes that might be punished. Regardless of the reason, trust plays a central role in the tendency to centralize decision making when experiencing a crisis. For top managers to delegate decision making to potentially less experienced and lower status others at a time when the organization is experiencing threat can easily be perceived as a risk. To do so requires that that firm leaders yield authority to others, which in turn ultimately increases their dependency on this untested group. What the newly empowered group chooses to do with this authority is unknown to the leaders who ceded control, and therein lays the risk as the group may act opportunistically or incompetently in response to the crisis.

The fear described above is one we might expect for the average manager. After all, it is virtually human nature to assume a defense posture (literally and metaphorically) in light of a threat. The crisis leader, however, will recognize the threat as a potential opportunity for trust building within the organization. Rather than assume the worst in others and try to defend against it, a crisis leader will recognize that times of immense pressure can often bring out the best in people, and that when called upon to serve such pressure can act as a positive force. Moreover, for those organizations whose culture is already defined as trusting, a demonstration of trust through decentralized decision making will likely motivate the entrusted to rise to the occasion and perform at an enhanced level. In times of crisis this might take the form of creative problem solving and innovation.

One example comes from a firm that over a period of months saw its financial stability plummet as a result of the economic crisis that began in earnest in 2008. In response, there was a mandate that the firm reduce its expenses by 10 percent. Although top management dictated a number of ways in which employees were to change their behavior (e.g., no business or first-class travel for trips overseas, closing of some dining facilities), they also encouraged employees to identify and implement ways in which the firm might deal with the economic challenge. In an update e-mail to the community several months later top management reported the following:

> *We have looked carefully at more than 300 creative suggestions for savings that came in from the community… and the ideas have led us to a number of cost-saving measures, primarily operational in nature. …Some of these changes have required us to alter our daily routines or to do things differently. Fortunately, the impact of some measures we've already implemented seems to have been largely unnoticed. Indeed, during a recent meeting by the Board of Directors where menus were scaled back and materials were more modestly produced, Board members reported being impressed with the changes. And an added benefit is that many of these measures are good for the environment.*

From this example, we see creative engagement by employees when called upon to participate in the decision making during a financial threat. Moreover, by opening the decision making up to a broader group beyond top managers, the organization received an array of value-added ideas from people with different experiences and perspectives in the firm. There would likely have been many cost-saving avenues that would have been missed had decision making been centralized at the upper echelon of the university.

The last benefit of decentralized decision making during crisis is that by involving employees in the decision-making process, they become part of the solution and therefore begin to feel ownership for the organization and for their ideas that will help it succeed amidst the crisis. The demonstration of trust that decentralization conveys in employees is likely to be reciprocated with other trust-inducing behavior by employees. In other words, it is unlikely that employees that have been entrusted with decision making and problem solving at a time when the organization is most vulnerable will respond in a way that would undermine that trust. To the contrary, we expect them to work with senior leaders to collaborate on brainstorming and crisis resolution. So the leap of faith for the leader willing to push decision making down the hierarchy during a crisis may very well be rewarded with enhanced employee performance and a better understanding about the capabilities of his or her employees. Furthermore, by demonstrating a willingness to trust, leaders will in turn gain the respect and trust of employees. To reinforce the display of trust by top managers, employees will likely continue to function at a high level and continue to engage in trustworthy ways. As they do, managers will reward employees' efforts with greater decision-making autonomy. Earlier we described the cycle of betrayal; here we have described the cycle of trust.

Practical Matters

Building trust in an organization is not easy, but it is a key ingredient in becoming a high-performing organization in general, and one that is able to effectively prevent, respond to, and learn from crises. Below are a few more specific ideas for generating trust.

- ***Communicate, Communicate, Communicate***. Attempting candor and open and honest communication for the first time in the midst of a crisis is likely to be met with some resistance. Therefore, we cannot emphasize enough how important it is for leaders to establish a norm of open and honest communication during non-crisis times. By this we are not suggesting that leaders share confidential information, or information that if leaked prematurely might do more harm than good, but rather we encourage them to be appropriately candid about all aspects of the business, in good times as well as bad. Doing so can go a long way toward building a culture of trust. Moreover, information flow to various stakeholders will occur more easily when there is an expectation of communication and an infrastructure that supports communication efforts across organizational levels, departments, and other boundaries. A culture of communication is created in at least two ways. First is from the interactions that occur at the boss–subordinate dyadic level. In this case, individual managers make it a point to communicate openly with his or her subordinates and to encourage and reinforce subordinate communication upward. Part of promoting communication at this level is the use of dialogue. By dialogue we mean conversation that seeks to uncover the underlying values and assumptions that motivate people's behavior. The foundation of the conversation is largely anchored around inquiry, or asking question and listening carefully to the responses. Through inquiry and patient listening we are more likely to suspend judgment or stereotypes we tend to form about people, and in that suspension we reduce fear and build commitment to one another and to the broader organization. A second way to build a culture of communication is from the top. In this case, senior leaders create a norm of communication by sharing information not only about business strategy but also about the values and expectations of behavior. Only once a culture of communication exists can we expect trust to proliferate throughout the organization, and when there is trust we can more readily and collaboratively respond to threats and other crisis situations.

- ***Tell the Truth and Face the Facts***. In Jim Collins' acclaimed business book *Good to Great* he identified the ability to confront the brutal facts as a distinguishing factor between those companies that were merely good, and those that were great. When confronted with challenges leaders cannot afford to ignore warning signals, yellow (and in some cases red) flags, or those moments when the hairs on the back of one's neck stand up. These are all an indication that a potential problem or crisis is likely imminent. But in an effort to protect themselves or other important stakeholders the urge to withhold information or manipulate it in such a way that distorts the severity of the problem becomes extremely strong. It takes a brave leader (regardless of hierarchical level) to tell the truth and face the facts, but in the long term doing so will far outweigh the short-term benefits of denial.