



The Importance of Trust to Organizational Success

By Gary Lear, President & CEO

With some of the recent scandals in the business world, it's easy to understand that trust has been one of the top victims in these debacles. Not only has the issue of trust been brought into the forefront of investor's concerns, but we're beginning to realize that it has a dramatic impact upon the future success of the organization. And this issue of trust permeates across all levels of the organization.

In their book, *Corporate Culture and Performance*, John Kotter and James Haskett discuss their research into what they call "adaptive cultures." They found that adaptive cultures clearly outperformed "non-adaptive cultures" (see box below). They defined "adaptive cultures" as having two key traits:

1. They focus on three key constituents: Customers, Shareholders, and Employees. It's not enough to focus only on one or

11-Year Revenue Growth	
Adaptive Cultures	Non-Adaptive
682%	166%
11-Year Net Income Improvement	
Adaptive Cultures	Non-Adaptive
756%	1%

two. The concerns of all three of the constituents have to constantly be kept in focus.

2. They have leadership throughout the organization that is focused upon initiating change in strategies and tactics whenever

necessary to satisfy the legitimate interests of all three key constituents.

It is these shared values across the entire organization's management structure that drive the success of the "adaptive" organizations. It's clear that by focusing on these two things that adaptive organizations not only realize increased revenues, but they see their profits increase by an even larger percentage.

But this just doesn't happen on its own. It is a direct result of leadership's focus on the employees and the trust that they build with

Managers who show greater Behavioral Integrity have more committed employees who provide greater customer service, which leads to happier guest, and greater profits.

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the employees. By focusing in on the needs of the employees and building trust with them, they increase the commitment of the employees to the organization. Because employees feel that they can trust and rely on the leaders of the organization to do what they say, they become more committed to both leadership and the organization as a whole.

Because employees are more committed to the organization, they become more engaged in doing their job to the best of their ability. This results in them finding all sorts of ways to be more efficient and effective, in essence, doing more with less.

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But just being committed to the organization and being more efficient and effective isn't enough. Because management is also focused on the customer (another constituent), the employees pick up on this value as well, and naturally believe that serving the needs of their customers in a superior manner is a natural extension of their own job.

But building trust isn't easy. There seems to be a variety of issues that have a bearing on trust. One element comes from some research conducted by Tony Simmons, professor at Cornell University's Hotel School of Management. Dr. Simmons proposes that a major element of trust is how well a manager's actions fit with their words. To put it another way, does the manager actually walk their talk. Dr. Simmons calls this Behavioral Integrity.

An increase of just 1/8th of a point on a scale of 1-5 on the issue of Behavioral Integrity can result in the increase of profits by 2.5%!

In Dr. Simmons study he surveyed staff in 76 hotels, asking them to rate on a scale of 1 to 5, with 5 being the highest, how well their manager's actions matched what they said they would do. The results conclusively proved a link between how well employees trusted their managers to their commitment levels in the organization. It also proved a link between higher service levels which led to higher customer satisfaction.

But what was even more astounding is that there was also a link from trust levels to increased profits. Just a simple increase in the average trust score of 1/8th of a point on the 5 point scale resulted in an increase in profits of over 2.5%. For an average full service hotel, that amounted to over \$250,000 per year!

This is clearly a major impact upon the bottom line, but one that seems to get little attention in most boardrooms. Yet we seem

to be sitting on a goldmine of profits if an organization will only just be more trustworthy!

But how do we develop this trust level for employees, customers, and shareholders? Walking our talk is certainly one way.

Companies that focus employee surveys and management training on the issue of integrity can optimize profits and build a powerful, lasting, competitive advantage.

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Other issues that need to be dealt with include:

- Straightforwardness—saying what needs to be said in a non-threatening and non-judgmental manner; conflicts are faced, not avoided.
- Openness—a willingness to listen to others about issues, and encouraging others to speak up; differences of opinion are sought and valued.
- Acceptance—appreciating others who are different in behavioral styles, approaches, and appearances. This is the one element that sets the stage for the success of all other elements of trust.
- Reliability—will follow through on or do what was said or promised would be done.

Easier said than done, but these 4 things can have a dramatic impact upon your organization's bottom line!

*Gary Lear is the President & CEO of **Resource Development Systems** LLC, an organizational performance research and consulting firm that helps organizations increase performance by more effectively **managing the human side of business**sm, resulting in the achievement of their goals.*

Contact Resource Development Systems, LLC for more information.