by Amy Lyman
Great Place to Work® Institute

Building trust in the workplace

Why trust brings out the best in your employees

Maintaining an effective relationship between management and employees involves credibility, respect and fairness. Amy Lyman, president of the Great Place to Work® Institute, describes how trust can make the difference between success and failure.

IN RECENT TIMES, THE AIRLINE industry in the US has faced significant challenges. Layoffs have occurred across the board and many key people have left the industry for more secure long-term employment. Creative (and sometimes harsh) strategies have been used to try to stave off financial ruin, and to keep the workforce engaged and focused on safety and customer service.

The story at Continental Airlines has been somewhat different. The company's focus on job preservation meant that a positive work environment has been maintained, confirming its status as one of America's "Best Companies to Work For."

The Continental story

At Continental, employees in the baggage reclamation department were faced with the possibility of layoffs in 2003. When this news reached employees, they did an interesting thing. They met and came up with a plan for all full-timers to move to part-time status so that no one would need to be laid off. They took the proposal to managers and waited to see what would happen.

What's extraordinary about this sequence of events – which provides strong evidence in support of Continental's rank as one of the *100 Best Companies to Work For* in the US – is the fact that the employees took positive action to propose a solution to a dilemma facing them and that they were confident that management would listen to them. Positive relationships between management and employees continue to this day, helping to sustain a great work environment and ensuring that employees – and managers – will want to stay with the organization in the long term.

Trust makes the difference

In many other companies the sequence of events could have been very different – for example, increased absenteeism, high levels of turnover and growing resistance to any changes proposed by management. But that's not what happened.

So what's going on at Continental, and in hundreds of other great workplaces around the world, that supports the development of positive relationships between employees and management?

The simple answer is trust. It's the critical factor that supports effective communication, an ability to collaborate across departments and hierarchies, the willingness to seek fair resolutions to difficult situations, and the overall ability of employees to have confidence in management's vision for the future.

Defining trust

But what exactly is trust? At the Great Place to Work® Institute we have been studying trust for many years. Trust is found in three characteristics of workplace relationships. First, trust grows out of the ability to perceive others (management in particular) as credible –

that what they say is true, that their actions are consistent with their words, and that they will be ethical in their business practices.

Trust also depends on how much employees experience respect – through support provided for professional growth, the inclusion of employees' ideas in decision-making, and through care, both within the workplace and in life outside work.

Finally, trust also grows out of a sense that one will be treated fairly by others – that regardless of position or personal characteristics, one can expect a certain level of fair and equitable treatment by people within the organization in terms of pay and benefits, career development opportunities, and the just resolution of problems or concerns.

The effects of workplace trust

The next question to consider is "what does trust do?" This is best answered through stories from companies – like the one from Continental Airlines. By learning about real workplace interactions between employees and management, about the behavior of leaders, or the resolution of a difficult incident, we are able to see the experiences that confirm that trust is present, and the benefits that strong trust-based relationships between employees and management can bring.

The following three case studies, from three very different organizations, illustrate how credibility, respect and fairness in the workplace can develop trust in the workforce and make the difference between success and failure.

Credibility: Doing what's right

Case study one: Griffin Hospital

Griffin Hospital, based in Derby, Connecticut is a community owned non-profit hospital. While it has always focused on the quality of patient care, it was not until recently that it placed significant emphasis on the link between looking after employees and the hospital's ability to provide quality care to patients. One result of this new emphasis was the addition, in 2001, of "Human Resources – Employee/Job Satisfaction" to the list of strategic initiatives to be supported at director level.

Communicating trust

The hallmark of Griffin's relationship with its employees is open, honest communication. Patrick Charmel, the hospital's president, guided Griffin through its transformation to a consumer-driven, patient-centered organization committed to service excellence partly by making sure that two-way communication was frequent, varied and effective. He and Griffin's executives share marketing and market share information, the strategic and business plan, quality, patient utilization and financial performance information with all employees through myriad communication vehicles that include:

- Annual or bi-annual employee "State of the Hospital" meetings.
- Monthly leadership conferences attended by about 60 directors, managers and key personnel.
- Monthly department meetings conducted by the department manager for purposes of sharing information provided at the leadership conferences.
- A daily "Griffin Today" online newsletter distributed to over 700 workstations.
- A published bi-monthly, "Changing Faces" employee newsletter.
- Letters from the hospital president to employees' homes on topical issues.
- And, introduced in 2002, an e-newsletter sent to employees and community residents.

Dealing with a crisis

But a more significant result of the recognition that caring for employees will provide direct benefits to the organization – and its ability to provide the best care to patients – is evident in the behavior of senior leaders during a crisis faced by the hospital in late 2001.

In November 2001, Griffin Hospital became the site of the fifth inhalation anthrax death in the US. Griffin president, Patrick Charmel, came under significant pressure from the Federal Bureau of Investigations (FBI) to withhold information from employees (and the public) about the patient and her subsequent death. Yet he decided to inform 200 day shift employees about the case, recognizing that it would result in making the issue public.

Charmel knew the trust relationship that he'd been so instrumental in building depended on his credibility with employees. This credibility had been built on his commitment to share information with employees about important issues affecting the organization, be available to give answers to their questions, and deliver on his promise to look out for their best interests. Charmel said: "My decision to tell employees was never in doubt even though it was personally difficult because it was in conflict with high ranking FBI officials. I could not violate or put in jeopardy the trust relationship Griffin and I have with our employees and the community."

Enhancing retention

Although most leaders of organizations will never face a

GREAT PLACE TO WORK® INSTITUTE

The Great Place to Work® Institute, Inc. is a research and management consultancy based in the US with affiliate offices throughout the world. The 100 Best Companies to Work For lists, now produced in over 23 countries around the world, have attracted significant attention from organizations seeking to be recognized for their accomplishments, and from people looking for great places to work.

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test such as this one, they can be ready to respond to an incident of this type, or any challenging incident, by building trust through day-to-day actions.

In their comments about Griffin, employees often cite senior leaders' open and honest communication as a reason for staying with the hospital. One of the many benefits that Griffin receives in return for all of this extraordinary trust-building communication activity is one of the lowest nursing turnover rates in the country – a 4 to 6 percent annual average as compared with a 16-18 percent industry average.

Respect: Involving employees in decisions

Case study two: Superquinn

At Superquinn, a grocery retailer based in Dublin, Ireland, people take a tremendous amount of pride in their work. Superquinn has a reputation as an innovative organization that focuses on high-quality customer service. It was also named in Ireland's first list of Best Workplaces, selected by the Great Place to Work® Institute Ireland in 2003.

One of the ways that Superquinn seeks to promote innovation is through collaborative projects involving all employees and the customers themselves. Collaborative activities help to engage employees in the decision-making activities that affect how they get their work done as well as build trust between employees and management. By sharing ideas and designing solutions to workplace challenges, employees feel respected, appreciated and valued for what they can contribute beyond the completion of daily tasks.

Bags of collaboration

One challenge Superquinn faced came from outside the organization, when the Irish government began discussions about plastic grocery bags. In anticipation of plans to eliminate the bags through an outright ban or taxes to discourage use, the company introduced a trial re-usable "Greenbag." Next, Superquinn undertook a major re-design project that took several months and involved customers, employees, industrial engineers and designers. The project resulted in the introduction of a new, lightweight Greenbag which was a tremendous success. Over half a million bags were sold prior to the start of the March 2002 tax, and a 15 percent reduction in time spent in the checkout lines was recorded for shoppers at Superquinn stores.

The key to this creative idea and its successful implementation was Superquinn's focus on listening. Listening to customers and employees helped the management team know that environmental issues, taxes and time spent in checkout lines were all items of concern.

Benefits for all

In March of this year Superquinn reported that the campaign to get customers to stop using plastic bags and switch to a re-usable Greenbag was a huge success with sales of 2.7 million Greenbags across 19 supermarkets. The supermarket group has reduced the number of plastic bags used in its shops by 96 percent.

When employees are listened to – when their ideas are genuinely sought out by management and responded to, and when they are involved in decisions that affect how they get their work done, they feel respected. Respect conveys a sense of value and worthiness and when employees feel valued as members of a group they are more likely to uphold and implement the values of that group. The respect with which employees at Superquinn are treated has provided tremendous payback to the organization – the Greenbag program is just one of many examples.

Fairness: Ensuring that people are paid fairly

Case study three: TDIndustries

TDIndustries, a company that provides mechanical and electrical construction, facility management and service, based in Dallas, Texas, takes the notion of partnership very seriously. Every employee is called a partner. This is more than just a title – employees are actually full partners in the enterprise, as over 900 employees and recent retirees own the company. No single individual controls more than 3 percent of stock, with the entire senior management team controlling less than 25 percent. This notion of partnership comes from TD's overarching approach to running the business – which is based on the practice of "Servant Leadership[1]" throughout the company.

The concept of Servant Leadership, developed by management consultant Robert Greenleaf, begins with the belief that in order to lead others, one must first serve them. TD captures this in its values, which include building trusting relationships and fairness.

Fairness is of particular interest here. It's one of the three critical qualities of relationships in which trust is present, yet it's one of the most difficult to get right all the time. Fairness can lead to a change in practice that minimizes an individual's potential gain to the benefit of others. And it calls for an ability to be impartial in situations where partiality might come more naturally.

Putting fairness into practice

At TDIndustries efforts to practice fairness are most evident in the distribution of pay, benefits and opportunities. In many other companies these rewards are unevenly distributed – with the best going to those who already have the most. Yet at TD there are no special status symbols for senior leaders: no executive bathrooms, reserved parking spaces, special dining areas, or corner office suites. Everyone enjoys the same benefits and privileges of employment – which are many.

At TD growth and learning is supported by an expectation that every partner completes at least 32 hours of training each year. The training extends beyond jobrelated skills to those that make people well-rounded human beings, better neighbors and stronger leaders. Continual learning is a key business success factor for TD and one that differentiates the company in its industry.

Compensation packages at TD vary according to responsibility and performance. When establishing internal pay equity, external competitiveness and fairness are the factors considered. Higher paid partners have more of their pay at risk – dependent on company profits – so it's not choked with high compensation packages during weak economic times. In fact, with the economy faltering in late 2001, TD partners were asked to help preserve each other's jobs and save money by achieving a 5 percent cost advantage. Some of the ways that partners decided to contribute to this included foregoing the holiday bonus, taking minimal pay increases, scaled back holiday parties, and voluntarily foregoing a portion of their paid personal time. Despite dismal economic times, partners responded positively because they were aware that financial gains will be shared when they are available and that resources must be conserved when times are difficult.

Empowering people

At TD, individual business units are given the freedom to design and execute their own incentive programs using the company values as guidelines. Incentive programs are based on performance and job-specific goals, such as total gross profit margin by group, per-job margin improvement, safety, customer satisfaction, practice of Servant Leadership, process completion and quality. In an extraordinary example of the ability of a fair and generous work environment to bring out the best in people, project managers in TD's North Texas Construction Group recently devised a more equitable incentive structure that reduced their own stake in the bonus pool by 27 percent.

And how does TD fare with retention? In an industry that traditionally faces turnover numbers in the very high double digits, TDIndustries has created an environment in which its overall turnover has been less than 10 percent for the past five years – in 2002 it was actually 6.5 percent.

Creating a great workplace: the rewards

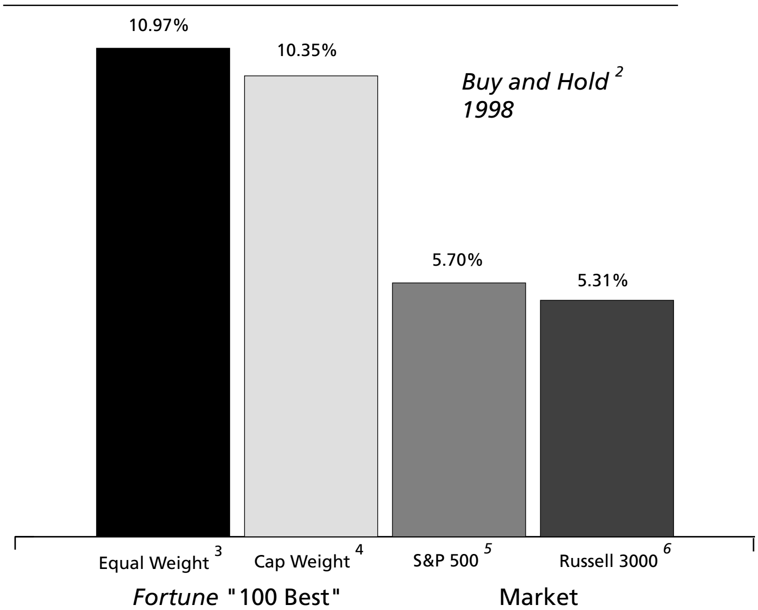
While each story above illustrates one of the many benefits brought to great workplaces through the development of strong trust-based relationships between employees and management, there's a collective benefit that has been shown year after year among the 100 Best Companies to Work For selected in the US – superior financial performance.

For every year that the "100 Best" list has been published in the US, the Great Place to Work® Institute has sought independent analyses of the financial performance of publicly traded 100 best companies compared with other companies contained in various market indices (see Figure 1, below). Great workplaces create rewards for everyone: investors, shareholders, employees, managers and leaders. The 100 best experience significantly higher levels of financial performance, and in general have about half the turnover of other companies in their industries. And all great workplaces help contribute to the development of positive communities and make the world a better place to live.

TRUST: PUT YOUR WORKPLACE TO THE TEST

- **Credibility – are communications in your workplace open and accessible? Is vision carried out with integrity and consistency?**
- **Respect – are employees involved in relevant decisions? Is professional development supported and appreciated?**
- **Fairness – does everyone receive balanced treatment in terms of rewards?**
- **Pride – do employees take pride in individual and group contributions?**
- **Camaraderie – is there a sense of "family" or "team?"**

Figure 1. *Fortune* "100 Best" v. Stock Market Annualized Return, 1998-2001



References

[1] See www.greenleaf.org for more information on Servant Leadership

[2] The "Buy & Hold" portfolio invests equal dollar amounts (at the beginning of 1998) in the stock of each of the "100 Best" in the 1998 list that are publicly traded and holds these stocks through 2002.

[3] Equal Weight represents the gains in stock prices.

[4] Cap Weight represents gains in total market capitalization.

[5] The Standard and Poors 500 [S&P 500] is an index made up of five hundred different stocks. Each is selected for liquidity, size, and industry. The index is weighted for market capitalization. The S&P 500 is the benchmark of the overall market, and frequently used as the standard of comparison in terms of investment performance.

[6] The Russell 3000 measures the performance of the 3,000 largest US companies based on total market capitalization, which represents approximately 98 percent of the investable US equity market.

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