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by Robert Galford and Anne Seibold Drapeau

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Try an experiment sometime. Ask a group of managers in your company whether they and their closest managerial colleagues are trustworthy and, if so, how they know. Most will claim that they themselves are trustworthy and that most of their colleagues are as well. Their answers to the second half of the question will likely reflect their beliefs about personal integrity; you'll hear things like "I'm straight with my people" or "She keeps her promises." A little later, ask them whether they think they and their colleagues are capable of building trust within the organization. Because we've asked this question many times, we're pretty sure we know what you'll hear: A sizable percentage will say they have little or no confidence in the group's capacity to build and maintain trust.

What accounts for the gap between the two sets of answers? With their differing responses, the managers are simply acknowledging a fact of organizational life: It takes more than personal integrity to build a trusting, trustworthy organization. It takes skills, smart supporting processes, and unwavering attention on the part of top managers. Trust within an organization is far more complicated and fragile than trust between, say, a consultant and a client. With a client, you can largely control the flow of communication. In an organization, people are bombarded with multiple, often contradictory messages every day. With a client, you can agree on desired outcomes up front. In an organization, different groups have different and often conflicting goals. With a client, you know if there's a problem. In an organization, there's a good chance you don't, even if you're in charge. If things aren't working out with a client, either party can walk away. That's not usually an option for people in an organization, so they stick around. But if they think the organization acted in bad faith, they'll rarely forgive—and they'll never forget.

Trust within an organization is further complicated by the fact that people use the word "trust" to refer to three different kinds. The first is *strategic trust*—the trust employees have in the people running the show to make the right strategic decisions. Do top managers have the vision and competence to set the right course, allocate resources intelligently, fulfill the mission, and help the company succeed? The second is *personal trust*—the trust employees have in their own managers. Do the managers treat employees fairly? Do they consider employees' needs when making decisions about the business and put the company's needs ahead of their own desires? The third is *organizational trust*—the trust people have not in any individual but in the company itself. Are processes well designed, consistent, and fair? Does the company make good on its promises? Clearly these three types of trust are distinct, but they're linked in important ways. Every time an individual manager violates the personal trust of her direct reports, for example, their organizational trust will be shaken.

As difficult as it is to build and maintain trust within organizations, it's critical. An established body of research demonstrates the links between trust and corporate performance. If people trust each other and their leaders, they'll be able to work through disagreements. They'll take smarter risks. They'll work harder, stay with the company longer, contribute better ideas, and dig deeper than anyone has a right to ask. If they don't trust the organization and its leaders, though, they'll disengage from their work and focus instead on rumors, politics, and updating their résumés. We know this because we've seen it happen many times and because a high percentage of consulting engagements that seem to be about strategic direction or productivity turn out to be about trust, or the lack thereof.

The building blocks of trust are unsurprising: They're old-fashioned managerial virtues like consistency, clear communication, and a willingness to tackle awkward questions. In our experience, building a trustworthy (and trusting) organization requires close attention to those virtues. But it also requires a defensive game: You need to protect trustworthiness from its enemies, both big and small, because trust takes years to build but can suffer serious damage in just a moment. We'll take a look at some of those enemies, discuss trust in times of crisis, and explore the ways to rebuild trust when it's been breached.

The Enemies List

What do the enemies of trust look like? Sometimes the enemy is a person: a first-line supervisor who habitually expresses contempt for top management. Sometimes it's knit into the fabric of the organization: a culture that punishes dissent or buries conflict. Some enemies are overt: You promise that this will be the last layoff, and then it isn't. And some are covert: A conversation you thought was private is repeated and then grossly distorted by the rumor mill. Because any act of bad management erodes trust, the list of enemies could be endless. Practically speaking, though, most breakdowns in trust that we've witnessed can be traced back to one of the following problems.

Inconsistent Messages. One of the fastest-moving destroyers of trust, inconsistent messages can occur anywhere in an organization, from senior managers on down. They can also occur externally, in the way an organization communicates with its customers or other stakeholders. Either way, the repercussions are significant.

Consider the manager who tells employees in May that he's going to hold weekly brown-bag lunch meetings to discuss relevant issues in the marketplace. He implies that enthusiastic participation will be reflected in employees' performance reviews. But he then cancels the lunch the second, fourth, and fifth weeks because of his travel schedule. In week seven, he drops the idea entirely because, as he says, "With the summer here, we really can't count on a good turnout." When he reintroduces the idea in October and insists it will work this time, do you think his employees believe him? And when it's time for performance reviews, do you think they are confident and trusting? No. They are confused and skeptical.

Senior executives often communicate inconsistent messages and priorities to various parts of the organization. We recently worked with a major financial institution in which top executives had repeatedly told members of the marketing staff that they were full business partners of the line organizations. Most of the executives in the line organizations, however, never heard that message and continued to treat marketing employees like low-level vendors. Why didn't top management communicate a consistent message? The answer is probably some combination of what we've seen in other companies: Senior managers tell people what they want to hear. And, all too often, se-

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Trust within an organization is far more complicated and fragile than trust between a consultant and a client.

nior managers across business units have widely disparate worldviews, which they communicate to their constituencies.

The antidotes to inconsistent messaging are straightforward (though they are not easy to implement): Think through your priorities. Before you broadcast them, articulate them to yourself or a trusted adviser to ensure that they're coherent and that you're being honest with people instead of making unrealistic commitments. Make sure your managerial team communicates a consistent message. Reserve big-bang announcements for truly major initiatives.

Inconsistent Standards. If employees believe that an individual manager or the company plays favorites, their trust will be eroded. Employees keep score—relentlessly. Suppose that a company's offices in one city are palatial, and in another city employees make do with cramped cubicles. Local real estate prices most likely drive local decisions, but the people who end up with the warrens feel slighted nonetheless. Or suppose that the CEO took the new vice president of marketing out to lunch when he was promoted two months ago but failed to do the same when a new head of IT was appointed last week. There might be legitimate reasons for the CEO's inconsistent behavior, but the IT executive and the people around her will jump to the least-flattering, least-legitimate conclusion. Finally, suppose that the company's star performer is allowed to bend the rules while everyone else is expected to toe the line. As an executive, you may think it's worthwhile to let the most talented employee live by different rules in order to keep him. The problem is that your calculation doesn't take into account the cynicism you engender in the rest of the organization.

Misplaced Benevolence. Managers know they have to do something about the employee who regularly steals, cheats, or humiliates coworkers. But most problematic behavior is subtler than that, and most managers have a hard time addressing it.

Consider incompetence. Anyone who has spent time in business has encountered at least one person who is, simply and sadly, so out of his league that everyone is stupefied that he's in the position at all. His colleagues wonder why his supervisors don't do something. His direct reports learn to work around him, but it's a daily struggle. Because the person in question isn't harming anyone or anything on purpose, his supervisor is reluctant to punish him. But incompetence destroys value, and it destroys all three kinds of trust.

Then there are the people with a cloud of negativity around them. These are often people who have been passed over for promotion or who feel they've been shortchanged on bonuses or salaries. They don't do anything outright to sabotage the organization, but they see the downside of everything. Their behavior often escapes management's attention, but their coworkers notice. After a while, people tire of their negative colleagues and may even catch the negativity bug themselves.

And, finally, people who are volatile—or just plain mean—often get away with appalling behavior because of their technical competence. Extremely ambitious people, similarly, tend to steamroll their colleagues, destroy teamwork, and put their own agendas ahead of the organization's interests. In both cases, ask yourself, "Is this person so valuable to the company that we should tolerate his behavior?"

Sometimes problematic employees can be transferred to more suitable jobs; sometimes they can be coached, trained, or surrounded by people who will help them improve; and sometimes they must be let go. The point is that they can't be ignored. Every time you let troubling behavior slide, everyone else feels the effects—and blames you.

False Feedback. When an incompetent or otherwise unsuitable person is let go, managers often face wrongful-termination suits. "Look at these performance reviews," the supposed victim says. "They're great." And she is right: The performance reviews are great. The problem is that they're lies.

Being honest about employees' shortcomings is difficult, particularly when you have to talk to them about their performance regularly and face-to-face. But you must do it. If you don't honor your company's systems, you won't be able to terminate employees whose work is unacceptable. What's more, employees who are worthy of honest praise will become demoralized. "Why should I work this hard?" they will ask themselves. "So-and-so doesn't and everyone knows it, but I happen to know we got the same bonus." You won't hear the complaint directly, but you'll see it in the lower quality of the competent employees' work.

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Failure to Trust Others. Trusting others can be difficult, especially for a perfectionist or a workaholic. One top manager we worked with swore that he was going to delegate several important responsibilities. He brought in a new person at a senior level, but he was simply unable to trust her to do the work. After a few weeks, he began managing around her, issuing directives about things he had supposedly delegated and generally making her life miserable. Eventually, the manager's hoarding behavior left him isolated and hobbled. Just as important, the new employee didn't get a chance to develop professionally. Part of the implicit promise managers make is that employees will have a chance to grow. When managers don't give them that chance, the organization loses the trust of those employees, and the more talented among them leave.

Elephants in the Parlor. Some situations are so painful or politically charged that it's easier to pretend they don't exist. We're talking about when someone has been fired abruptly and no one mentions it the next day at the regular staff meeting. We're talking about when an outrageous rumor finds its way to the CEO's office yet no one ever discusses it openly, even in private senior-management meetings.

Don't ignore things that you know everyone is whispering about behind closed doors. Bring such issues out into the open, explain them briefly, and answer questions as best you can. Don't be afraid to say, "I'm sorry, I can't offer more detail because that would violate a confidence." People will, sometimes grudgingly, accept the fact that they're not privy to all the gory details. But their trust in you will decline if they suspect you're trying to conceal something.

Rumors in a Vacuum. When a company is in the throes of a complex initiative—a new product launch, say, or the analysis of a product line that has been underperforming—there are ample opportunities for trust to break down. Employees know that something important is going on, but if they don't know the full story (maybe the full story doesn't exist yet), they'll quite naturally overinterpret any shard of information they get their hands on. Rumors circulate, and, in most cases, they'll be negative rather than positive. Temporary information vacuums in corporate life are common, and distrust thrives in a vacuum.

What can you do? Be as up-front as possible—even if that means telling employees you can't say for certain what's going to happen. And be aware that the less you say, the more likely you are to be misinterpreted.

Michael Rice, head of Prudential Securities' Private Client Group, told us of a meeting during which a group of managers proposed some structural shifts that would affect the business's operations. In response to the presentation, Rice said, "The way you've described this, you're scaring me." The room fell silent, and the meeting ended awkwardly. One of his lieutenants explained that shortly after the last time Rice had said he was scared, there had been a large layoff. People picked up on the phrase and, since Rice hadn't described his objections more fully, they overinterpreted the comment.

You don't have to be a chatterbox to counter this enemy of trust, but do try to put yourself in your listeners' shoes. What don't they know about the situation at hand, and how will that affect what they hear? Are you saying enough? Or are you speaking in shorthand, either because you feel you can't share more information or because you assume people will understand what you're getting at?

Consistent Corporate Underperformance. If a company regularly fails to meet the expectations set by its senior management team (and adopted by Wall Street), trust erodes rapidly. Look at Kodak, Polaroid, and Xerox in times of decline. When an organization's performance is weaker than expected, a growing number of employees at all levels fear for themselves on a daily basis. They spend less and less time thinking for the organization and more and more time planning their own next moves. What can you do? Be realistic when setting expectations and communicate as much as possible to all employees about why you're setting these goals and how the company can meet them. The more knowledge people have about what lies behind expectations, the more likely they are to continue trusting you and the company, even in tough times.

Trust in Tumultuous Times

As vigilant as you may be about fighting the enemies of trust that pop up in the course of doing business, there will be times when trust inside the organization is stressed to the maximum.

Perhaps the organization is undergoing a structural change like a merger, reorganization, or layoff (or all three). Under such circumstances, people's antennae are tuned to signals that might provide even a partial answer to the question, What does this mean for me? Memos and e-mails from senior managers, snatches of remembered conversations, phrases overheard in the parking lot—all of these are reread, rehashed, and analyzed word by word.

Don't be surprised when the things you say—including the most innocuous statements—are assigned deep, sinister meaning. People are also going to hold you accountable for what they *think* you said (which may not be what you think you said) for longer than you might believe. Consider all the organizations that announced they were "not currently planning any layoffs" but ultimately needed to reduce the workforce. When the layoff is announced, employees suspect that it was in the works when the first statement was issued, and they remind senior managers about the "promise." From the senior managers' point of view, no promise was made. Technically, that's true, but that truth isn't worth much. If you want to reassure people, don't speculate about the future. Instead, treat employees like grown-ups. In the case of a layoff, share the performance data or competitive situation that makes reductions necessary. And be extremely cautious about making unequivocal statements such as the following:

- I have no hidden agenda.
- There won't be any more layoffs.
- This time we've got it fixed.
- We will be stronger as a result.
- I have total faith in the senior management team.
- This is the hardest thing I've ever had to do.

Pronouncements like these can come back to haunt you. And they probably will.

Organizations also risk losing the trust of their people in times of crisis. Whether it is an episode of violence, an accident, or a serious product flaw, a corporate crisis can have a profound effect on a company's health. Often the damage occurs not because of the incident itself but because of how it's handled internally. Company leaders, or crisis team members, become so distracted by external pressures that they don't address the crisis internally with care and attention. That's dangerous, because employees feel unsafe during a crisis. They look for reasons to trust their leaders, but they are quick to find reasons why they *can't* trust them.

Mark Braverman, a senior vice president with Marsh Crisis Consulting in Washington, DC, says companies that respond well to customers during crises very often neglect their own employees. Recovering revenues is important, as is moving the company out of the media spotlight. But calls from reporters, shareholders, and customers shouldn't be given so much attention that you ignore what's going on with the people who show up every day to work. You want things to go back to normal, so your tendency is to deal first with the people you don't "normally" have to deal with. But your people will not be able to wait until the flurry subsides. By the time you turn to them, the damage may be beyond repair.

Under extreme stress, normally competent managers may feel fragile, guilty, overwhelmed, and unable to cope. It's hard to act like a leader when you're experiencing those emo-

Curmudgeon's Corner

In which we note several uncomfortable truths about organizational life

There's no such thing as a private conversation. We don't say this to make you paranoid, and maybe you have a confidant who's truly discreet. But in general you should assume that everything you say will circulate to the people who would be most affected by it.

There's no such thing as a casual conversation. People will attempt to read deep meaning into your most innocuous comments and movements.

People sometimes hear what they most fear. In some organizations, under some circumstances, people will immediately jump to the most paranoid, negative interpretation of *all* your comments and movements.

Trauma has a long half-life. You will likely find yourself apologizing for misdeeds that you did not commit and for events that occurred before you arrived.

No good deed goes unpunished. Even if you act with the purest intentions and execute with the greatest skill, someone will object to your actions or to the results you achieve.

Newton's third law doesn't always apply. Newton said that every action has an equal and opposite reaction, but you may take a small, seemingly harmless step that has a huge, negative impact. Or you may make what you think is a dramatic, deeply meaningful change, only to hear people say, "Okay, good. Now, what's for lunch?"

Don't be surprised when the things you say—including the most innocuous statements—are assigned deep, sinister meaning.

tions. But employees feel just as much stress as you do, and they need calm, visible leadership far more than they normally do. If you "go dark" in the face of a crisis, employees worry about how the company will survive, about whether you're up to the task, and about their own capacity to cope. When everyone worries, trust evaporates. The first lesson here is to get yourself some help. If you were not directly affected by the crisis, you may need only a quick check-in with an objective third party. But if you were directly affected, don't assume that you are thinking clearly. Your perspective may be off. Acknowledging that fact could save you from some painful mistakes and could save employees and other stakeholders a lot of pain as well.

The second lesson is not to withdraw. Let it be known that you're aware of the situation and that you'll keep everyone posted as events unfold and as decisions are made. Set an update schedule and keep to it, even if the update is that there will be no news until next week. Just as important, be physically and emotionally accessible to the people around you. They want to know that it is okay to have feelings at work about whatever is going on. They'll look to you to set the example. And that means you have to allow yourself to do some of the things that you may have thought being a leader meant you *couldn't* do. If you're shaken, for example, say so, even as you strive to provide stable ground from which to move the organization forward. If you feel like stopping work for a few hours, or even a day, just to talk about what happened in an informal way, do it. Let people know that you are taking the time to think through what has happened, and that it is fine for them to follow suit.

Starting Over

There are times when, inevitably, trust will be badly damaged somewhere in your organization, and there's nothing you can do to stop the breakdown. Your only choice, other than finding a different job, is to rebuild. We recommend that you follow these four steps.

First, figure out what happened. That may sound simple, but it rarely is. To build your own understanding, consider these questions.

• How quickly or slowly did trust break down? If it happened fast, don't expect rapid remediation. Most of us aren't as good at forgiving as we'd like to be. If trust was lost over a period of time, it's helpful to think about the deterioration process in order to identify how to prevent such failures in the future.

• When did the violation of trust become known to you and to the larger organization? If you've known that something was amiss but failed to acknowledge the loss of trust or respond appropriately for a considerable period of time, that lag will compound employees' feelings of betrayal.

• Was there a single cause? It's easier to address a onetime event than a pattern of events, but don't be too quick to assume the problem is simple. Remember: Every organization has a few conspiracy theorists, and the perception of a conspiracy can damage trust as devastatingly as a real one can.

• Was the loss of trust reciprocal? If your trust was violated and others say that theirs was, too, chances are no one will behave fairly or objectively. It's acceptable to be angry when your trust has been betrayed. But retaliatory or vindictive? Never. We've seen organizations spiral downward as people try to hurt others who have violated their trust. If you discern that the loss of trust in your organization is reciprocal and deep-seated, a formal process of conflict resolution might be in order.

Second, when you have a reasonably good handle on what happened, ascertain the depth and breadth of the loss of trust. A sense of how much of the organization has been affected will help you avoid situations in which you try to put out a lit match with a full muster of firefighters or, by contrast, an inferno with spit. Imagine the challenges facing the management committee of Lehman Brothers after a stockbroker in a Midwestern branch was discovered to have defrauded clients out of many millions. The impact on the branch's other clients was severe, and the impact on clients elsewhere in the Midwest was also substantial. However, the reaction on the West Coast was highly varied: Many clients weren't even aware of the breach. A different level of response was required for different groups of clients.

Third, own up to the loss quickly instead of ignoring or downplaying it. Employees will be skeptical or suspicious, or both, so you'll need to choose your words carefully. But acknowledging that trust has been damaged and starting the recovery process as quickly as possible can only be to your benefit. You don't have to have all the answers or a detailed plan. There can even be a lag between naming the problem and describing what you'll do. Just let people know that you're aware of the issue and its impact on them and that you're committed to setting things right. Let them know when they will hear more from you, and stick to that time frame, even if all you can say at that point is that you're not yet ready to say anything.

Fourth, identify as precisely as possible what you must accomplish in order to rebuild trust. For example, you might need to change the relationship between people in the sales offices and people at headquarters from an adversarial one to a cooperative one. Or you might want to have people stop doing end runs around a department that has a reputation for arrogance. Then give yourself examples of what success will look like in practice. For example, "The quarterly review meetings will spend 50% less time on mediating disputes and 50% more time on planning new initiatives." Or "We will establish clear roles and responsibilities, an exceptions policy, a dispute resolution process, and submission and response protocols."

Then list the changes you'll make in organizational structure, systems, people, and culture to achieve those outcomes. What specific shifts (if any) will you make in how decisions are made, how information flows, and how it is measured, reported, compensated for, and rewarded? Should some reporting relationships be changed? Which areas might be merged, consolidated, or separated? We have seen internal rivalries dissolve almost instantaneously when competing areas come under the control of a single person. And we've been amazed at how quickly trust (and productivity) improves when the move is finally made to replace a key player who has done a poor job of building trust inside a group.

Keep an eye on practical issues: How will these valuable changes and initiatives happen? How much of the work will you do yourself, what will you delegate, and how much will be done in teams? What's a reasonable time frame for getting things done? (Some efforts will probably be ongoing, while others will be more finite.) And keep an eye on the trust recovery mission in its entirety. Very often, such missions suffer from an imbalance of short-term measures at the expense of longer-term efforts. They are also frequently tilted too much in favor of those directly affected at the expense of the broader organization. Looking hard at the plan (and asking one or two people who were not a part of its creation to scrutinize it as well) can save a great deal of time and resources down the road.

Trust within organizations isn't easy to pin down. It's hard to measure, even in a quick-and-dirty way. And suppose you could measure it perfectly—the truth is that no company would ever get a perfect score. Organizations and people are too complicated for that. Nor is it easy to define the trustworthy leader. Some exude emotional intelligence; others appear to be rather boring, extremely consistent bureaucrats. And, being human, even the best of them occasionally make mistakes that erode trust. But trust is the crucial ingredient of organizational effectiveness. Building it, maintaining it, and restoring it when it is damaged must be at the top of every chief executive's agenda.

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