



JAMES M. SHARPE  
CHARLES H. GREEN

## A Note on Trust

“A recent New York Times/CBS News poll showed barely 10 percent of the public trusts the government. But it doesn't stop there: Trust in public institutions like corporations, banks, courts, the media and universities is at an all-time low; the military is one of the few exceptions.”<sup>1</sup>

The word “trust” may encompass many things. It frames the way we interpret what people say and how they describe their behavior. It influences our comfort level in sharing information with others and helps decide whether we feel other people have our interests at heart.

### Introduction

The purpose of this note is to present a basis for understanding the complexities of issues that surround trust, both on a business and personal level.

Thinking about trust quickly takes us to the heart of business and leadership. Trust is easy to take for granted, because it is so fundamental. Like air or water, we do not notice it but without trust, things would rapidly grind to a halt. What if we couldn't trust markets, inspectors' certifications, signatures, employment records, or financial statements? We all know how critical even small deficiencies can be in those areas.

People and organizations with high trust enjoy tremendous support and success. When trust is present, customers are loyal, innovation prospers, time-to-market is short, costs decline, partnerships work effectively and people are motivated. Any manager who believes they can achieve results solely through the impersonal tools of metrics, markets and monetary incentives is a manager most people will not trust; and their results will be the worse for it.

Trust is at root an aspect of human relationships. We may say we trust a system, but we mean we trust the people who ensure the system's integrity. We do not say we “trust” the sun to rise in the East, because the laws of physics (or metaphysics) are not a matter of trust. Human relationships are.

The effective manager and leader understands and appreciates trust at both the personal and the organizational levels. The nature of trust is such that a person who tries to run a trust-enhancing operation, but who does not personally demonstrate the virtues of trust, is likely to fail. Nowhere does walking the talk matter more than in matters of trust. This is especially important in a crisis.

---

<sup>1</sup> “Trust In America: Recovering What's Lost”, *All Things Considered*, NPR. 30 Oct, 2011, accessed August 2012.

## The Business Case for Trust

When you trust someone, or someone trusts you, things can move more quickly and effectively. For example, customers will believe your messaging, prefer your products, accept your pricing, and give you the benefit of the doubt if you make a mistake; employees will accept your view of the world, follow your lead, and line up behind your direction; and, peers and clients will take your advice, want to work with you, and refer you elsewhere.

Less obvious but no less important are the benefits of trusting others. For example:

- the ability to trust customers allows for greater efficiency and creativity in serving them;
- trusting others offers them growth and development opportunities; and,
- most importantly, trusting others has a powerful reciprocal effect – it makes them more trustworthy themselves.

Personal trust does not scale well. We trust our life partners implicitly, we may trust a friend, but the transitive property is weak; we do not trust our friend's friend nearly as much.

However, it makes sense to talk about trust at social levels as well. Organizations can be more or less trust-supporting; different national cultures have evolved differing approaches to trust.<sup>2</sup> The key to scaling trust is to create organizations that lever the dynamics of personal trust.

It starts with personal trust dynamics. People who trust and who are trusted have greater impact; they are generally more successful and happy with their lives. Organizations which cultivate trust within themselves and with external stakeholders also are more successful.<sup>3</sup> Even at a national historical level, high-trust cultures have evolved more successfully than low-trust cultures.<sup>4</sup>

## Trust: A Personal Relationship

As a manager, you will not be able to lead with trust unless you yourself are personally trustworthy, and capable of trusting. To be inconsistent in trustworthy behaviors, to be seen as manipulative or insincere, is to be seen as untrustworthy by definition. And someone unwilling to trust is seen as suspicious, self-serving, and solitary; again, not trustworthy by definition.

You will not be trusted if your motives are selfish and controlling. This is not a moral exhortation, merely an empirical statement of fact. Humans have evolved, over millennia, exquisitely tuned senses of trust. Trust is very, very hard to fake.

**Trust is Personal** Former U.S. Speaker of the House Tip O'Neill famously said, "All politics is local." Similarly, all trust is local; it is primarily an emotional phenomenon. Trust is conditioned by or "caused" by larger social or environmental phenomena, but is always experienced as personal.

A trust relationship has three aspects:

1. Two asymmetrical roles – one who trusts, another who is trusted

---

<sup>2</sup>Fukuyama, Francis, *Trust : the Social Virtues and the Creation of Prosperity*. New York: Free Press, 1995.

<sup>3</sup>Next Decade, Inc., "The Most Trustworthy Companies in America", Trust Across America website, <http://www.trustacrossamerica.com/documents/media/Media-WhitePaper.pdf>, accessed August 2012.

<sup>4</sup>Fukuyama, *ibid*.

2. The element of risk
3. Reciprocating the roles of trustor and trustee

We often neglect this simple fact. If we say, “trust in banking is down,” does that mean that bankers are less trustworthy? Or that consumers, including bank customers, have become less inclined to trust anyone? These are different problems with different policy answers. When it comes to trust, problem definition is thus critical.

**Trusting and Being Trusted** The simplest form of trust requires two parties: one who trusts, and one who is trusted. Trusting is an act undertaken by the trustor (the one doing the trusting); it is a choice to willingly put oneself at potential risk of harm by the trustee (the one being trusted), knowing that there is no guarantee of safety.

**Trust and Risk** What sets trust apart from other human interactions is the presence of risk. In the absence of all risk, trust is irrelevant. The goal of trust is not to eradicate risk, but to work with it. Trust is an alternative to risk-averse behavior.

Under conditions of threat or stress, people react with the “fight or flight” response; both those responses act to protect the person against the perceived threat from the outside. The trust-risk dynamic has a time dimension as well; we over-react to short-term threats with fear; and we under-react to longer-term opportunities with trust.

Trust is an alternative to both reactions via empathy and deferred gratification. Neither skill has been emphasized in business thinking; rather, we have focused on sustainable competitive advantage.

**Reciprocity** Trust requires a trustor and a trustee, but only at a point in time. In the real world, you can't only play just one role. You may be trustworthy with another person, but if you never take the risk of trusting, the other person will eventually say, "I'm the only one taking a risk here; what is this person trying to hide or to get from me?" and they will stop trusting. You must reciprocate.

The idea of reciprocation also drives influence,<sup>5</sup> in the sense of, “if I do X, you will do Y.” Trust fits this formula powerfully: “if I trust you, you will in turn become more trustworthy toward me, and more inclined to trust me. Whereupon I will be more inclined to trust you again,” and so forth.

## Trustworthiness

Trust is a dance with two players: one who trusts, and one who is trusted. Most managers focus more on being trusted than on trusting. Learning to juggle these is a critical skill. The best way to be trusted is to be worthy of trust – to be trustworthy. We will always have con artists – those adept at manipulating trust while being untrustworthy themselves – but they are few and usually unsuccessful. By far the most efficient and effective strategy for being trusted is to actually be trustworthy. But what does that mean?

One thing it means is personal traits. Whether from habit or personality, personal traits are what allow others to consider us trustworthy, or not. We'll use the term "virtues" to describe these traits.

---

<sup>5</sup> Cialdini, Robert. *Influence: the Psychology of Persuasion*. New York: Morrow, 1993.

**The Virtues of Trustworthiness** The word "virtue" implies a consistency of character that provides a guidepost for the individual, and that can be relied upon by others. A "virtue" may not be absolute, but we expect it to withstand some level of incentives, group pressure, or business process. A "virtue" is something that we see as getting to the heart of a person.

According to one model,<sup>6</sup> there are four such traits: credibility, reliability, intimacy, and (low) self-orientation. They can be expressed, on a scale of 1 to 10, in the form of an equation, the Trustworthiness Equation. They cover most of the usages of "trustworthiness" in common and business language, and across cultures.

**The Trust Equation** arrays the four virtues in the form of an equation. This format allows for discussion about interplay and impact, though should not be taken too literally as a description of something that exists outside the model.

The trustworthiness equation is:

$$\text{Trustworthiness} = \frac{\text{Credibility} + \text{Reliability} + \text{Intimacy}}{\text{Self-Orientation}}$$

**Credibility** Credibility is largely about words. We might say, "I can trust what she says about this issue," meaning we recognize her degree or her credentials, her statements are logical, she uses recognized means of communication, there are no spelling errors in her resume, and so forth.

Many equate trust solely with credibility, but credibility is mainly a cognitive characteristic; trust is also powerfully emotional. Credibility alone does not create much trust.

**Reliability** This virtue applies more to actions. We might say, "I can trust him to do [whatever he said he would do]," meaning he is dependable, predictable, a person of integrity; someone who honors his word, and if he cannot honor it, takes immediate responsibility for it.

Reliability is the only trust equation component that literally requires time, because it requires repeated experiences, which happen over time. It is also the component most sensibly applied to non-persons. It makes sense to say, "Exxon is reliable;" it doesn't make sense to say, "Exxon is intimate."

**Intimacy** Intimacy refers to a sense of security. We might say, "I trust her with this information," meaning she is sensitive to our needs, knows when and to whom to pass information along, and knows just how to treat it. High intimacy skills mean others feel understood, and will share easily.

Research done<sup>7</sup> on the relative strengths of the four trust equation components indicates that the most powerful of the four is Intimacy. Surveys of trusted professions rank cognitive professions like law well below nursing.

**Self-Orientation** Self-orientation is in the denominator of the trust equation - high levels of self-orientation mean low levels of trustworthiness. High self-orientation comes in two forms: selfishness, and self-obsession; the latter is less obvious, therefore more pernicious in business.

---

<sup>6</sup>David H. Maister, Charles H. Green, and Robert M. Galford, *The Trusted Advisor*, (New York: The Free Press, 2000), p. 69.

<sup>7</sup>Trusted Advisor Associates, "Think More Expertise Will Make You More Trusted? Think Again", Trusted Advisor Associates website, [http://trustedadvisor.com/public/files/pdf/2010\\_TA\\_Whitepaper\\_Think\\_Again\\_Special.pdf](http://trustedadvisor.com/public/files/pdf/2010_TA_Whitepaper_Think_Again_Special.pdf), accessed August 2012.

It includes nervousness in front of audiences, worrying about the future, being troubled by what others might be thinking about us – all the ways in which our attention is distracted from paying calm attention to the person in front of us. Business bombards us with high self-orientation opportunities: sales, negotiations, presentations, feedback sessions, team meetings, collaborative efforts. Any interaction with another human being is a potential source of fear, thus of fight or flight – but also an opportunity to behave differently, in ways that create trust.

Overcoming self-orientation is not a business process, an analytic, or even a skill like practicing a tennis or golf shot. It is a self-willed psychological state in which we are ego-comfortable enough with our own selves to relate to others without fear or desire to control.

## Trusting

When thinking of trust in business, it is tempting to focus only on trustworthiness. But the propensity to trust, the other half of the required partnership in a trust relationship, is at least as important. Three factors come into play when we think about trusting:

1. A person's innate propensity to trust strangers
2. The risk of trusting in a given situation, both objective and perceived
3. A person's tactical decision to trust.

**The propensity to trust** Someone may be trusted by one person, but not by another. The difference is the general propensity on the part of the trustor to trust others. Generalized trust is a definable trait, and has been measured for decades.<sup>8</sup> Defined as an inclination toward strangers, it is culturally acquired and slow to change. The generalized propensity to trust increases with a sense of optimism and control. The general propensity to trust is different from the decision to trust a particular person, institution or organization.

People generally overstate the importance of the near future relative to the far; and overstate the impact of negative events relative to positive. These truths are enshrined in common sayings like, "A bird in the hand is worth two in the bush," or in the concept of discounted present value.

People who have a low propensity to trust disproportionately represent both: they fear the future, and are pessimistic about their degree of control. Low propensity-to-trust people will overstate near-term negatives, and under-value long-term positives. This makes them dis-inclined to invest in long-term initiatives that would be beneficial by an objective measure.

**The Decision to Trust** The one doing the trusting is the one making the proactive decision: to trust, or not to trust? The decision is influenced partly by deep personal outlooks, by the trustor's attitude toward risk, and by environmental influences.<sup>9</sup> It is hard to be self-aware about our own biases, nor is it easy to convince others of their biases, though both are useful exercises.

Managers have control over some environmental factors, e.g. career paths, job security, financial rewards, public praise or criticism. Others include belief systems and value systems. Despite business people's instinct for the former kind, beliefs and values are as powerful as incentives and procedures.

---

<sup>8</sup> Eric M. Uslaner, *The Moral Foundations of Trust*. Cambridge: Cambridge University Press, 2002.

<sup>9</sup> Robert F. Hurley, *The Decision to Trust*. San Francisco: Jossey-Bass, 2011.

Belief and value systems trigger influences like the need for affiliation; people are strongly influenced to do what others around them are doing. If others are lying or cheating, an individual moral compass gets overwhelmed. And if values like honesty and authenticity are daily in evidence, then gossip, secrets and blame-throwing become socially stigmatized. Beliefs are a powerful tool.

## Leading with Trust, Managing Trust

Successful managers must manage trust both personally and operationally. That means demonstrating personal mastery of the virtues of trustworthiness and the art of trusting, as well as the ability to create environments that enhance trust-based relationship between people.

Environments of trust can be created via shared values. More traditional tools of management – incentives, metrics, processes and procedures – are not as relevant when it comes to trust, simply because trust is about personal relationships. Attempts to express trust as purely mechanical, rules-based, or otherwise impersonal will remove the power of trust. There are many ways to develop the personal leadership skills and establish the environment of trust in an organization:

**The Trust Values** The organizational equivalent of personal virtues is values: shared beliefs about how things should be done. Commonly held values can be extremely powerful – consider the devotion to team exhibited by elite military units who pledge their lives to each other.

Values enable decentralizing decision-making, which makes them critical for trust. Since trust is experienced personally, it's difficult to scale. The best way to scale trust is to ensure that everyone operates according to common values systems. An organization faced with a hundred thousand opportunities to make or lose trust in a given day can only succeed through the assurance that everyone would treat the same situations similarly, based on the same principles.

Values are uniquely important for developing a trust-based organization. A dozen particular values could be chosen by an organization to reflect its own unique approaches to trust. Here are four that are generally agreed upon as being effective drivers of a trust-creating climate.

**1. Transparency** In its simplest form, this value means the default position on any given issue should be transparency, rather than secrecy. There are of course situations where secrecy or confidentiality are required – intellectual property or military secrets are obvious ones – but this value suggests secrecy not be the presumed instinctive answer to all situations.

Transparency at the personal level enhances intimacy and self-orientation, as well as credibility, because it removes doubt about motives and missing information. At the organizational level, a widely held value of transparency not only suggests concrete actions to individuals (share more information with customers, admit you don't know when you don't know, be candid and open with fellow workers), but conveys that such behavior will be supported, encouraged, and even rewarded.

Transparency implies several related virtues, including honesty and authenticity. If leaders are unafraid to do things like admit mistakes, they teach by example is that it is OK to tell the truth. If they are also willing to tell the truth about themselves and their organization – not stretching the truth, being comfortable admitting the presence or absence of qualifications – they teach authenticity to the other employees, and become known for being honest and authentic with other stakeholders.

Another second-order virtue implied by transparency is the ability to directly speak the truth, in socially acceptable manners. The ability to confront difficult situations, rather than bury or avoid

them, is critical to transparency and to trust. A trust-based organization is one that encourages direct talk, done respectfully. Brutal honesty is an oxymoron in a trust-based firm.

**2. Long-term Orientation** People make snap judgments about others, but trust-based personal relationships are built on more than one interaction or transaction. People are both more likely to trust, and to behave in trustworthy ways, if they know the relationship will continue over a period of time. For this reason, a consistently emphasized value of long-term orientation affects trust positively.

We do not trust people who use us mainly for their own benefit. Sales organizations who seek out clients solely for the current sale, as opposed to a longer-term relationship, are similarly not trusted. And organizations that value current-year profit as a standalone good will be far less trust-friendly than organizations that view current-year profit as a stepping stone on a 5-year profit plan.

A long-term orientation values relationships over transactions, constantly reminding us of a context in time and history while communicating within and outside the organization. This can happen in a short term assignment by shifting focus to the organization and not just the leader.

**3. Collaboration** The value of collaboration reinforces the idea that trust is a relationship. Belief systems that emphasize competition, or solitary reliance, are at risk of de-emphasizing the importance of relationship. An organization dominated by beliefs in competitive struggle will easily find itself “competing with” its customers, partners, even its employees.

By contrast, a spirit of collaboration lowers the resistance to risk-taking, because it lowers the perceived risk. That in turn drives greater innovation.<sup>10</sup> Collaboration, extended to suppliers and customers, increases the breadth across the value chain which can be affected by trust.

**4. Other-focused** At an organizational level, this value mirrors the individual virtue of low self-orientation, but it is to be found behind processes and approaches within the firm. An other-focused firm doesn't just do market research to identify customer needs it can sell to – it seeks first to satisfy customer needs, then adapts its own offerings to those needs.

The customer may not always be right, but is always the customer; if customer needs are set first, the firm can always adjust its needs or withdraw. But if customer relationships always begin with the firm's needs, they will certainly suffer. Good trust behavior thus mirrors good marketing theory.

Other-focus can be found (or not found) in approaches to sales quotas, product development, customer service, promotional pricing, and negotiation. The principle of other-focus is based soundly in the reciprocal nature of trust: if you lead by focusing on the other party, the other party's natural inclination is to return the favor by listening with equal respect to what you have to say.

**Communicating Values** When it comes to trust, virtues and values play a disproportionate role in leadership and management. Sales behavior can be influenced by adjusting reward systems; and people will believe a non-technical leader if they say they respect technology.

---

<sup>10</sup>Trusted Advisor Associates, "Robert Porter Lynch on Trust, Innovation and Performance", Trusted Advisor Associates website, <http://trustedadvisor.com/trustmatters/robert-porter-lynch-on-trust-innovation-and-performance-trust-quotes-2>, accessed August 2012.

But people won't be incentivized to be other-focused by appealing to their self-interest; preaching competition won't get people to trust; and leaders who profess honesty and transparency but practice blame and secrecy will not only not be trusted, but will create a low-trust environment in their wake.

**Structural Design** Some traditional means of management have their place in trust; loyalty and customer satisfaction metrics, promotion of people who live the values, for example.

Other areas of organizational design that can support trust-based organizations include the timeframe of planning and performance evaluation, multi-year performance incentives, group and team orientations, sharing of information with suppliers and customers (except where illegal or clearly harmful), strong relationships with employee alumni, making copious amounts of information available online for employees and prospective customers, the absence of golden handcuffs and no-compete clauses with employees, long-term contracts, and contracts that are long on handshakes and short on pages.

But the more powerful tools for trust enhancement are two: role modeling, and talking the values. Note that these two tools are not limited to the CEO; they can be practiced by any organization member at any level in the organization, and will generally have a positive impact on others.

**Role Modeling** A manager who wants to create a trust-based organization should start by practicing certain behaviors. In addition to those cited in the trust virtues, they should show respect for others, humility, carefully use the language of respect and empathy, practice superb listening skills, seek constructive confrontation, not be afraid to confess their own feelings and weaknesses, practice the trust principles in their relationships with employees, customers and suppliers. Accept responsibility where it is theirs, not hesitate to speak the truth where it is required, always view a transaction in the context of relationships, and seek the largest good for the largest group. Be predictable and consistent.

**Talking the Values** All trust-based organizations (like other values-driven organizations) are obsessed with repeating the values. This is necessary because values like "collaboration" require elaboration for people to know how to apply them in a particular situation. The role of leaders and managers is to constantly apply the principles in their daily lives, and to talk about the applications.

As Aristotle said, "We are what we repeatedly do. Excellence, then, is not an act, but a habit." He might have said exactly the same about trust. Are we running out of the trust "habit" in society, business and our personal relations?