IBM Software
Technical Whitepaper

How trust optimizes performance

The mediating role of risk-taking behavior

Contents:

Trust oils the wheels of social exchange between people at work, helping ensure a smooth-running organization. It is especially important in situations where the stakes are raised and we need to depend on the actions of others. When we stand to lose something of value, should those we depend on fail us, we face a personal risk. Trust implies we are willing to assume that risk.[1] Such situations can occur frequently at work: cooperating with your teammates, sharing a new idea with your boss, reporting a policy violation – all these pose a risk to us and require our trust. They are also critical behaviors for team and organizational performance.

Despite its importance, according to data from the WorkTrends™ study less than half (49 percent) of US employees say they trust the senior leaders of their organization. Imagine if less than half of significant others said they trusted their partners – you would most likely have serious concerns about the quality of these relationships. You might even suspect that some might not last long. We know how important trust is in our personal relationships, but what about in the workplace?

This paper examines the role of organizational trust in three risk-taking behaviors that promote organizational effectiveness: cooperating between co-workers, sharing innovative ideas and reporting policy violations. It will conclude by discussing how senior leaders might encourage their employees to trust them and in doing so, optimize potential performance. The percentages discussed above and in Figures 1 - 4, in this paper, are taken from the WorkTrends database research (reference the "About WorkTrends" section on pg. 4).

Trust, cooperation and team performance

Cooperation is a much-lauded activity. It occurs when individuals depend on each other and work together toward a shared goal. Team performance hinges on cooperation. Without it, teams divide and are rendered ineffective.

Some may not think of cooperation as risk-taking. Yet it does pose a risk because when you depend on others you run the risk of them taking advantage of your cooperation. Imagine this: you and your teammates have just begun a new project, plans are laid and tasks delegated. You are depending on your teammates to pull their own weight and undertake the tasks assigned to them. If they do not you have to pick up their slack. Or worse, the project could fail. By throwing your lot in with your teammates, you are putting your reputation and your job performance evaluations on the line. And yet, working together is often the only way to succeed.

Enter trust – the willingness to collaborate despite the possibility of being burned by your teammates. Research has found that trust promotes cooperation.[2] In fact, in a recent analysis it was found that employees who trust their senior leaders report a more cooperative work environment (*Figure 1*). Employees who enjoy a higher level of organizational trust should cooperate more at work, which should then lead to greater team success. It was also found that the relationship between organizational trust and team performance is partially mediated by cooperation (*Figure 2*). In simpler terms, organizational trust optimizes team performance in part by promoting cooperation between co-workers.

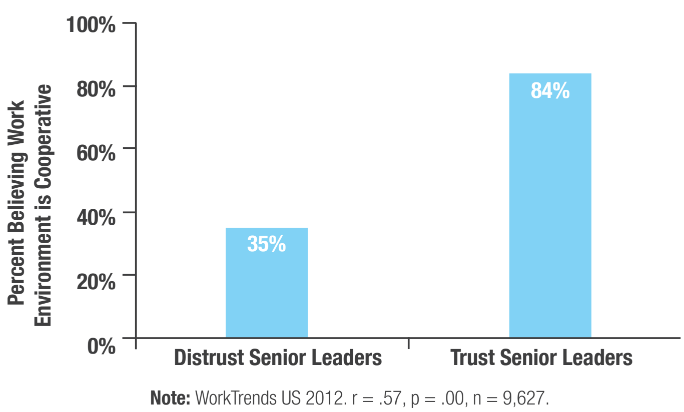


Figure 1: Impact of trust on cooperation

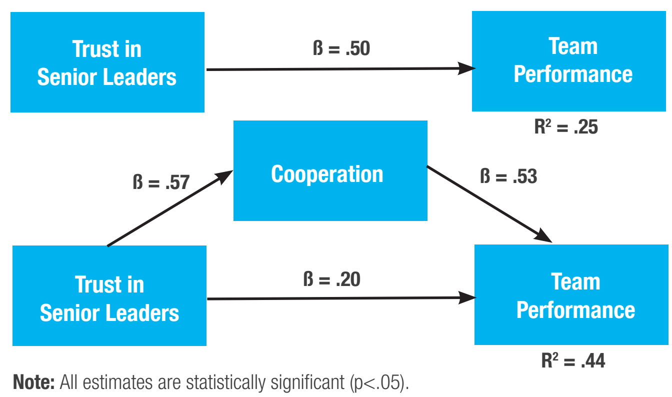
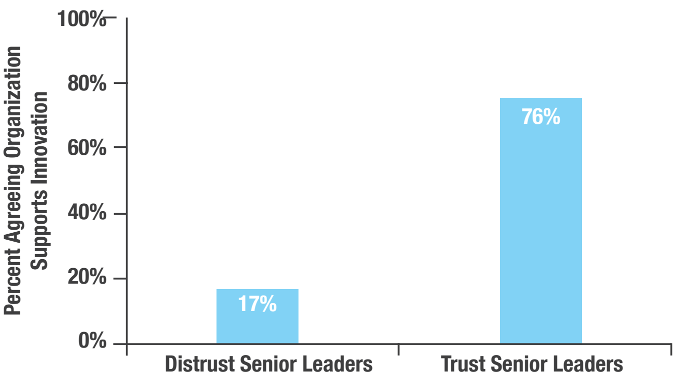


Figure 2: Trust, cooperation and team performance

Trust, innovation and organizational performance

Innovation can be critical for organizational success in competitive markets. Innovation helps fuel cutting-edge products and services. Without it, organizations can stagnate. Yet, innovation requires some risk-taking.

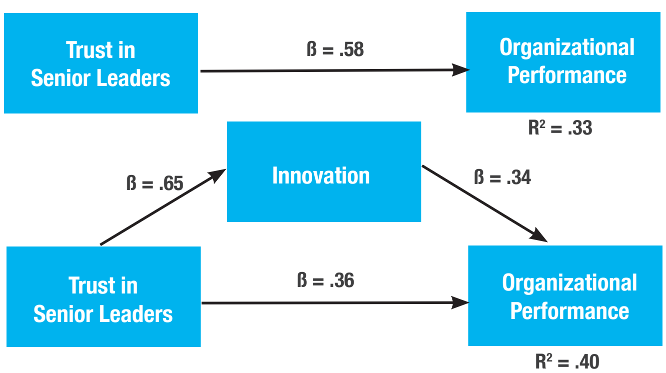
Let us say you have a new product idea you would like to run by your boss, but you are not sure if you should. You might be afraid your boss would think it is silly and ridicule you. Maybe you think your boss would not recognize a good idea. Or, perhaps you fear your boss would steal the idea and call it his or her own. In the face of these potential risks, it takes trust to share your idea.



Notes: WorkTrends US 2012. r = .65, p = .00, n = 9,611.

Figure 3: Impact of trust on innovation

Trustworthy leaders tend to have followers who are willing to go out on a limb for them and share those new ideas. And new ideas are fundamental building blocks of innovation. In fact, employees who trust their senior leaders report greater innovation (*Figure 3*). They feel encouraged and supported, and are willing to try new things even though they might not succeed.



Note: All estimates are statistically significant (p<.05).

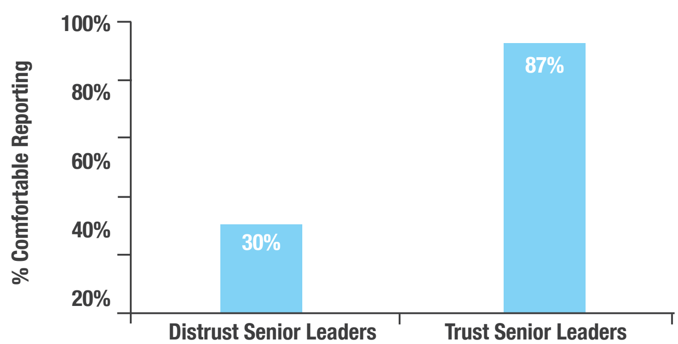
Figure 4: Trust, innovation and organizational performance

Employees who enjoy a higher level of organizational trust should be more innovative, which should lead to greater organizational success. In fact, the relationship between organizational trust and organizational performance is partially mediated by innovation (*Figure 4*). In simpler terms, trust optimizes organizational performance, in part, by fostering an innovative work environment.

Reporting policy violations

You may not think whistle-blowing is necessary for organizational performance, but without it corporate scandals can go unchecked. Whistle-blowers keep organizational oversights in check, helping ensure the success of the organization and its workers. Trust is key for employees to blow their whistle.

Imagine an employee has witnessed a co-worker violate a business conduct guideline, but the co-worker threatens to make the reporting employee's life miserable if he or she says something. Now imagine this employee has leaders who have exhibited knowledge of these policies, demonstrated concern for employee safety in cases of policy violations and assured employees of confidentiality in these instances. Leaders such as these inspire trust in their employees; who would then be more willing to share information about violations despite the risk of retaliation. Without trust, such violations might go unreported.



Note: WorkTrends US 2009. r = .62, p = .00, n = 9,914.

Figure 5: Impact of trust on reporting violations

In fact, employees who trust their senior leaders are more likely to report a violation (*Figure 5*). More of them feel comfortable making the report and protected from retaliation – a common threat that intimidates whistle-blowers into keeping their silence.

Inspiring trust

The WorkTrends report titled "Trust Matters"[3] discussed three characteristics of leaders that kindle trust in their employees:

- Benevolence (*Do they care about me?*)
- Competence (*Can they do the job?*)
- Integrity (*Are they honest, ethical and fair?*)

Leaders who are seen as capable, kind and honest are more able to inspire trust. How do organizational leaders stack up?

Benevolence

As *Figure 6* shows, half of employees in the US find their senior leaders to be benevolent, so senior leaders clearly have plenty of room for improvement. Leaders exhibit benevolence when they make employees feel important, as if they are not just a cog in a wheel that could be easily replaced. Leaders are also seen as benevolent when they show concern and care for their employees' health and well-being by not treating them like an endless resource to be exploited. Simply showing interest in employees can go a long way in communicating benevolence; reassuring them their voices do not go unheard.

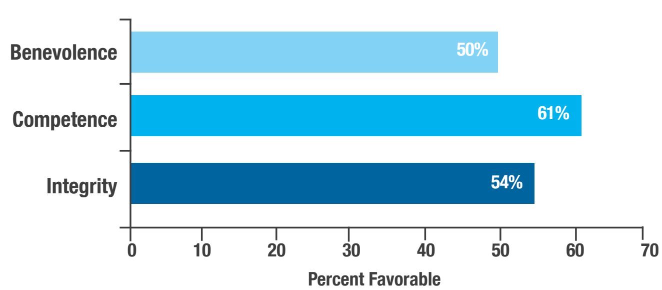
Competence

Sixty-one percent of employees believe their senior leaders can do the job well – an improvement on the results for benevolence (*Figure 6*). It would appear that senior leaders are doing a better job on the business side of things than the people-oriented aspects of their jobs. Leaders exude competence when they can cope effectively and quickly with marketplace challenges, as well as take advantage of opportunities, helping ensure the success and longevity of the organization. Guiding the company toward success and communicating that direction to employees also helps convey leadership competence.

Integrity

Just over half (54 percent) of employees find their senior leaders have integrity (*Figure 6*). Senior leaders convey integrity when they walk the talk – when they not only support, but also practice ethical behavior. Treating employees fairly is central to the integrity of senior leaders. Keep in mind that fair does not necessarily mean equal. For example, in a pay for performance compensation program, not all employees are paid equally – but with clear communication about the link between performance behaviors and financial remuneration, employees are more likely to accept the differences as fair. Lastly, senior leaders need to be credible – and this perception can be cultivated by word-deed congruence.

This research analysis shows that trust is a key ingredient in the recipes for cooperation, innovation and ethical business. Without it, teams may dissolve into backbiting, the next big product may never leave the drawing board and scandals may go undiscovered leading to organizational ruin. Luckily for senior leaders, the recipe to trust is simple: benevolence, competence and integrity. With a helping of each, leaders can inspire trust in their employees to help ensure team and organization success.



Note: WorkTrends US 2012

Figure 6: Senior leaders benevolence, competence and integrity

About WorkTrends

Kenexa WorkTrends Survey, 2012. In its current form, WorkTrends is a multi-topic survey completed online by a sample of employees representative of a country's working population in terms of industry mix, job type, gender, age and other key organizational and demographic variables. In most countries, survey takers must be adults who work full-time for an organization of 100 employees or more; this threshold drops to 25 employees or more in countries with smaller economies or hard-to-reach populations. The survey has over 200 items that cover a wide range of workplace issues, including senior leader and direct manager effectiveness, recognition, growth and development, employee engagement, customer orientation, quality emphasis, innovation, corporate social responsibility, workplace safety, work stress and performance confidence. In 2012, over 33,000 employees were surveyed, representing 28 countries.

For more information

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1 Mayer, R. C., Davis, J. H., & Schoorman, F. (1995). A*n integrative model of organizational trust*. Academy of Management Review, 32(2), 344-354. http://catta.labcc.ch/tesi/Mayer_et_Al-2007.pdf

2 Ferrin D. L., Bligh, M. C., & Kohles, J. C. (2008). *It takes two to tango: An interdependence analysis of the spiraling of perceived trustworthiness and cooperation in interpersonal and intergroup relationships*. Organizational Behavior and Human Decision Processes, 107, 161–178. http://www.sciencedirect.com/science/article/pii/S0749597808000423

3 IBM (2012). Trust Matters: New Links to Employee Retention and Well Being. http://www.ibm.com/common/ssi/cgi-bin/ssialias?subtype=WH&infotype=SA&appname=SWGE_LO_PT_USEN&htmlfid=LOW14251USEN&attachment=LOW14251USEN.PDF

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