Threatened Leadership:

The Loss of Subordinate Trust

By

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Abstract

Attracting and retaining talent at global companies demands that prospective recruits and the current workforce have a trusting relationship with the firm and their immediate bosses. When firms begin to emphasis the development of a multicultural workforce, especially among the top management team, the issue of trust becomes paramount. Trustfulness may be communicated by subtle behavioral actions and verbal cues that are prone to misinterpretation in a cross-cultural group.

We surveyed slightly over 700 international managers from dozens of countries. We collected demographic data and administered two trust scales. One was designed to measure trust in society at a general level. The other measured trust in the firm. The survey was administered online during the period from May to October 2009. This of course was during one of the most difficult economic recessions (especially in North America) since the Great Depression of the 1930s.

The results are somewhat startling. We found that managers typically reported greater trust in the general society (i.e., "a stranger") than in either their own firm or direct superior. Additionally, factors such as age and nationality had significant impacts on trust.

Acknowledgements

This project was started at the suggestion of the leadership at Forbes and took form with the goal of offering the 225 guests at the Forbes CEO Forum – Europe insights into the impact of the economic downturn on attracting and retaining talented managers. It expanded significantly when the editors of the Harvard Business Review decided to co-sponsor the study on its websites and to publish its results.

Many people added significantly to the construction, data collection, and analysis of the survey including: over 700 graduates of HEC, CEMS, and readers of the Harvard Business Review; CEOs Hervé Coyco, Vincent Bastien, Najib Fayad, and Mike Hayde; academics Pamela Paxton, Gary Ballinger, Maria Jose Parada, and Dominique Rouziès; and programmer Habe Crocker.

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Introduction

Coping with an economic crisis costs more than money and needs more than intelligence. It can cost your firm the good will and loyalty of your best employees. Leaders need to be able to project reciprocal trust, even when times are tough. Without this skill employee morale can be eaten away by incertitude and fear. Your subordinates may be quiet for now but if you destroy their trust you may lose them just as the market turns around and you need everyone pulling the firm to success. Trust is the foundation of most economic systems and modern business in particular. Many current business strategies depend on the implicit or unearned trust of customers, supplier, and investors. What if your own employees do not trust you?

Wanting to determine the extent of the employee trust problem HBR and HEC, Paris surveyed a very select group of managers. We polled the alumni of the CEMS - The Global Alliance in Management Education (the number one management program in Europe comprising the most selective management schools in Europe) and the readers of HBR. The survey focused on how managers trust people in general and their bosses in specific. We used standard trust scales published by trust researchers and added several demographic questions that might influence trust levels. Over seven hundred managers coming from dozens of countries and many different economic sectors participated. What we found may worry more than a few executives.

An Elite Sample

First, let's examine the characteristics of our sample. The European managers we polled were overwhelmingly young with the oldest topping out in the early forties. Nearly sixty percent were or had worked abroad, they were mostly male, and were in the upper half of their firm's management hierarchy. Ninety percent spoke three or more languages. The HBR readers were slightly older but still seventy three percent were under forty. Thirty percent had worked abroad and over forty percent had lived abroad for more than two years. Almost seventy percent were male and were in the upper half of their firm's management hierarchy. Seventy one percent spoke two or more languages. We believe that our survey reports the opinions and beliefs of an elite, young, international, and high caliber group of executives.

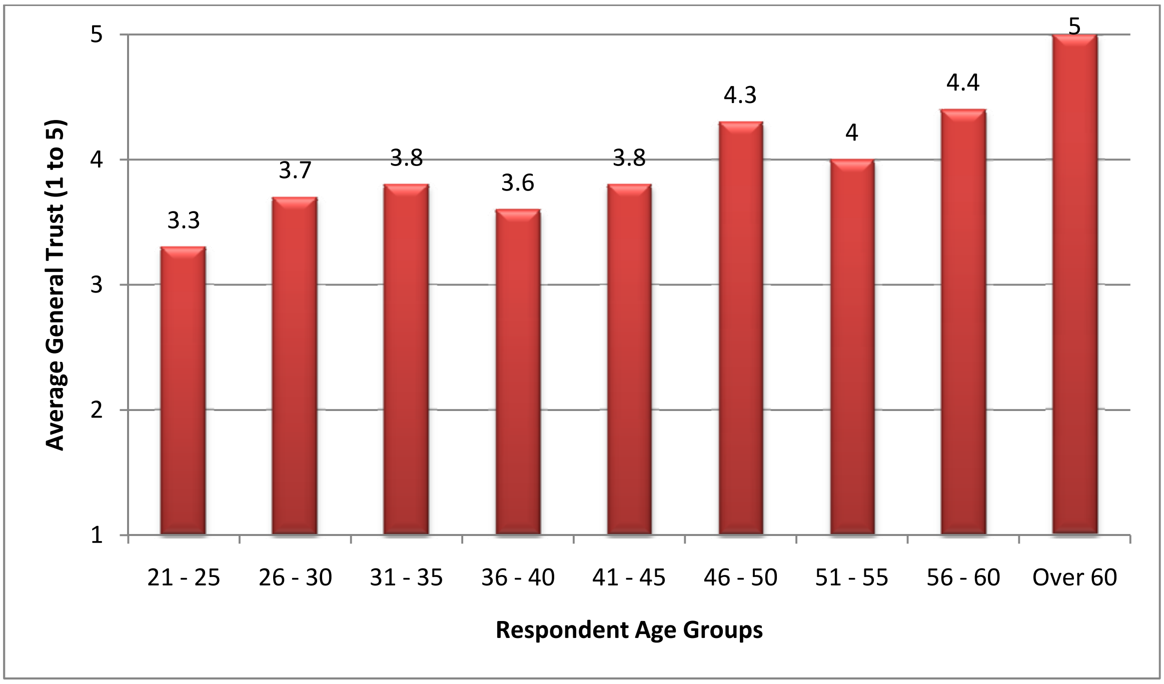
Trust In People

We asked three standardized questions to measure general trust in other members of society.[1] They are summarized as follows: Can people be trusted? Are people helpful? Do people try to cheat you? Our sample is, on the whole, made up of trusting people. On a scale of five the average general trust level was 3.7. Surprisingly, none of the other major demographic variables had any relationship with general trust. Gender, university diploma (with one notable exception; lawyers were significantly less trustful with a mean of 2.), hierarchical status, extent of socialization with colleagues or minorities, nor expatriate experience influenced general trust. Interestingly, older respondents were more trusting. (Chart 1) National culture also has a small, but significant,

[1] Paxton, Pamela. 1999. "Is Social Capital Declining in the United States? A Multiple Indicator Assessment." *American Journal of Sociology* 105: 88-127.

influence. Central and East Asians were least trustful (3.) followed by Europeans (3.7) and final the most trustful were North Americans (3.9) [2]. Chart 2 Let's see if this level of trust is also given to bosses.

Chart 1 – Comparison of General Trust in Society by Age Groups



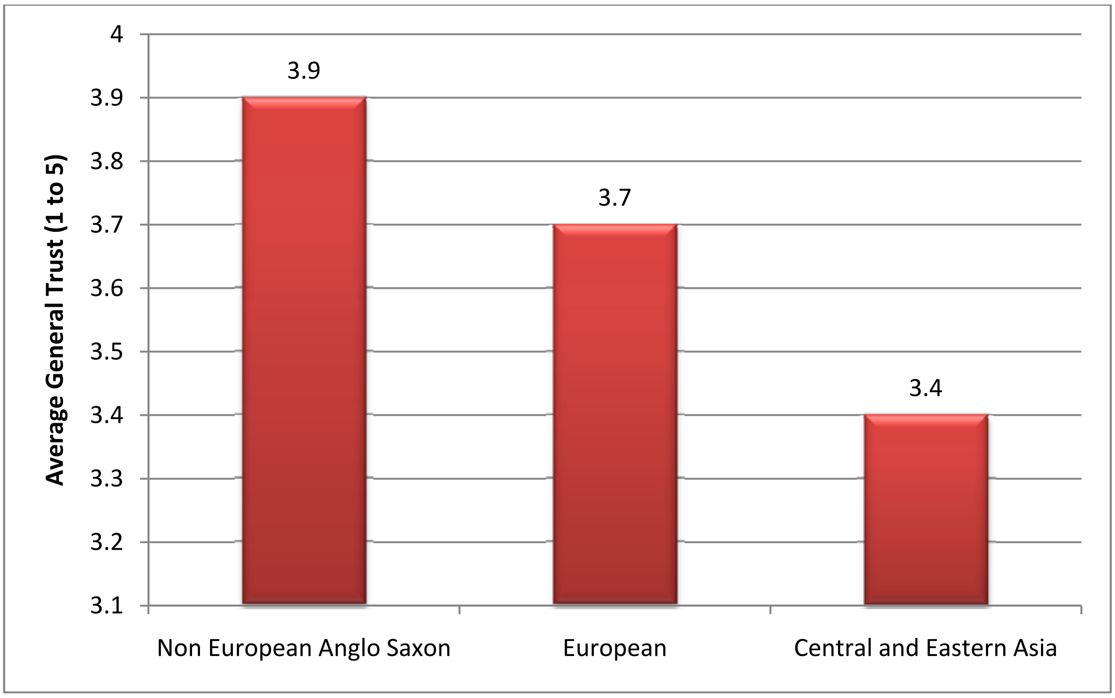
Trust in the Boss

Organisational trust is a popular area of study among management researchers. Typically, organisational trust is defined as the willingness to be vulnerable to your colleagues or superiors in your firm. High levels of trust in leaders offer many positive benefits, including higher firm profits, increased competencies, and decreased turnover. But this trust usually comes with an important quid pro quo. I will take care of you but expect you to take care of me. What happens if this trust is not reciprocal or is violated by superiors? We used the Schoorman and Ballinger[3] organizational trust scale to capture the trust that subordinates have in their boss to make favorable decisions on their behalf. The Schoorman – Ballinger trust scale includes seven questions, such as: Can you speak freely to your boss? Are you comfortable being creative even if you will occasionally fail? Do you want your supervisor to have any influence over decisions important to you?

[2] Canada and the United States

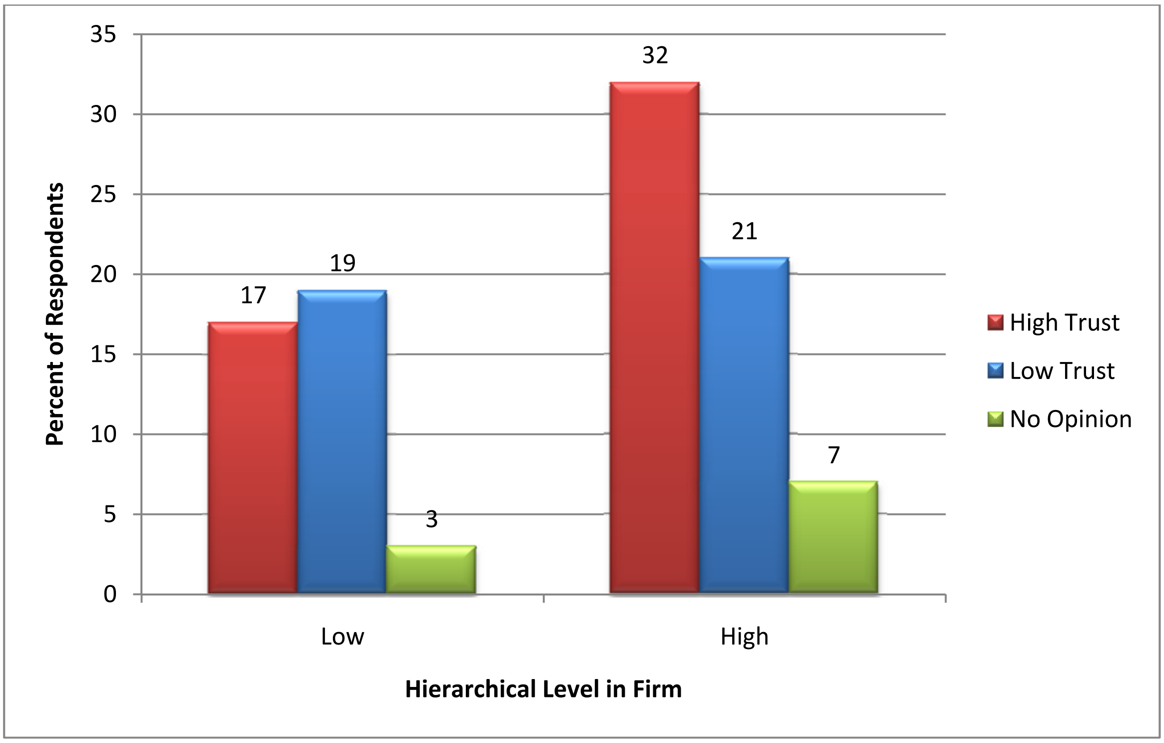
[3] Schoorman, F. David, Mayer, Roger C., & Davis, James H. 2007. An integrative model of organizational trust: Past, present, and future. Academy of Management Review, 32, 344-354.

Chart 2 – Comparison of Average General Trust



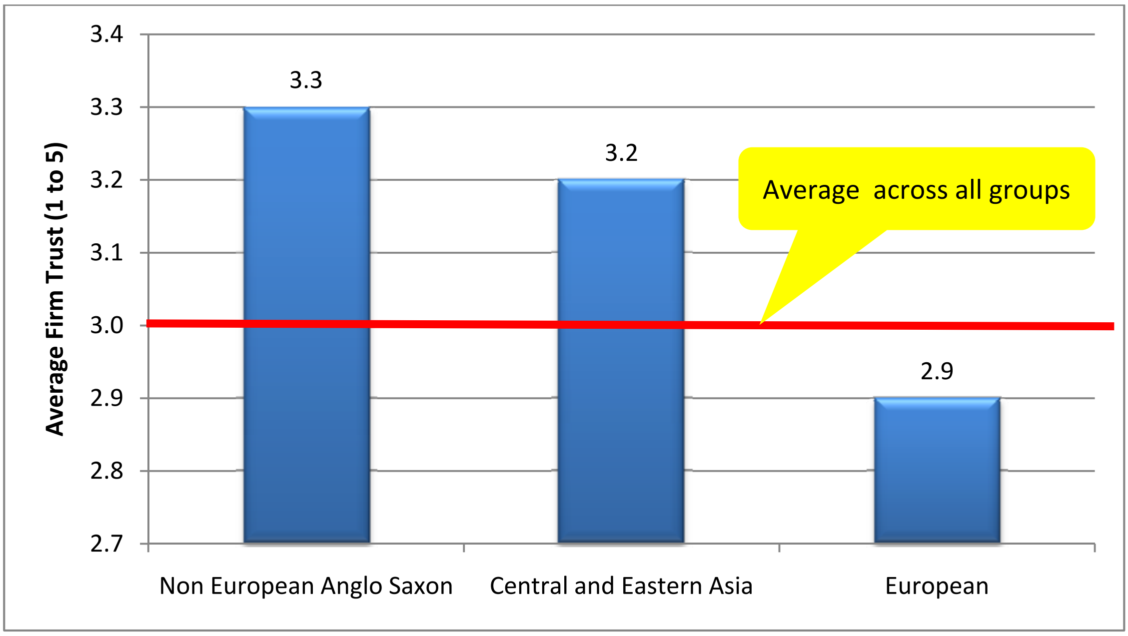
Overall we found that the average level of organizational trust was 3 on a five point scale. Recalling that the average general trust level was 3.7 it is clear that the respondents trust strangers as much or more than they trust their bosses. Other demographic factors appear non influential. Gender, expatriate experience, university diploma, and level of socializing with colleagues have little effect on the issue of trust.

Chart 3 – Firm Trust and Hierarchical Position



Drilling down into the firm trust data uncovers several other relationships worth highlighting. Trust in the firm increases with hierarchical level and with age. Respondents in the top half of the firm hierarchy have much higher trust levels in their bosses than those in the bottom half. (Chart 3) Likewise, older respondents are more trusting of their bosses.. Regional cultures exhibit significant differences in firm trust just as they did for general trust. The Europeans trust their bosses the least while the other two groupings exhibit roughly the same levels of firm trust. (Chart 4)

Chart 4 – Firm Trust and Culture

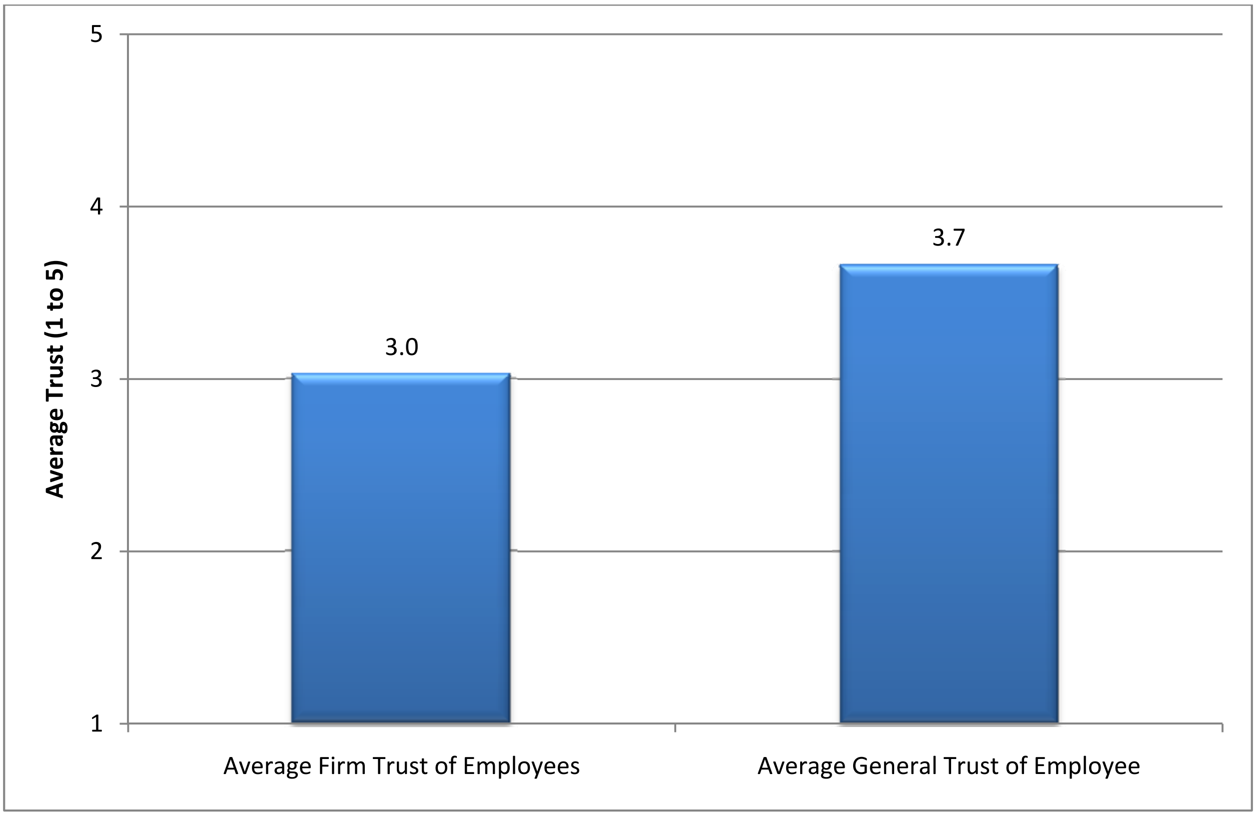


Trusting a Stranger vs. Trusting Your Boss

Because trust is central to our personal and professional relationships we wanted to benchmark firm trust to a more generalized trust in society. At the same time it is true that people have different inherent levels of trust. Some people are more trusting than others. We decided to compare a person's general level of trust (e.g., trust in a stranger) with their level of firm trust (i.e., trust in a boss). It is reasonable to assume that members of a stable work group trust each other. If they did not, the group could not survive for long.

We found that the average levels of general trust much higher than firm trust. (Chart 5) What is striking about the trust results of this survey is that this strong difference is reported by our set of elite managers. If an executive's own team has such an ambivalent trust in his integrity and leadership what can he expect from the rest of the workforce?

Chart 5 – Comparison of Average General Trust and Average Firm Trust



Unbundling Organizational Trust

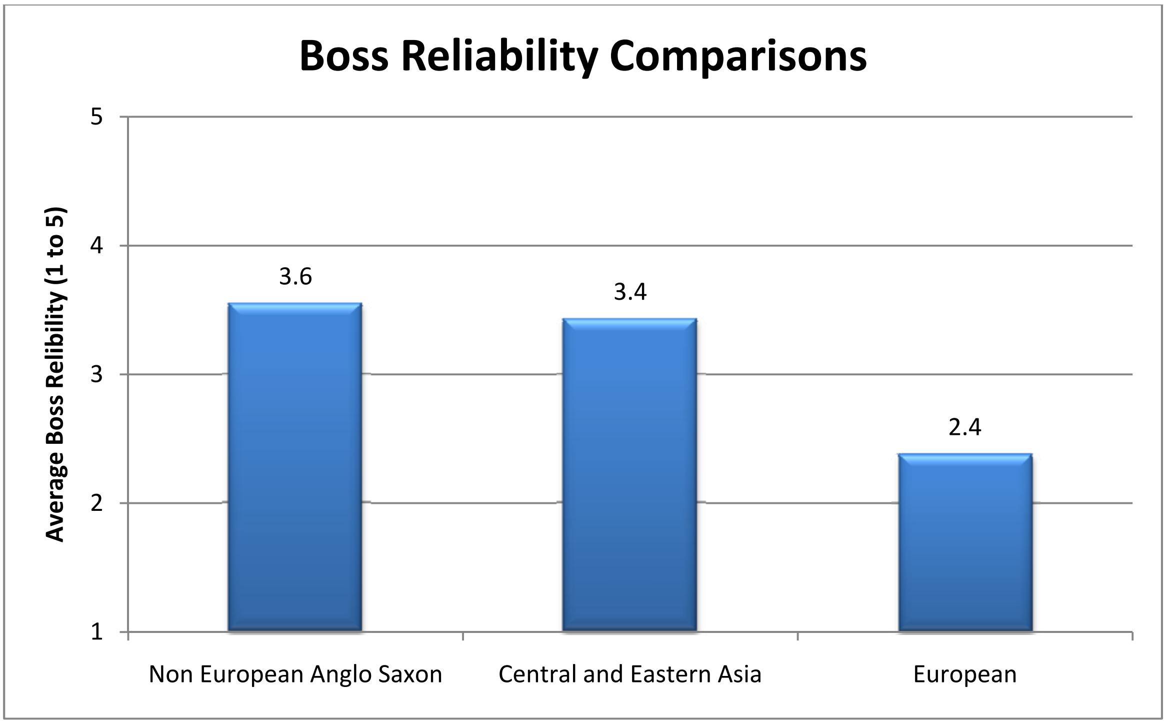
Management researchers identify a number of different types of trust such as: calculative trust, deterrence-based trust, relational trust, cognitive trust, affective trust, etc.).4 We therefore

[4] Rousseau, D. M., Sitkin, S. B., Burt, R., and Camerer, C. *Not so different after all: A cross-disciplinary view of trust*. Academy of Management Review, 1998, 23, 1-12. Chua, Roy Y.J., P. Ingram, and M. Morris. "From the Head and the Heart: Locating Cognition- and Affect-based Trust in Managers' Professional Networks." *Academy of Management Journal* 51, no. 3 (June 2008): 436-452.

examined the underlying structure of trust in the Schoorman-Ballinger scale to determine if different kinds of trust were embedded in its seven questions with factor analysis. We discovered three distinct components. The first appears to constitute a unique dimension we call *collaborative trust*. We use this term due to the apparent link between the belief that if a boss acts for one's best interests then the subordinate is willing to take creative risks and freely communicate problems as they arise. We suspect that firms with high collaborative trust probably have an overall atmosphere of trust. This is obviously a very beneficial relationship for a leader as information flows freely upward.

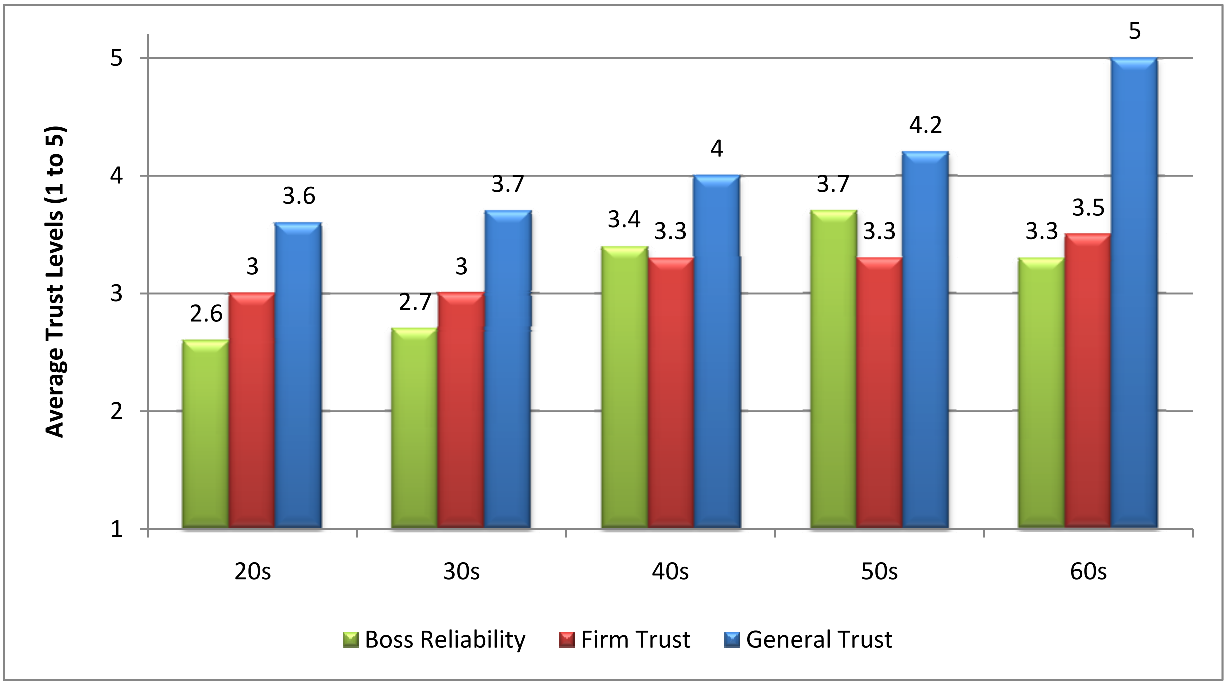
The second dimension appears more specifically focused on the reliability of the boss. Subordinates avoid increasing their vulnerability to criticism and believe it is important to closely monitor their boss's actions on their behalf. If this dimensions average score is high it indicates that the respondents basically do not trust their bosses. This may imply that their loyalty is calculative and given only if conditions appear to merit allegiance. Therefore we will call this dimension *boss reliability*. Our analysis indicates that European managers believe it is much more important to monitor their superiors' decisions than either of the other two groupings. (Chart 6) This dimension may help explain by European respondents exhibited such a low overall firm trust level. (Chart 4)

Chart 6 – Boss Trust Comparisons



We have already established that general trust is correlated with age. Older people trust more. We also find this true for both firm trust and boss reliability. One minor exception is that trust in the reliability of the boss declines among the oldest managers. It is not much of a decline and may be simply a statistical anomaly. But this group might also feel the most threatened because they have the least options. Therefore monitoring the boss's decisions becomes more important. Overall however, the youngest people are the most distrustful across all three measures. (Chart 7) Perhaps they have less experience with economic swings and are more fearful. Perhaps they are more cynical of others. Perhaps trust must be earned, which may take a decade of more. Whatever the reason, this finding merits more attention especially since the baby boomer generation is relying on the younger generation to carry the burden of sustaining their retirement systems.

Chart 7 - Trust Levels by Age Group



The final dimension of the firm trust appears related to the level of influence a boss **should have** over important personal issues. North Americans were less likely to recommend that bosses have strong influence over important personal decisions (30% somewhat or strongly agree). European and Asian respondents were more willing to accept the authority of the boss (respectively 45% and 40%). Individuality is often associated with Anglo Saxon cultures.[5] Perhaps a closely monitored boss can be safely given a wider range of influence.

Leadership Implications

The responsibility of leadership puts incredible demands on the CEOs of the modern business era. They are seldom out of contact with their closest colleagues and assistants. But curiously, they sometimes seem to live in a type of “CEO Bubble” where communication is filtered through a number of people who through ignorance, error, or design distort information. The CEO will then make decisions using information that may not be pertinent to a problem or situation. At best the decisions are ineffective. At worst they are dangerous and potentially destructive. In the days when bosses spent more time on the factory floor and less time in an airplane or hotel there were other

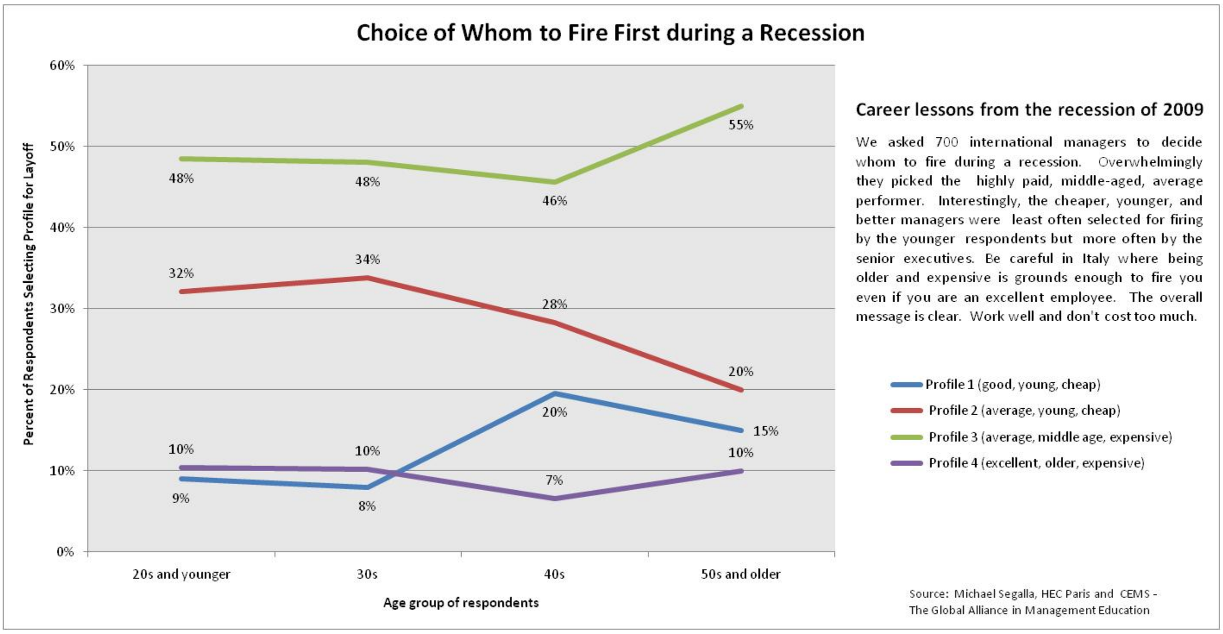
[5] *Hofstede, G.* (*1980*). *Culture's consequences*: *International differences in work-related values*. Newbury Park, CA: *Sage*.

sources of easily tapped data. Today, the enormous quantity of data can overload even the experienced decision-maker. This tends to strengthen the bubble around the CEO in the name of protection and time management.

Perhaps the HBR-HEC survey offers a less distorted reality check about the trust levels of managers. Downsizing, sharp restructuring, abrupt changes in strategy – often seemly required to protect the company in market downturns - eventually have an effect on morale. Intuitive leaders know that their troops need confidence as much as they need the courage to be successful. The most important role of a CEO is probably to inspire both employees and shareholders at the same time. What is the best way to achieve this outcome? Our ongoing research project will continue to focus on this question and you are invited to join the discussion on the HBR.org site. You may think you are backed into a wall with few options. But business leadership is truly earned by executives who can earn profits and take care of people.

Coming Soon

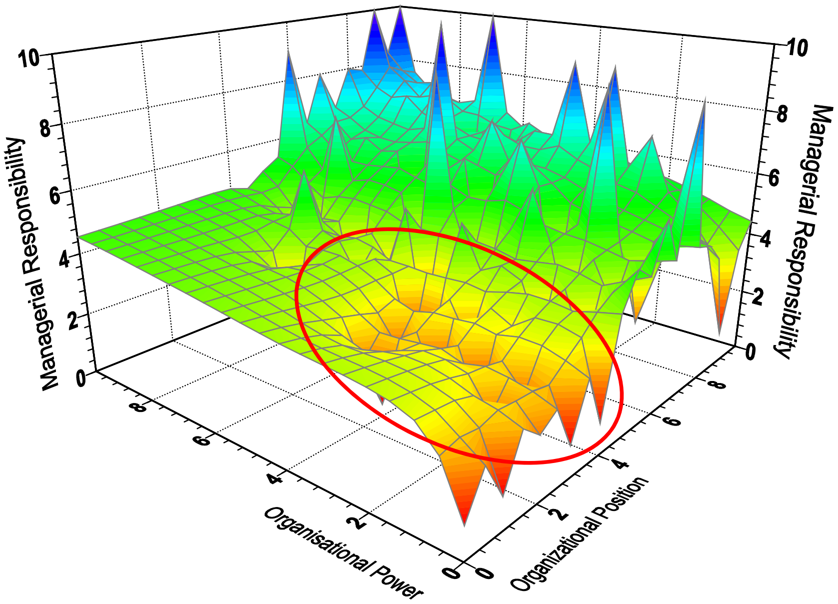
As we continue our analysis we will explore the rich dataset we collected. We will also report on two other aspects of the study, notably the apportionment of the recession adjustment pain among managers. We asked our respondents to select one of four prototypical employee profiles for firing. Without further explanation at this point here is a provocative chart of the executives' choices.



Additionally we will explore how managerial power and responsibility are distributed in firms. One CEO shared an experience he found exemplary. Coming across a gardener at another firm's large apartment complex the CEO asked what the worker did for the company. Without hesitation the man responded, "I am a leasing agent." and indeed he was since his work tending the plants and blossoming flowers played an important role in attracting tenants and closing the contract. Below is one type of analysis we will explore.

Executives need at least three things to be effective in their firms. First they need the wisdom that often comes with experience in their positions. Second, they need the organization authority and power to execute decisions. Finally, they need to accept that they are responsible for actively implementing the company's policies.

We measured these three requirements when surveying nearly 5,000 managers over the past few years. Here is one picture representing nearly three hundred managers from a single firm*.



Notice the blue peaks. These represent managers at higher organizational positions with varying levels of authority and influence who believe they are personally responsible for implementing company policies. Now notice the large number of depressions in this region. These represent managers who do not feel personally engaged to promote the company's policies. It appears evident that these employees somehow feel detached from the firm's destiny. The challenge for the company's top executives is to gain their active participation in the firm's future.

* The author is grateful for the contributions of Robert Adams at AIMM Consulting in collecting this data.