TRUST MATTERS

NEW LINKS TO EMPLOYEE RETENTION AND WELL-BEING

A 2011/2012 KENEXA® HIGH PERFORMANCE INSTITUTE WORKTRENDS™ REPORT

EXECUTIVE SUMMARY

In recent years, the issue of trust has gained popular media attention. Questions have been raised about trust in politicians, financial institutions and big corporations. This WorkTrends™ report seeks to understand the issue of trust from the perspective of the employee: Does trust matter to employees? Does a lack of trust have an effect on workers? Are some employees more willing than others to trust their leaders?

Research shows that 28 percent of employees actively distrust their leaders and 24 percent are undecided. Such levels of distrust have wide-ranging implications. In this report, trust is shown to be linked to turnover intentions, employee well-being and other important organizational outcomes. Potentially, the most striking thing about the findings of this research is just how important trust appears to be to employees—those who distrust their leaders are about nine times more likely to seriously consider leaving their organization.

There is evidence that improving levels of trust is not only likely to save money on hiring new staff, it may also reduce sickness and absence costs. Employees who distrust their leaders are seven times more likely to report they are mentally and physically unwell.

The report offers actions that senior leaders can take to affect trust levels, and reap the rewards that come from an honest working culture and highly engaged workforce.

ABOUT WORKTRENDS™ DATA

The 2011 WorkTrends survey provided the insights used in this report. More than 31,000 workers from 28 countries completed online questionnaires about workplace issues such as managerial and leadership effectiveness, senior management behavior, diversity practices, turnover intentions and job satisfaction.

For this report, we utilized a sub-sample of approximately 10,000 employees from the U.S. in 2011. More detail about WorkTrends can be found at the end of this report.

TRUST IN LEADERSHIP

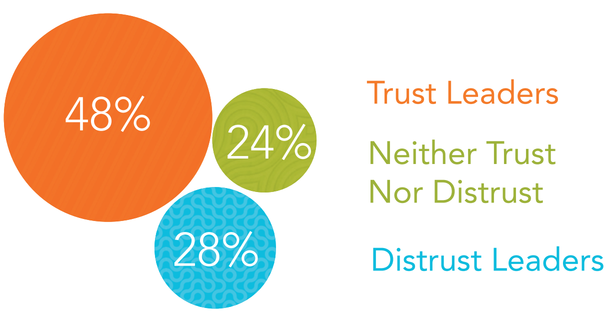
The most often cited definition of trust in the organizational science literature is offered by Mayer, Davis and Schoorman (1995), who define trust as:

> "The willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party" (p. 712).[1,2]

Simply put, trust requires a person to have reliance and confidence in the actions of another, with no guarantee that he/she will in return behave as desired. When applied to leadership, trust is an employee's willingness to take a risk for a leader with the expectation that, in exchange, the leader will behave in some desired way. For example, an employee may take a risk in remaining at an organization during lean times with the expectation that the leader will pull the organization out of the slump. That choice requires trust in leadership.

In 2011, levels of trust were variable (see Figure 1). While 48 percent of all employees in the WorkTrends survey trusted their leaders, 28 percent actively distrusted their leaders and 24 percent were undecided. Such significant levels of distrust demand attention by HR professionals as they have clear implications for retention, well-being and organizational performance.

FIGURE 1. THE PREVALENCE OF TRUST IN LEADERSHIP



THE FUNDAMENTAL ELEMENTS OF TRUST

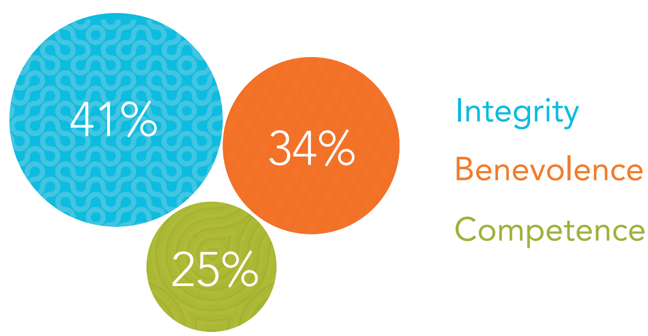
WorkTrends goes beyond simply asking employees whether they trust their leaders. It also provides an insight into the fundamental elements of what makes people trust one another. Trust is not an absolute quality. Rather, we trust others a little, a lot, completely, not at all or any number of variations in between. According to organizational scientists, what makes us trust or distrust people is largely a combination of three core determinants:

- Competence (Can they do the job?)
- Benevolence (Do they care about me?)
- Integrity (Are they honest?)

These three determinants together account for about 80 percent[3] of what make employees' trust their leaders.

To maximize the trust they receive from their employees, leaders should demonstrate all three qualities. However, some of these qualities are more important[4] than others to employees' trust in leadership (see Figure 2). Integrity is the most important at 41 percent, followed by benevolence at 34 percent, then competence at 25 percent. When the goal is to maximize trust, leaders must know how to do their jobs well, but it is even more important for them to be kind and honest with their employees.

FIGURE 2. RELATIVE IMPORTANCE OF BENEVOLENCE, COMPETENCE AND INTEGRITY TO TRUST IN LEADERSHIP

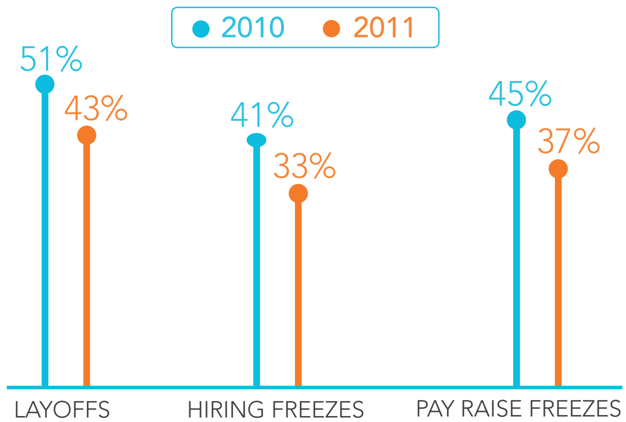


EMPLOYEES WHO TRUST LEADERS WANT TO STAY

With early signs of recovery appearing in many of the world's markets, HR professionals and business leaders are mindful of the need to retain top talent. This is reflected in the survey, where employees reported a decline in layoffs, hiring freezes and pay rise freezes since 2010 (see Figure 3). As more jobs become available, HR professionals are worrying about losing key talent—a valid concern given 19 percent of employees who have been identified as high-potentials are seriously considering leaving their organization.

[1] *Mayer, R. C., Davis, J. H., & Schoorman, F. (1995). An integrative model of organizational trust. Academy of Management Review, 32(2), 344-354.*
[2] *Trust in leadership was measured with the item "I trust the senior leaders of this organization," and was rated on a five-point agreement scale.*
[3] *Trust in senior leaders was regressed onto leader benevolence, competence, and integrity (R2 = .808, p < .05)*
[4] *Relative importance is defined as the relative weight, which approximates the squared standardized regression coefficient assuming uncorrelated predictors, and is expressed as the percent of* R^2

FIGURE 3. LAYOFFS, HIRING FREEZES AND PAY RAISE FREEZES



The WorkTrends 2011 survey results indicate that trust in leadership is important in retaining employees—employees who trust their leaders want to stay with their organization, while those who distrust their leaders are about nine times more likely to seriously consider leaving their organization.

Put another way, about half of all employees who distrust their senior leaders are seriously considering leaving their organization. Of those who do trust their leaders, only 14 percent are seriously considering leaving (see Figure 4).

FIGURE 4. TURNOVER INTENTIONS BY TRUST IN LEADERSHIP

Distrust Has Mental and Physical Consequences
The linkages between trust and employee behavior go beyond turnover intentions. The WorkTrends research shows that trust in leadership may also be important to employee well-being. Employees who distrust their leaders are seven times more likely to report they are mentally and physically unwell. This may be because employees who distrust their leaders experience greater work stress, and stress is directly linked to health through immune system functioning[5].

Employees who distrust their leaders are more likely to be stressed at work. In fact, the odds an employee who distrusts leadership will report unreasonable work stress are 15 times higher than the odds for an employee who trusts leadership. In other words, among employees who trust leadership only 13 percent report unreasonable stress, compared to 62 percent among employees who distrust leadership (see Figure 5).

FIGURE 5. STRESS BY TRUST IN LEADERSHIP

Trust Helps Employee Relations
Trust in leadership may also promote better organization-employee relations. The issue of trust is often discussed in union negotiations. Many employees value labor unions because they provide some control during organizational change, such as during layoffs. They may prevent layoffs from occurring in the first place (labor contracts), or offer support to layoff victims (job training, legal counseling).

While only 19 percent of employees in the U.S. are represented by a union, almost a quarter (23 percent) of non-union employees would vote in favor of unionizing their organization. However, some argue trust can act as a substitute for unions and other legalistic "remedies"[6]. In fact, employees who trust their leaders are four times less likely to vote in favor of unionization.

LEVELS OF TRUST AMONGST EMPLOYEES VARIES

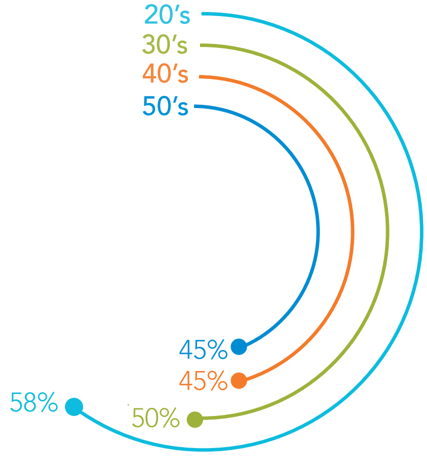
In addition to knowing what trust is and why it matters, it is useful to know whether certain groups of people tend to trust their leaders more or less than others. Once again, the WorkTrends data have some interesting insights. Knowing which employees are generally less trusting can help HR practitioners target interventions on these at-risk groups.

[5]*Segerstrom, S. C., & Miller, G. E. (2004). Psychological stress and the human immune system: A meta-analytic study of 30 years of inquiry. Psychological Bulletin, 130(4), 601-630.*
[6]*Sitkin, S. B., & Roth, N. L. (1993). Explaining the limited effectiveness of legalistic "remedies" for trust/distrust. Organization Science, 4(3), 367-392.*

Gender and Age

Some might expect gender differences, but the WorkTrends data reveal no difference between men and women in how likely they are to trust their senior leaders. Age is another matter; the percentage of people who trust in their leaders seems to decline with age (see Figure 6). It may have to do with the idealism of youth, but the odds that employees in their twenties trust leadership are double the odds that employees in their forties or fifties do so.

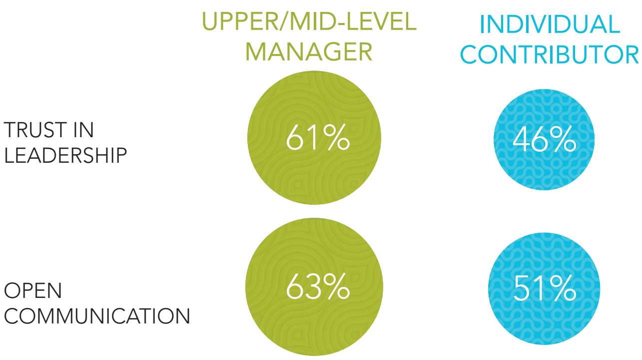
FIGURE 6. TRUST IN LEADERSHIP BY AGE GROUP



Upper Managers Trust More

Another intriguing difference in trust levels can be seen between managers and individual contributors. Upper and mid-level managers trust their leaders by 15 percentage points more than individual contributors. Do mangers know something rank-and-file employees don't? Perhaps managers benefit from more direct conversations with their leaders. In fact, these same managers feel there is open, honest two-way communication in their organization by 12 percentage points more than individual contributors (see Figure 7).

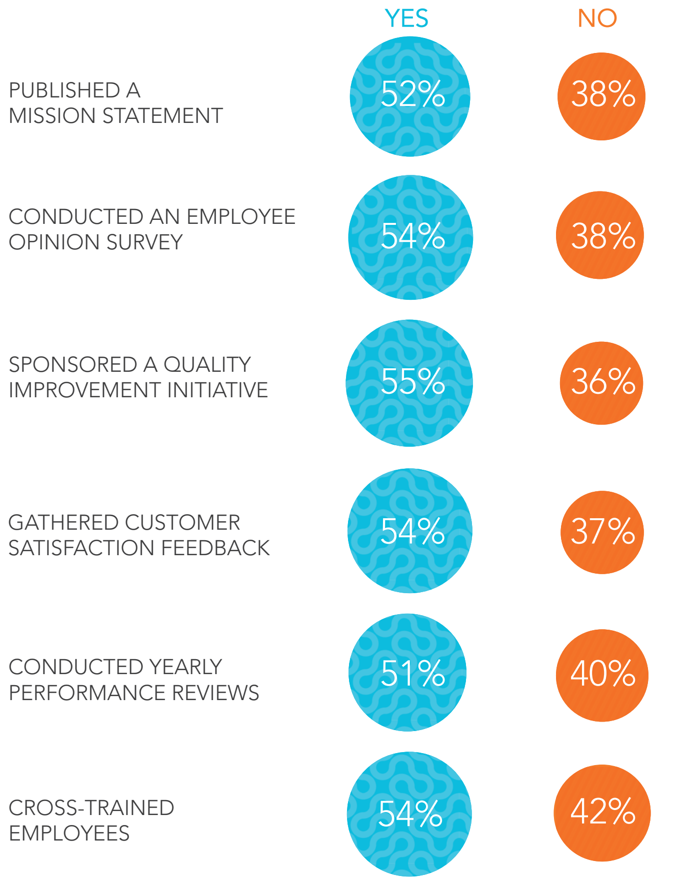
FIGURE 7. TRUST IN LEADERSHIP BY LEVEL



BEST PRACTICE LINK TO TRUST

Organizations that engage in established best practices have more employees who trust their leaders. On average, the percent of employees who trust their leaders is 15 percentage points higher when an organization engages in a single best practice (see Figure 8). In fact, the odds that an employee trusts senior leadership doubles if the organization has published a mission statement, conducted an employee opinion survey, sponsored a quality improvement initiative, gathered customer satisfaction feedback, conducted yearly performance reviews, or cross-trained employees. Further, the more of these best practices an organization engages in, the more trusting employees become of leadership[7]. In organizations that use all of these best practices, the odds an employee trusts leadership are six times higher than in organizations that do not engage in any best practices.

FIGURE 8. TRUST IN LEADERSHIP BY BEST PRACTICES



[7] *$r = .26$, $p < .05$*

WHAT CAN LEADERS DO?

Leaders themselves are poised to make the greatest impact on their employees' trust. Leaders should be honest, do what they say they're going to do and treat people fairly. They should connect with employees on a personal basis—this may be as simple as shaking employees' hands once in a while. Leaders should listen to employees when they have problems, and show they're concerned. Leaders should share their successes, which promotes trust by helping employees feel their leaders are performing well. It isn't enough for a leader to be benevolent, competent and honest; employees must also perceive them to be so. Leaders need to actively manage how they are perceived by their employees.

Fundamentally, one of the easiest ways to cultivate employee trust in leaders is for leaders to trust their employees[8].

ABOUT THE WORKTRENDS SURVEY

The WorkTrends survey, administered annually or bi-annually since 1985, is the data collection machine that serves two purposes: To fuel research efforts within the Kenexa® High Performance Institute (KHPI) and to populate one of the normative databases for Kenexa's client use.

In 2011, the WorkTrends survey was taken online by approximately 10,000 individuals in the U.S., and about 1,000 individuals in each of the following countries: Argentina, Australia, Brazil, Canada, China, Denmark, Finland, France, Germany, India, Italy, Japan, Mexico, The Netherlands, Russia, South Africa, Spain, Sweden, Switzerland, Turkey and the United Kingdom. Samples of around 400 employees were collected from Indonesia and Korea. For these countries, and as the general rule, employees who work full-time at an organization larger than 100 staff members were allowed to take the survey. Three countries from the Gulf Co-op Council (GCC) countries of the Middle East were also surveyed, though to a lesser extent due to surveying limitations in that region of the world. The GCC countries include the Kingdom of Saudi Arabia (KSA), United Arab Emirates (UAE) and Qatar. In the GCC Region, the criterion for inclusion was dropped to full time workers in organizations that employ more than 25 employees to maximize sample size.

The survey has 141 items that ask employees about workplace issues, such as managerial effectiveness, senior management behavior, diversity practices, turnover intention and job satisfaction. Of the questions asked, 21 are about organizational and job structures, and organizational phenomena, such as the incidence of layoffs or off-shoring. Thirty demographic questions are also asked, including questions about gender, age, job type, industry and organizational size.

The WorkTrends items allow Kenexa clients to compare their own survey responses to those of a larger, representative population. WorkTrends norms are unique in the survey industry in that they are truly normative data—they are not derived from other clients, but from a random sample of the working population. In addition, questions identifying high performing organizations have been embedded, allowing clients to compare themselves to those who excel. Clients can also choose to compare themselves with others in their same industry.

Using the WorkTrends database, the Kenexa High Performance Institute is able to provide customized research reports on the issue of trust and many other employee-related matters for selected geographies, job types, industries, demographics and much more.

For more information about WorkTrends and the Kenexa High Performance Institute, please visit www.khpi.com.

To find out more about Kenexa's products and services, please email contactus@kenexa.com or visit www.kenexa.com.

[8] *Fisher, L. (2008). Rock, paper, scissors: Game theory in everyday life. New York, NY: Basic Books*