A new model explains the mental calculations people make before choosing to trust someone.

The Decision to Trust

by Robert F. Hurley

Roughly half of all managers don't trust their leaders. That's what I found when I recently surveyed 450 executives of 30 companies from around the world. Results from a Golin-Harris survey of Americans back in 2002 were similarly bleak: 69% of respondents agreed with the statement "I just don't know who to trust anymore." In that same year the University of Chicago surveyed 800 Americans and discovered that more than four out of five had "only some" or "hardly any" confidence in the people running major corporations. Granted, trusting corporate leaders in the abstract is different from trusting your own CEO, and some companies and executives are almost universally considered trustworthy; but the general trend is troubling.

It's troubling because a distrustful environment leads to expensive and sometimes terminal problems. We hardly need reminding of the recent wave of scandals that shattered the public's faith in corporate leaders. And although you'll never see a financial statement with a line item labeled "distrust," the WorldCom fiasco underscores just how expensive broken trust can be. When I teach executive seminars on trust, I ask participants to describe how a working environment feels when it is characterized by low levels of trust. The most frequent responses include "stressful," "threatening," "divisive," "unproductive," and "tense." When asked how a high-trust work environment feels, the participants most frequently say "fun," "supportive," "motivating," "productive," and "comfortable." Clearly, companies that foster a trusting culture will have a competitive advantage in the war for talent: Who would choose to stay in a stressful, divisive atmosphere if offered a productive, supportive one?

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It is crucial, then, for managers to develop a better understanding of trust and of how to manage it. I define trust as confident reliance on someone when you are in a position of vulnerability. Given the pace of change in organizations today – mergers, downsizing, new business models, globalization – it is not surprising that trust is an issue. Fortunately, 50 years of research in social psychology has shown that trust isn't magically created. In fact, it's not even that mysterious. When people choose to trust, they have gone through a decision-making process – one involving factors that can be identified, analyzed, and influenced.

This article presents a model that sheds light on how the decision to trust is made. (We will ignore the extremes of complete trust based on blind faith and total distrust based on paranoia, and focus instead on the familiar situation in which uncertainty, possible damage, and multiple other reasons to trust or distrust are combined.) By understanding the mental calculations behind the decision whether or not to trust, managers can create an environment in which trust flourishes.

A Model for Trust

Building on the social psychologist Morton Deutsch's research on trust, suspicion, and the resolution of conflict, and on my own experience over the past 15 years consulting with organizations and executives on trust, I developed a model that can be used to predict whether an individual will choose to trust or distrust another in a given situation. (See the exhibit "To Trust or Not to Trust?") I have tested this model, which identifies ten factors at play in the decision-making process, with hundreds of top executives. Using it, they were able to identify relationships that would benefit from greater trust and to diagnose the root causes of distrust. Armed with that knowledge, they took concrete steps that made it easier for others to place confidence in them.

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Decision-maker factors. The first three factors concern the decision maker himself: the "truster." These factors often have little to do with the person asking for trust: the "trustee." They are the result of a complex mix of personality, culture, and experience.

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Risk tolerance. Some people are natural risk takers; others are innately cautious. How tolerant people are of risk has a big impact on their willingness to trust – regardless of who the trustee is. Risk seekers don't spend much time calculating what might go wrong in a given situation; in the absence of any glaring problems, they tend to have faith that things will work out. Risk avoiders, however, often need to feel in control before they place their trust in someone, and are reluctant to act without approval. Not only do they not trust others, they don't even trust themselves. Research by the organizational anthropologist Geert Hofstede suggests that at some level, culture influences risk tolerance. The Japanese, for instance, tend to have a lower tolerance for risk than Americans.

Level of adjustment. Psychologists have shown that individuals vary widely in how well adjusted they are. Like risk tolerance, this aspect of personality affects the amount of time people need to build trust. Well-adjusted people are comfortable with themselves and see the world as a generally benign place. Their high levels of confidence often make them quick to trust, because they believe that nothing bad will happen to them. People who are poorly adjusted, by contrast, tend to see many threats in the world, and so they carry more anxiety into every situation. These people take longer to get to a position of comfort and trust, regardless of the trustee.

For example, Bill, a senior vice president at a major financial services firm, was a poorly adjusted person who always operated in "high alert" mode. He micromanaged his direct reports, even his most talented ones, because he couldn't feel secure unless he was personally involved in the details. His inability to delegate had little to do with the trustees and everything to do with his own nature; he regularly chose suspicion over trust because he saw even the slightest mistake as a potential threat to his reputation.

Relative power. Relative power is another important factor in the decision to trust. If the truster is in a position of authority, he is more likely to trust, because he can sanction a person who violates his trust. But if the truster has little authority, and thus no recourse, he is more vulnerable and so will be less comfortable trusting. For instance, a CEO who delegates a task to one of her vice presidents is primarily concerned with that person's competence. She can be reasonably confident that the VP will try to serve her interests, because if he doesn't, he may face unpleasant repercussions. The vice president, however, has little power to reward or sanction the CEO. Therefore, his choice to trust the CEO is less automatic; he must consider such things as her intentions and her integrity.

Situational factors. The remaining seven factors concern aspects of a particular situation and of the relationship between the parties. These are the factors that a trustee can most effectively address in order to gain the confidence of trusters.

Security. Earlier we dealt with risk tolerance as a personality factor in the truster. Here we look at the opposite of risk–security–as it relates to a given situation. Clearly, not all risks are equal. An employee who in good times trusts that his supervisor will approve the funding for his attendance at an expensive training program might be very suspicious of that same supervisor when the company is making layoffs. A general rule to remember: The higher the stakes, the less likely people are to trust. If the answer to the question "What's the worst that could happen?" isn't that scary, it's easier to be trustful. We have a crisis of trust today in part because virtually nobody's job is truly secure, whereas just a generation ago, most people could count on staying with one company throughout their careers.

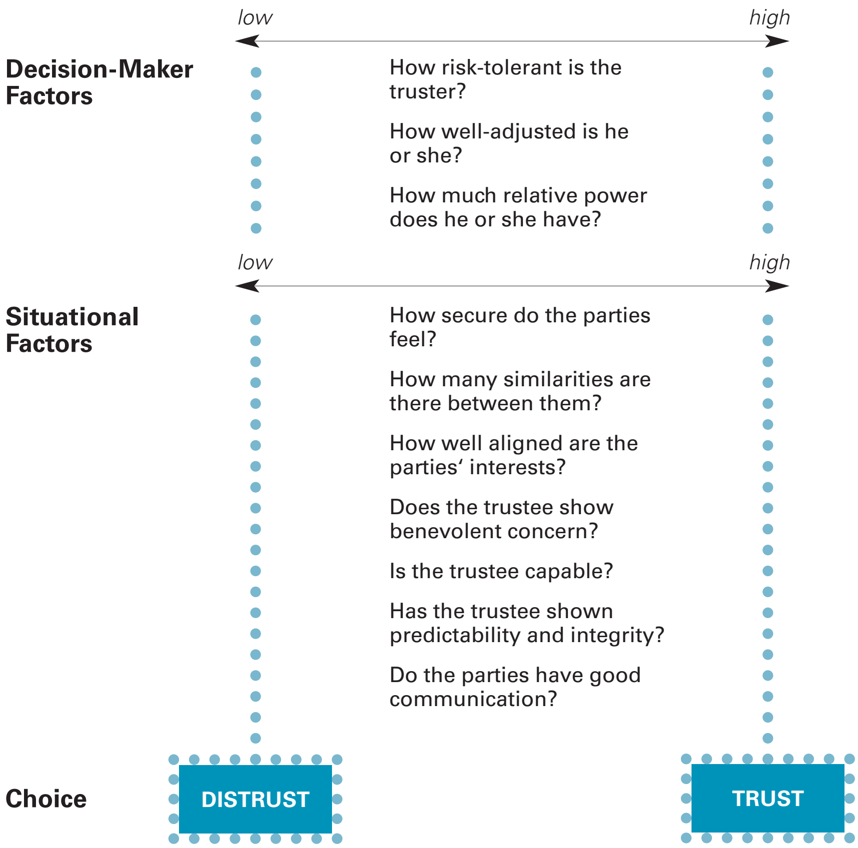
Number of similarities. At heart we are still quite tribal, which is why people tend to more easily trust those who appear similar to themselves. Similarities may include common values (such as a strong work ethic), membership in a defined group (such as the manufacturing department, or a local church, or even a gender), and shared personality traits (extroversion, for instance, or ambition). In deciding how much to trust someone, people often begin by tallying up their similarities and differences.

Imagine that you are looking to hire a consultant for a strategy assignment. The first candidate walks into your office wearing a robe; he speaks with an accent and has a degree from a university you've never heard of. When you meet the second candidate, she is dressed very much like you and speaks as you do. You learn that she also attended your alma mater. Most people would feel more comfortable hiring the second candidate, rationalizing that she could be counted on to act as they would in a given situation.

That's partly why companies with a strong unifying culture enjoy higher levels of trust–particularly if their cultural values include candor, integrity, and fair process – than companies without one. A good example of this is QuikTrip, a convenience store chain with more than 7,000 employees, which has been named to *Fortune*'s 100 Best Companies to Work For in each of the past four years. One of the company's bedrock values is do the right thing–for the employee and for the customer. This meaningful and relevant shared value serves as a foundation for an exceptionally strong culture of trust. On the flip side, a lack of similarities and shared values explains why, in many organizations, the workaholic manager is suspicious of his family-oriented employee, or the entrepreneurial field sales group and

To Trust or Not to Trust?

When deciding whether to trust someone, people weigh ten basic factors. Three relate to the decision maker alone – the "truster" – and seven reflect the specific situation involving him or her and the person asking for trust – the "trustee." The more factors that score on the high end of the scale, the more likely the decision maker is to choose trust.



the control-oriented headquarters never get along: It's more difficult to trust people who seem different.

Alignment of interests. Before a person places her trust in someone else, she carefully weighs the question "How likely is this person to serve my interests?" When people's interests are completely aligned, trust is a reasonable response. (Because both the patient and the surgeon, for instance, benefit from a successful operation, the patient doesn't need to question the surgeon's motives.) A fairly unsophisticated leader will assume that everyone in the organization has the same interests. But in reality people have both common and unique interests. A good leader will turn critical success factors for the company into common interests that are clear and superordinate.

Consider compensation policies. We've all heard of companies that have massive layoffs, drive their stock prices up, and reward their CEOs with handsome bonuses – in the same year. It's no wonder that so many employees distrust management. Whole Foods Market, by contrast, has a policy stating that the CEO cannot make more than 14 times the average employee's salary; in 2005 CEO John Mackey forfeited a bonus of $46,000. That policy helps demonstrate to workers that the CEO is serving the best interests of the company, not only his own. Aligned interests lead to trust; misaligned interests lead to suspicion.

This factor also operates on a more macro-organizational level. In "Fair Process: Managing in the Knowledge Economy" (HBR July–August 1997), W. Chan Kim and Renée Mauborgne described how a transparent, rigorous process for decision making leads to higher levels of organizational trust. Opaque decision-making processes, which may appear to serve special interests whether they do or not, breed distrust.

Benevolent concern. Trust is an issue not because people are evil but because they are often self-centered. We've all known a manager whom employees don't trust because they don't believe he will fight for them. In other words, he has never demonstrated a greater concern for others' interests than for his own. The manager who demonstrates benevolent concern – who shows his employees that he will put himself at risk for them – engenders not only trust but also loyalty and commitment.

Aaron Feuerstein, the former CEO of Malden Mills, represents an extreme example of benevolent concern. In 1995 a fire destroyed his textile mill in Lawrence, Massachusetts, which had employed some 3,200 people. He could have taken the insurance money and moved his manufacturing overseas. Then 70, he could have retired. Instead Feuerstein promised his workers that he would rebuild the mill and save their jobs, and he kept them on the payroll. Feuerstein's benevolent concern for his employees, despite the cost to himself, gained their trust. Unfortunately, it lost the trust of his banks, which probably would have preferred that more benevolent concern be directed toward them. The resulting debt eventually forced the company to file for bankruptcy protection. This points to a real challenge in managing trust: how to balance multiple and sometimes competing interests.

Capability. Similarities, aligned interests, and benevolent concern have little meaning if the trustee is incompetent. (If you're going to have surgery, you're probably more concerned about your surgeon's technical skills than about how much the two of you have in common.) Managers routinely assess capability when deciding to trust or delegate authority to those who work for them.

Capability is also relevant at the group and organizational levels. Shareholders will be suspicious of a board of directors that can't establish reliable processes for compensating CEOs fairly and uncovering unethical behavior. A customer will not trust a firm that has not demonstrated a consistent ability to meet his or her needs.

Predictability and integrity. At some point in the trust decision the truster asks, "How certain am I of how the trustee will act?" A trustee whose behavior can be reliably predicted will be seen as more trustworthy. One whose behavior is erratic will be met with suspicion. Here the issue of integrity comes into play – that is, doing what you say you will do. Trustees who say one thing but do another lack integrity. The audio does not match the video, and we are confused as to which message to believe. The result is distrust.

In my executive-coaching work, I have seen some managers consistently overpromise but underdeliver. These people are well-intentioned, and they care passionately about their work, but their enthusiasm leads them to promise things they simply cannot produce. Despite their hard work and good intentions, colleagues don't trust them because of their poor track records.

Take the case of Bob, the managing partner of a global consulting firm. Bob was a creative and strategic thinker who was well liked by everyone. He had good intentions and had demonstrated benevolent concern for employees. But the other partners in the firm did not trust Bob, because he often failed to deliver what he had promised when he had promised it. Despite his good intentions, people in the firm said that any project that relied on Bob was in a "danger zone." With time and coaching, Bob learned to delegate more and to live up to his commitments. But the point here is that when a person fails to deliver, he's not just missing a deadline; he's undermining his own trustworthiness.

Level of communication. Because trust is a relational concept, good communication is critical. Not surprisingly, open and honest communication tends to support the decision to trust, whereas poor (or no) communication creates suspicion. Many organizations fall into a downward spiral: Miscommunication causes employees to feel betrayed, which leads to a greater breakdown in communication and, eventually, outright distrust.

Consider how the Catholic Church handled allegations of sexual abuse by priests in the Boston area. Cardinal Bernard Law failed to openly communicate the nature and scope of the allegations. When the details emerged during legal proceedings, parishioners felt betrayed, and trust was destroyed. The word "cover-up" was frequently used in the media to describe Law's response to the crisis. His lack of candor caused people to feel that the truth was being obscured at the expense of the victims.

Around that time I witnessed an example of excellent communication within the same Catholic Church. I sat with my family one Sunday while, in an agonizingly uncomfortable homily, a priest confessed from the altar that he had had an inappropriate encounter 20 years earlier with a woman employed by the parish. He acknowledged his mistake, talked about how he had dealt with the issue, and asked for forgiveness. Over time his parishioners came once again to regard him as a trusted spiritual leader. His offense was less serious than Law's, but his story shows that honest communication can go a long way toward building or repairing relationships and engendering trust. To some degree, one person's openness induces openness in others, and the decision to put faith in others makes it more likely that they will reciprocate.

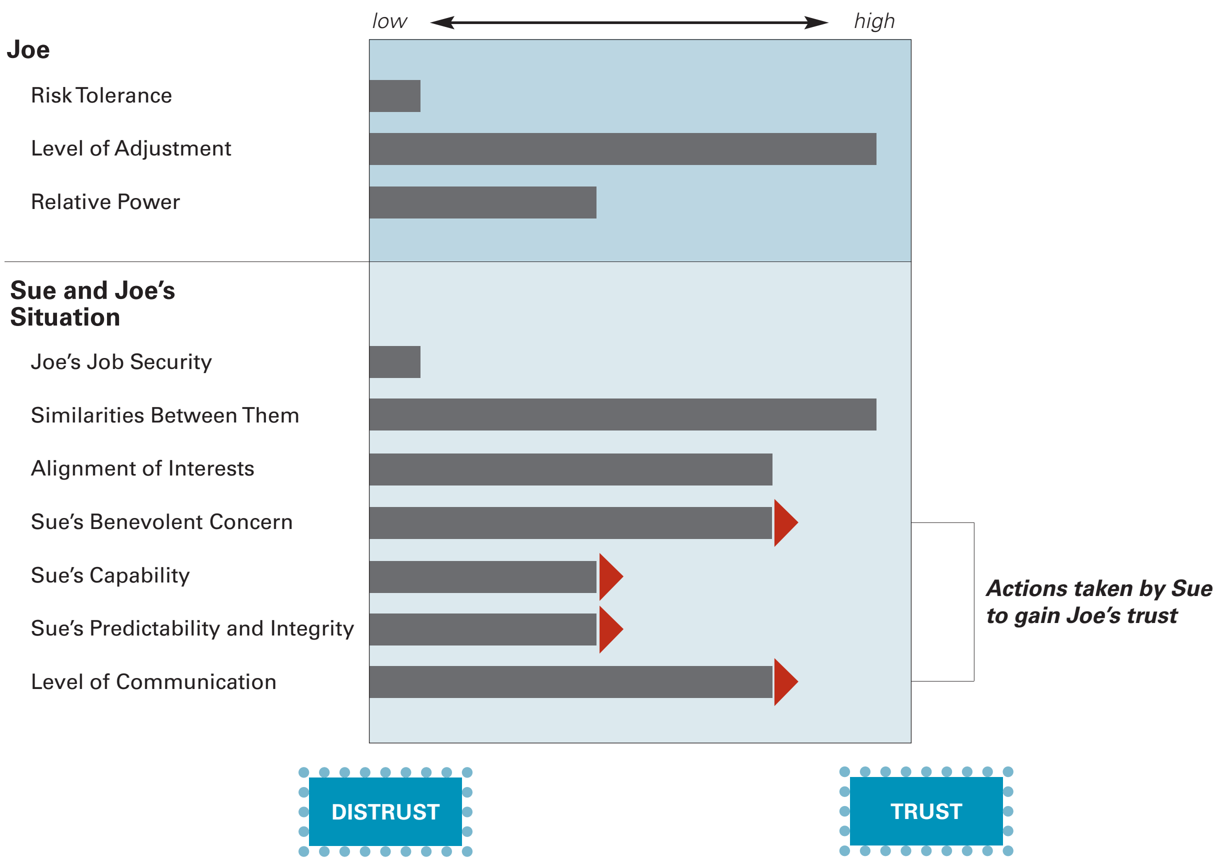
Managing with the Trust Model

Once these ten factors are understood, executives can begin managing trust in their own relationships and within their organizations.

Consider the example of Sue and Joe, a manager and her direct report in a

Trust Intervention: Sue and Joe

Sue, a VP of sales, needed to make some personnel changes in her department. Joe, her direct report, wasn't inclined to trust Sue, because the company was going through a turnaround and he feared for his job. Moreover, since she was relatively new to the company, he couldn't predict what she would do or gauge how capable she was. Sue used the trust model to identify what she could do to change Joe's feelings. By getting approval from her own boss for alternate positions for Joe, for instance, she demonstrated capability in finding solutions. And by empathizing with Joe's feeling of insecurity and openly discussing his options with him, she demonstrated both benevolent concern and increased communication. The result was that Joe found it easier to place his faith in Sue.



Fortune 500 consumer goods company that was in the midst of a major turnaround. Sue, a relatively new VP of sales, wanted to make some aggressive personnel moves in response to pressure from her boss to improve performance. Joe, one of Sue's employees, was three years shy of his retirement date. He had been a loyal employee for 17 years and had been successful in previous staff roles. Recently, however, he had taken on a new job as a line manager in sales and was not performing well. In fact, Sue's boss had suggested that it was time to move Joe out.

Joe was a confident person (high level of adjustment), but he knew that he was in the wrong job and wanted to find a different way to contribute (high alignment of interests with Sue). He was concerned about how candid to be with Sue, because he was afraid of being terminated (low risk tolerance and low security). And because Sue was a new VP, Joe was uncertain whether she was the decision maker and had any real control (low predictability and low capability).

As the situation originally stood, Joe wasn't inclined to trust his manager; there were too many risks and uncertainties. The trust model helped Sue identify what she could do to change the situation and create a climate of trust afterward. (See the exhibit "Trust Intervention: Sue and Joe.") Sue and I realized, for instance, that we could do little to raise Joe's tolerance for risk. Cautious by nature, he was genuinely–and quite rightly–fearful of losing his job. So I encouraged Sue to demonstrate greater benevolent concern: to have a candid but supportive conversation with Joe and give him time to go through a self-discovery process using an outside consultant. After that process, Joe requested a transfer. I also coached Sue to work with her boss to gain approval for some alternate options for Joe, thus increasing her capability and predictability in Joe's eyes. In addition, Sue began communicating more frequently and openly to Joe about his options in the organization and was sincerely empathetic about how this career uncertainty would affect him and his wife – showing still more benevolent concern. Eventually Joe was moved into a more suitable position. He wasn't shy in sharing his positive feelings about the whole process with his former colleagues, who still reported to Sue. As a result, those people were more apt to place their faith in her, and trust increased in the department even though it was experiencing major change.

The trust model can also be applied on a broader, organizational scale. Consider the situation at Texaco in the 1990s. In 1994 a group of minority employees filed a racial-discrimination suit against the oil giant, charging that black employees were being paid less than white employees for equal work. Two years later tensions reached a crisis level when senior Texaco executives were secretly recorded denigrating black workers. It's safe to say that among black workers, trust in their company's executives bottomed out. Then-chairman and CEO Peter Bijur recognized the graveness of the situation and knew he needed to act quickly to repair the broken trust.

Bijur started by hiring outside counsel to investigate the matter; bringing in a neutral third party alleviated any suspicions that conflict of interest would taint the investigation. He also created a special board of directors committee, which was charged with evaluating the company's diversity training. That step demonstrated that Texaco placed a high value on diversity. New diversity and sensitivity training led to a corporate culture built on shared values. Those who didn't belong – specifically, the senior executives heard speaking offensively on the tape – were terminated, suspended, or had their retirement benefits cut off. To make the company's actions more predictable for employees,

Practical Ways of Managing Trust

If this factor is low…	then you should:
Risk Tolerance	Spend more time explaining options and risks. Evaluate processes and results separately; recognize excellent work regardless of the outcome. Offer some sort of safety net.
Level of Adjustment	Be patient; it simply takes longer to build trust with some individuals. Try to enhance confidence by recognizing achievements and by correcting failures through coaching rather than harsh discipline.
Relative Power	Provide choices when possible; avoid being coercive. Communicate that leadership decisions aren't made arbitrarily by explaining how they serve organizational interests.
Security	Find ways to temper the risk inherent in the situation. Expect to invest time in raising comfort levels.
Number of Similarities	Use the word "we" more and the word "I" less. Emphasize what you have in common (values, membership, and so on).
Alignment of Interests	Be clear yourself about whose interests you are serving. Take others' interests into account and find a way to accommodate them where possible. Focus on the overarching strategy, vision, and goals. Shape a culture that reinforces doing the right thing for the enterprise.
Benevolent Concern	Take actions that demonstrate a genuine concern for others. Serve others' interests even if, on occasion, you bear some loss (and find a tasteful way to show that–by your choice–they gained more than you did). Engage in fair process.
Capability	Find ways to demonstrate competence in carrying out the task at hand. Acknowledge areas of incompetence and compensate by sharing or delegating responsibility.
Predictability and Integrity	Underpromise and overdeliver. If you can't fulfill your promises, explain why honestly. Describe the values that drive your behavior so that others see consistency rather than randomness.
Level of Communication	Increase the frequency and candor of your communications. Build a relationship beyond the constraints of your respective roles–for example, by going out to lunch or playing golf.

Bijur hired a respected judge to evaluate Texaco's HR policies, and the company changed those that were deemed unfair or not transparent. Moreover, senior executives were sent to all company locations to apologize for the humiliation to which black workers had been subjected. These meetings not only demonstrated benevolent concern but also opened up lines of communication between skeptical employees and top management.

Collectively, these actions made it easier for disillusioned workers to place their faith in the company again. Trust wasn't restored overnight – there's no quick fix for broken faith–but concerted efforts to correct the sources of distrust eventually paid off. In 1999 Bijur received an award from a national African-American group for commitment to diversity, and in 2000 Texaco received praise from SocialFunds.com for being a "model for challenging corporate racism."

Broken trust can be mended over time if leaders consistently engage in the right behaviors. The exhibit "Practical Ways of Managing Trust" identifies some behaviors that are particularly effective.

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Trust is a measure of the quality of a relationship – between two people, between groups of people, or between a person and an organization. In totally predictable situations the question of trust doesn't arise: When you know exactly what to expect, there's no need to make a judgment call. The turbulence of outsourcing, mergers, downsizing, and changing business models creates a breeding ground for distrust.

Leading in such an environment requires acting in ways that provide clear reasons to decide to trust. There is no returning to the days when organizations expected–and received–unconditional loyalty from employees. But by using this model, you may be able to create a more dynamic and sustainable foundation for productive relationships.

Reprint R0609B; HBR OnPoint 1056
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