

When Trust is Missing

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"No amount of emails will make up for a lack of trust between people."

"We can each buy the latest and greatest software, hard technology and handheld communication devices for our employees. It simply means we have the table stakes to play in our increasingly competitive marketplace. Trust among our people provides a true competitive advantage. With trust comes teamwork, no holds barred communication and idea exchange which leads to better product and market decisions that are done faster than our competition. Trust translates into improving our bottom line. "

Trust is imperative in building an adaptive, competitive business. Trust contributes to performance. Where trust doesn't exist, performance of people and their organization suffers.

Why is trust imperative? Trust means accepting and exploring differences rather than reacting defensively. Trust encourages problem solving and creative thinking rather than bargaining for position and quick compromise. When trust exists, openness and idea exchanges occur, people are willing to listen to others and focus on common goals or respect each other's interests in reaching their own goals. In short, trust is fundamental for effective and timely decisions and actions every organization big or small must take to survive in a rapidly changing, intensely competitive environment. To show how to build trust, let's look at three cases.

Case 1: Lawton Stores

Lawton Stores is a small chain of ice cream stores. Sam founded Lawton Stores 16 years ago and now has three stores in a major metropolitan area. He had turned a profit 10 years ago and has continued to make money ever since. Because he had little business management experience, Sam hired Richard as VP to help expand into other geographic areas. Richard had spent 22 years in food distribution and franchising. Sam and Richard began their relationship by talking frequently with each other. However, neither were good listeners and they ended up, on many issues, not really understanding each other.

For example, Richard thought Sam should aggressively expand his business. Sam, who in general agreed with the need to expand, felt he needed to do it slowly; he was conservative, and he did not want to make a mistake. In spite of Sam's resistance, the new vice president prevailed and acquired two stores in nearby cities. To run the new stores, Richard brought in people he had worked with in the past. Sam saw Richard as now trying to change the direction of Lawton Stores.

Sam felt Richard did not understand what made Lawton Stores successful. When Richard raised a

question as to why a certain syrup supplier was chosen, Sam perceived this as Richard's attempt to switch to another syrup supplier that he had used in the past. Sam felt he could not trust Richard. Not wanting to lose control of the expansion plans, he decided to restrict information from Richard. As a result, Richard felt undermined and that Sam resisted change. Richard was determined to prove the value of his background and skills so he continued to push plans for new stores and new personnel.

Case 2: The Macrotech Company

The Macrotech Company is a four year-old company that was started by two men who left another firm. Joe and Dan had both worked in a much larger company, running sales and operations, respectively. In conversation around the water cooler, they discovered that both had thoughts about leaving the firm. Both had excellent positions but were dissatisfied with certain aspects of the company. They believed they were not being involved in decision making and felt that the reward system compensated top managers out of proportion to the pay for the hard working, middle managers. After nine months of planning, they left and formed the Macrotech Company. Joe, as president, was responsible for sales and outside activities. Dan, senior vice president, managed the internal operations.

The new company was immediately successful and within six months a number of people were hired. Furthermore, Joe and Dan carefully avoided things they did not like in the old firm. This led to an openness and a give-and-take on all issues that fostered a high level of energy and enthusiasm from the new hires. Within two years, the Macrotech Company grew to 25 employees. However, all was not well.

Joe began to see Dan as being too cautious, to the point that it was slowing down growth. Meanwhile, Dan saw Joe as thinking only about orders and building backlog, driven by a desire for more and more sales orders. In meetings, the two would usually take opposite sides.

Gradually, their employees, noticing the split, began to take sides. The operations people agreed with Dan, and the sales and service employees tended to agree with Joe on most issues. Seemingly endless discussions resulted in decisions that were often not carried out because people would later return to their side of the issue after the meetings. Communication between Joe and Dan often resembled trial lawyers questioning each other and finding fault with the other's information.

In the middle of the second year, communication between Joe and Dan was reduced to e-mails only. They found that the energy and time spent trying to work with each other was just too draining. Sides had been chosen. What the two sides shared were offices and suspicions of one another. There was little sharing of ideas and little joint problem solving between the two groups. As a result, the company was stalemated on such important issues as company direction and strategy, and even on matters of marketing and product development.

Case 3: Williamson Brick Company

The Williamson Brick Company had been operating for 26 years. Jack, the president, had run it for the past 12 years. The 47 employees respected Jack. He provided leadership and was seen as the single individual who set the direction and positive tone for the company. It was a good place to work. Turnover was low and people were productive.

Kevin was the operations manager. He had an engineering degree and was responsible for brick making. He was very knowledgeable from a technical standpoint but was not particularly well-endowed with people skills. Kevin had worked for Williamson Brick Company for six years. He worked hard and was dedicated to Williamson Brick. He would often stay after hours to try new ways to fire the special kind of brick Williamson Brick made. After several years of experimentation he found an additive for the brick firing process that made the bricks more consistent in color. Scrapped bricks declined to almost none and costs were reduced.

As a consequence, the Williamson Brick Company's business grew rapidly. As a reward, Jack promoted Kevin to senior vice president and made him responsible for all areas except the two sales departments – construction and retail. Thirty-two of the 46 employees were under him. After an initial honeymoon, problems appeared.

Jack discovered that Kevin wanted to do things his way, with little regard for past practices. Kevin insisted he could improve things "like I did with the new brick formula." He would pry into everything, give orders, and offend people who were used to working for Jack. Soon Jack realized Kevin was not telling him all the facts about his areas of responsibility, and would take credit for things others had done. Meanwhile Kevin felt that Jack and his peers were jealous of his contribution and trying to isolate him.

Attempts by Jack and others to work more closely with Kevin failed. Jack encouraged other managers to try to work with Kevin, but Kevin used these opportunities to lecture them on how they could do things better. After months of frustration, first Jack and then others started to bypass Kevin. Important meetings were held when Kevin was out, and he would be omitted on e-mails.

In reaction to the perceived distance between himself and others, Kevin became more strident and argumentative. The strain among top managers became quite visible and affected negatively the people at lower levels. They, in turn, became disenchanted with their top managers, and this caused their communications and productivity to decline.

The Path of Deterioration

Problems of mistrust in small businesses are often the result of misunderstandings based on well-intentioned but ill-conceived assumptions. Deterioration to mistrust and poor teamwork follows a common pattern. At first, each party tries to convince the other that he or she is correct. This usually gets nowhere because neither side is really listening to the other.

With increasing frustration, one or the other party often shifts and becomes more aggressive,

pushing the other *party* to change. We saw this when Richard tried to push Sam to expand more aggressively. Joe and Dan tried to push each other to resolve issues of corporate policy. Kevin tried to push Jack to change his ways.

When this fails - which it usually does, because neither is open to the influence of the other - the parties begin to avoid each other and resort to e-mails when some communication is necessary. Sam and Richard stopped communicating; Joe and Dan did the same thing even though their offices were within 20 feet of each other; Kevin and Jack communicated with each other through third parties and e-mails.

Finally, as a way of justifying his own behavior, one party perceives the other as trying to undermine or overpower him. Richard saw Sam trying to undermine him by not giving him the information needed. Sam saw Richard as trying to overpower him by opening new stores which put the reputation of the business at stake. Joe and Dan perceived the other to be undermining by not sharing ideas and by circulating rumors about each other. Jack and Kevin saw each other as undermining by not sharing information and using others to gain influence.

In none of these cases did one party check what was actually going on with the other. Misunderstandings, misconnections and miscommunications led to mistrust. As a consequence, the performance of each organization suffered.

The common signs of deterioration:

The three cases demonstrate common symptoms of a deteriorating relationship and mistrust.

Communication breakdown In all three cases we saw communication deteriorate as people began to question each other's motives. Communication between Sam and Richard, both written and face-to-face, was all but eliminated. Between Joe and Dan, the two people who had been close friends, the communication ground to a halt. The communication between Jack and Kevin in the Williamson Brick Company turned into lectures and then was sharply reduced.

Sides form The second symptom is formation of sides. In the first situation, people rallied behind Sam in his stand against Richard. Meanwhile, the new VP brought in his own people from the outside who were his allies and supporters. In the Macrotech Company, sides lined up behind Joe and Dan. In the Williamson Brick Company, sides were set between Jack and the old staff, and Kevin.

Avoidance behavior The third sign is that the sides end up trying to work around each other. Richard went around Sam when he brought in more outsiders to staff the new stores. Joe and Dan ended up sharing facilities and staff, but not plans, ideas or information even though they were responsible for the same business. In the third case, Kevin worked around Jack by using his authority to get things that would have been more easily handled through direct communication with Jack or his staff.

Different agendas The fourth element appears when each party sees the other as having different interests or "agendas." In the first case, Sam saw Richard as having his own goals and programs. Richard saw Sam as unwilling to change and not sharing what he wanted to do and why. Joe and

Dan saw each other as having very different interests in the business. Jack saw Kevin as forcing his ways onto Williamson Brick. Kevin saw Jack and his staff as withholding information and isolating him in order to continue the old ways.

Focus on symptoms, not causes The final element is that the real cause of the problem is not surfaced and addressed. In the first case, the problem was defined as disagreement between Sam and Richard on the expansion strategy. In the second case, Joe and Dan saw their problem as disagreement over company direction and policy. And in the third case, it was seen as a problem of the knowledge and experience differences between Jack and Kevin.

Indeed, these were the symptoms of the problem. However, what was happening in each case was much more fundamental: there was the lack of loss of trust between people who had to work together for the good of the organization. Dealing with the questions of expansion, business policy and merging old and new practices does not address the issue of trust. In fact, the absence of trust interfered with discussing and resolving these other matters. The issue of trust needs to be addressed. Otherwise the working relationships needed to improve planning, decisions and performance in these small businesses *will not exist!*

Recognizing the Signs of Mistrust

An important part of addressing mistrust is the ability to spot it. Some of the symptoms:

- People are quick to be critical of one another's ideas or of the ability of the group.
- People accuse one another of not understanding.
- People distort one another's ideas.
- People are impatient with one another.
- People stick to their own points rather than finding common ground.
- People take sides.
- People lecture one another.
- People are not focused on goals.
- People have a win-lose attitude.

When Trust is Missing

We have found four typical responses when trust is missing. They are: avoidance, "adhesive bandage" communication, fighting and building trust. Under different conditions, each response may be appropriate. However, from our experience, it is clear that the first three have limited application. As we saw in the cases, to use them inappropriately only exacerbates the problem and diminishes performance.

Response #1: Avoidance Avoiding the other party is often a convenient response for dealing with the lack of trust. It allows for time to pass and for others or new events to be involved. But it can also result in further deterioration of a relationship as additional misconceptions and misunderstandings pile up.

If avoiding the other party does not harm the performance of either side, it may work - at least for a short time. Also, it may be necessary if no other method will work at that time. Specifically, avoidance may be the preferred method under these conditions:

- There is minimal or no need to work together (i.e. very little interdependence) .
- The other party has more power or authority.
- The other party is not willing or motivated to improve the relationship.
- The organization climate or culture does not encourage or value trust as a key ingredient in how the organization is to operate.
- There is no perceived reward or benefit, formal or informal, for improving the level of trust between the parties.
- There is no time to spend on improving the relationship. Sometimes these factors influence one another. For example, if the organization culture and reward systems do not encourage building trust, then people find less incentive and time to do so.

In one small business, we found two division managers who avoided each other. They had limited interaction, different products and different markets. They did not work on committees together. At meetings, if one spoke, the other tended to remain silent. When communication was necessary, they used e-mails or intermediaries who were respected by both. Also, the culture of this organization encouraged individual effort rather than teamwork.

Response #2: Adhesive bandage communication Adhesive bandage communication is the most frequently used method to deal with mistrust. At the beginning, it was used in Lawton and Williamson Brick to improve relationships. Sometimes it works; often, it is only a "lip service" effort. It may be a way to deal with a single issue or event but it rarely leads to improvement beyond the immediate situation. Adhesive bandage communication addresses specific issues and not the core or underlying issues or the problem of trust. It usually results in compromises. This enables the parties to move on and away from each other.

Of course the "fix" is only temporary if the parties have to work together later - and in businesses they usually have to. Other matters invariably surface, which results in more adhesive bandage communication and compromise. Even if this is tolerable to the parties, it rarely makes for an effective level of problem-solving or decision making in the organization.

Adhesive bandage communication may be appropriate under these conditions:

- There is a specific need or a single situation that requires working together.
- Both parties have relevant knowledge or experience.
- There is parity or balance of power or authority.
- Both sides are willing to behave in a respectful manner toward one another.

In one company we have worked with, a critical situation arose involving two VPs who did not trust each other. A competitor unexpectedly introduced a product at a much lower cost. The marketing VP and engineering VP recognized the need to respond quickly. They worked together to develop a communication strategy to current and potential customers and identified ways to immediately reduce costs of their product. Neither party felt that the solution was the best they could do.

Afterwards, the VP of engineering told us, "I am surprised we pulled this one out and remained civil to each other. But, I guess we both knew we had no choice ... this time." Adhesive bandage communication is used to get by. However the "get by" solutions typically lack the creativity and innovation borne from genuine openness, listening, understanding, give-and-take, i.e. the characteristics of a trusting relationship.

Response #3: Corrosive Conflict or Fighting Corrosive conflict or fighting can take two forms - overpowering or undermining. In the Lawton Stores, Richard tried to overpower Sam with his expansion strategy while Sam tried to undermine him by cutting off communication. In Williamson Brick, Jack tried to overpower Kevin through isolation while Kevin tried to use his authority in the company to undermine Jack. These tactics - overpowering and undermining - depend primarily on the level of power. The one who has more power tries to force the other one to go along. Less power leads to more subtle and devious - if not manipulative - approaches.

Corrosive conflict is often not blatant. Instead, people make special efforts to cover up their fighting so they won't be obvious to their opponent, or lose credibility with others. However, as we saw in the Williamson Brick case, losing credibility and productivity is a real risk. Nonetheless, the intent is to compete and beat. Since trust is missing, the sides try to outduel and control each other, rather than compromise with or avoid each other.

Corrosive conflict may be appropriate when a situation occurs requiring an immediate response from the parties and there is a power imbalance between them, (i.e. one has more authority or higher rank than the other). However, this behavior can lead to further deterioration in the relationship by prompting the other to fight back. These situations are politics at their ugliest and they hamper the capability and functioning of the organization by draining energy for nonproductive purposes.

Under these conditions, corrosive conflict may be the preferred method:

- There is an urgent need to address a problem or opportunity that is important to the organization.
- One party has much more knowledge about how to handle the urgent situation.
- There is a significant imbalance of power.

The general managers of two company divisions engaged in cell phone production and sales were negotiating the transfer prices of cell phone battery pack subassemblies that one supplied the other. As time dragged on, the suspicion and mistrust between them grew and little progress was made. Finally, the matter had to be settled to satisfy the accounting department requirements. The supplier then threatened to cut off the supply if his transfer price was not accepted. Since the other division had a huge backlog to ship before the books were closed, the supplier's price was reluctantly accepted. Perhaps not surprising, several months later, the percentage of battery pack

subassemblies rejected as poor quality and returned to the supplier division for rework went up dramatically.

Response #4: Building trust Building trust is not easy. Just consider the number of people you work with. What percentage do you truly trust? We have found most people answer *less than 50 percent*. If building trust was easy, the percentage would be higher. Building trust takes time, patience, a willingness to take risks and some skill.

Also, in some small businesses, the prevailing culture or the real reward system does not support trust. This is why avoidance, adhesive bandage communication and fighting are often used. Simply, they are expedient and as we have explained, may work, at least temporarily under certain limited conditions. But as we have seen in the cases, they contribute to deterioration of trust and increase the barriers to working together.

For people to work together and effectively "team up," building trust is required. We have worked with many business executives who talk passionately about the importance of building trust. One CEO put it this way: "Trust is tough to develop. First of all, most executives are accustomed to operating through authority and the command and control approach. Secondly, trust requires taking chances and being open with others. This is new turf for many managers. But, I am convinced that building trust throughout my organization provides for better results and ultimately more security for every one of us in the company. "

We have found that the investment in building trust and teamwork between people under the following conditions pays off handsomely:

- There is an ongoing need to work together, i.e. interdependence. (Interdependence exists when common or overlapping goals exist or when the responsibilities and functions of one party are impacted by and, also, impact those of another party. For example, in Macrotech, Joe, heading the sales function, and Dan, in charge of operations, were interdependent in the areas of product development, pricing, scheduling production and delivery, and customer service, to name a few.)
- Both parties have relevant knowledge, resources or experience to contribute to achieving common goals.
- The levels of power are relatively balanced and both parties are motivated to improve the relationship.
- The organizational culture and informal reward systems support building trust and teamwork among people.
- There is time to work on the relationship.

Some people contend that if the first four conditions are in place, then the time must be set aside to build trust. However we have seen situations in many businesses where immediate pressures simply demand top priority. Addressing production problems blocking schedule deliveries, resolving customer service problems in the field, or responding to major, unexpected moves by competition are instances where the focus may have to be on solving that particular problem first.

Tools to Build Trust

Building trust involves addressing the relationship, exploring differences and disagreements and finding ways to work together that satisfy each party. Building trust does not diminish substantive differences or eliminate disagreements. Rather, it is a springboard to improve communication and cooperation in order to more effectively handle differences and disagreements.

In some situations when the conditions for building trust are in place, one party may want to take some steps before addressing it directly. Here are behaviors that work effectively to facilitate building trust:

- Listen to the other person. Check your understanding of what the other party said before you say anything.
- Give positive feedback for good ideas, actions and accomplishments of the other party.
- Offer resources or constructive ideas to help the other party achieve results. Ask, "How can I help with ... ?"
- Admit mistakes when they may have affected the other party.

How would this approach work at Williamson Brick since Kevin and Jack must work together?

Kevin recognized that he was increasingly left out of business decisions and that the people who hailed his technical breakthrough were now avoiding him, so he decided to do something about it. After much deliberation, he determined he had to initiate steps to build trust with Jack and others and end the negative spiral they were in.

Kevin met with Jack and started by apologizing for his strident and overbearing behavior. He said he had overreacted to the promotion and had made little effort to work together and build teamwork. Further, he was concerned that the positive employee climate had eroded and people were not putting out extra effort like they used to. He concluded by asking what Jack thought he could do to turn the situation around and offered to meet with the vice presidents to discuss the situation with them, too. This resulted in a series of meetings of Jack, Kevin, and the other VPs which focused on building teamwork and trust.

Often both parties have a mutual willingness to improve their level of trust. When both sides are willing to jointly initiate trust building, any of these actions can be used, depending on the preferences of the parties:

- Candidly discuss the relationship, following this agenda. (Each party fully answers each question before moving to the next item.)

1. What is the background and current status of our relationship?
2. What do I perceive to be your strengths and weaknesses?
3. What common goals and work requirements do we have? That is, where can working together help both of us?

4. What specific expectations and actions can we establish for working together and trusting each other?

5. What checkpoints will we set to monitor trust-building progress?

Often a neutral third party or consultant can ensure the success of these meetings by serving as a facilitator.

- Pick projects or groups to work on together to increase the level of contact and communication.
- Consciously reduce e-mail by agreeing to a meet to discuss major projects and priorities. Establish a meeting schedule to discuss common goals and coordination requirements, and to share information about the function and priorities of each party.
- Invite a neutral third party (e.g. a consultant) to work with each party separately and together to build trust.
- Have a meeting to discuss specific differences and areas of disagreement. Discuss them under these headings: Past Actions, Goals, Roles, Systems or Procedures, Rewards. Once the basic differences have been agreed to, establish methods for handling them.

Let's look at how the first technique works:

Joe and Dan, the founders of Macrotech, and their wives went to the company's second annual Christmas party together. The wives, who were friends, shared their concerns about the attitudes of their husbands toward each other at work. Realizing it was a troubling situation at work and home for both Joe and Dan, they insisted that they call in a consultant to help address the problem.

The consultant spent time talking to Joe, Dan and several others in Macrotech. Then he set up a half-day meeting with Joe and Dan. Before the meeting he asked each of them to separately prepare answers to questions one and two, i.e. background and strengths and weaknesses. In the meeting, each promised to be honest and candid and not hold anything back. Then he asked Joe to report his answer to the first question without interruption. Then Dan could ask questions for clarification. Next Dan presented his prepared answer and then, Joe asked for further explanation. They followed the same procedure for the second question.

For the second meeting, the consultant had Joe and Dan prepare answers to the third and fourth questions, i.e. common goals and how to work together. They used the same procedures. Both now recognized how far apart they were, and both were eager to start rebuilding their trust. In the third meeting, they completed their plans to work together and improve teamwork throughout Macrotech. They also agreed to meet quarterly to discuss their progress on the level of teamwork & trust.

Almost no business, non-profit or for profit, has abundant resources. But if you build trust and its partner, teamwork, then you enhance the communication, coordination, problem solving, and commitment to action. In short, you can increase your ability to compete and win.