sustainable organisation performance

Research report
March 2012

Where has all the trust gone?

stewardship, leadership and governance

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'Trust is important in the good times but also in the bad because life goes in peaks and troughs and there's going to be a point when you're going to require that trust and if you've lost it before, how do you go about demonstrating that actually you are not going to repeat history?' **John Lewis**

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Foreword and preface

In times of uncertainty, trust becomes more important. The Edelman Trust Barometer in January 2012 reported some depressing results: the global financial crisis and the demise of high-profile banks, and the government rescue plans that followed, have profoundly destabilised public confidence, resulting in a breakdown in trust in government and business.

The UK public's cynicism has been stoked by the MPs' expenses scandal, high-profile organisational failures (such as the BP disaster in the US), the unveiling of News International's phone-hacking practices, the 2011 summer riots and the ongoing eurozone crisis. Cuts to national and local public services have been reported alongside the reinstatement of high bankers' bonuses in the very institutions taxpayers so recently bailed out – a decision perceived as incomprehensible to those experiencing a reduced standard of living.

Does it really matter for society whether trust is up or down like the weather? The answer is yes, **trust does matter**. We rely on certain levels of trust to function and prosper. Trust is critical for building the foundations of social order; it is the basis for civil society. What of the workplace – what's happening there? Is trusting your colleagues essential, or simply a 'nice to have'? These are relevant questions for HR practitioners.

In the workplace, one distinct advantage of trust is its link to *innovation*. Some economic commentators argue that for UK plc to return to growth and restore job opportunities, innovative approaches will be key. No one is going to take a risk unless they know that they will be backed and trusted by their immediate and senior managers. For small- to medium-sized enterprises, innovation will fuel growth, and that has to be good for our economy. In the public sector, managers will have to rethink the way they deliver services – we need people to spend time reinventing forms of delivery, not simply hacking away at the size or volume of existing practices.

Another distinct benefit is that 'high trust' workplaces find it much easier to embrace *organisational change* – they can adapt faster and will achieve better levels of employee engagement at all levels. At times of high uncertainty, having a boss or CEO that they really trust can encourage employees to take the plunge and try something different. Furthermore, we know that trust encourages successful *co-operation and teamwork*, less labour turnover, promotes and *facilitates partnerships and joint ventures* and *decreases operating and transaction costs* (managers can spend less time monitoring staff). It also has important benefits for promoting *employee well-being and motivation*.

So, understanding how to *maintain* and not lose trust in the first place becomes a key management contributor to better business performance. There is an old Dutch saying: '*Trust comes on foot, but leaves on horseback.*' It's far better to keep the trust of your workforce than risk throwing it away. However, if a breach of trust does occur, how can organisations mend and repair these trust levels. How can you restore the faith of a workforce after downsizing and restructuring? These questions should be the heartland of HR practice and so we at the CIPD felt it right to commission a team to conduct research into trust repair.

We were surprised and delighted by the number of organisations who volunteered to take part in the project. Sadly we had to turn some away because the logistics were not possible, but we collaborated with 14 leading-edge employers such as the John Lewis Partnership, major government departments such as BIS and HMRC and smaller but rising stars such as the Day Lewis Pharmacy Group. We also draw on results from the CIPD *Employee Outlook* survey.

This research has been very rewarding because we did find some 'good news' stories of organisations that, against all odds and to our surprise, managed to raise levels of trust during difficult times, including the public sector. We learned how medium-sized family-owned businesses had managed to maintain trust because of the courage and beliefs of their chief executives. And we also learned how some employers are investing in actions to repair trust, to rebuild workplace relations. We also developed a typology of trust relations so that you can match your own organisation against different foci and assess whether this focus is right for you as an employer. All of this is contained within this report.

None of this is to suggest that the maintenance and repair of trust is an easy option. A focus on valuing trust does require all of us, including senior managers, to have a genuine concern for a company's moral and ethical principles. While it's easy for us all to blame the fall-out from the global financial crisis and the actions of bankers as a sort of contagion from outside destabilising trust within organisations, in truth that is not really the full story. If we look at research on workplaces within Britain, the fact is that the breakdown of trust within some organisations both *preceded* the financial crisis and was prevalent across both private and public service sectors. So this decline in trust levels may also be symptomatic of deeper concerns in the UK about the nature of employment, the intentions of employers towards their workforces, and changes in employees' expectations of both their employers and their senior managers in the twenty-first century.

The report sets out the *key insights for trust repair* in the executive summary in the next few pages. These are collected under the following headings:

1 Why trust matters

2 Who trusts whom?

3 Creating a trust fund

4 Leadership as service – developing trustworthy leaders and followers

5 Kill spin

6 Re-engaging the middle and local – sowing the seeds of trust through the levels

7 Repositioning the employment relationship – establishing twenty-first-century expectations

8 Where is HR – new contributions for the profession?

We will be extending this research in 2012 and would love to hear from you if you are interested in participating. We would like to thank all our colleagues who helped with the research and all the practitioners who made this important research possible.

Veronica Hope-Hailey, **Vanessa Robinson** and **Claire McCartney**

Executive summary – key highlights

1 Why trust matters

The CIPD *Employee Outlook* survey conducted in autumn 2011 showed that trust in organisations has been found to have a direct impact on an organisation's reputation in terms of:

- increasing the willingness of employees to recommend it to others
- enhancing job satisfaction of employees
- reducing their intention to leave the organisation.

The level of trust in an organisation can vary as a result of organisational seniority, with those who sit at the top perceiving it as being higher than those lower down. And those at the top are also potentially unaware of the perceptions of their staff.

Trust is a necessary condition for employee engagement but is distinctly different. Engagement is about giving of one's energy to an organisation whether that is on a cognitive, emotional or physical basis, but it is almost like an exchange relationship. Trust is about accepting a certain amount of *uncertainty* but being willing to take risks and go into the unknown because you trust the other party that they will act in a positive way towards you. So it is about a willingness to make oneself vulnerable in the face of uncertainty or insecurity. Trust is a more personal and fundamental relationship and has important moral dimensions to it which engagement does not necessarily contain.

Trust in an organisation stems from the behaviour of direct managers, as well as the organisation's leaders, but organisations with high trust are those where staff feel their trust is reciprocated and that they are themselves trusted by their mangers. For leaders to be trusted research shows that they need to demonstrate the key characteristics of any trustee, namely:

- **ability** – demonstrable competence at doing their job
- **benevolence** – a concern for others beyond their own needs and having benign motives
- **integrity** – adherence to a set of principles acceptable to others encompassing fairness and honesty (Mayer et al 1995)
- **predictability** – a regularity of behaviour over time (Dietz and Den Hartog 2006).

Bigger organisations tend to have lower trust. This suggests that larger employers have to work harder to build and retain trust. They have more levels which might dilute the impact of the positive actions of those at the top and the broader policies of the organisation. Managers also need to determine the level of downward monitoring that is really necessary as that influences how trusted employees feel by their employers. If close control of employees is considered necessary, senior managers need to communicate why this is the case with their subordinates in order not to rupture trust.

See Section 1 of the report, what is trust about and why does it matter, for further benefits of trust.

2 Who trusts whom?

We identified five main types of trust relationships:

- trust in each other – type 1
- trust in leaders – type 2
- trust in the organisation – type 3
- trust in external relations – type 4
- trust in the line manager – type 5.

While all of them have strengths and weaknesses, the type 1 'trust in each other' allows many of our case organisations to maintain high trust relations in adverse times. This is because 'trust in each other' is typified by a multiplicity of trust relationships being given high attention at all times: customers, colleagues, line managers, senior managers and the organisation. If one of these relationships is damaged during times of difficult organisational change, the other relationships compensate for that decline in trust, thereby maintaining sufficient goodwill (see Section 2 of the report, Type 1, for further information).

In the other types there is a danger of over-reliance on just one relationship. When that is weakened or threatened, trust relations begin to erode. In particular within the public sector organisations, 'trust in the organisation' is facing strong attack (see Section 2 of the report, Type 3, for further information).

The strongest of the single relationships is trust in the direct line manager. However, that too could pose a problem if the local managers no longer trust or are no longer committed to either the aims of the organisation or their own senior leaders (see Section 2 of the report, Type 5, for further details).

3 Creating a trust fund

Trust reduction and its breakdown is known to create real additional costs for an organisation: reducing co-operation and information-sharing within the organisation, stifling the potential for innovation and diverting the time of both employees and managers into non-productive activities, such as additional monitoring duties for managers, and counterproductive work behaviours or alternative job search activities for their staff.

Trust is harder to restore once it is broken than it can be to build in the first place. Once employees feel vulnerable or exploited and taken advantage of, they will become more suspicious of the motives and intentions of an organisation and its leaders and managers. They will require more communication and greater re-reassurance than those with whom breach has not occurred.

At a time of recession, having a workforce that is willing to give the organisation and its leaders the benefit of the doubt is an asset. It's then possible to access all of their collective resources in order to not just survive but also to support and enable the organisation to find new markets, develop new products and services and retain customers. Trust is therefore an important business commodity.

In some organisations in our research trust is actually enhanced despite there being redundancies or short-time working during the economic recession. This is because these organisations either have excellent trustworthy leaders or invest in developing even stronger trust relationships with their community or their employees at that time (see Sunderland City Council, John Lewis, Day Lewis Pharmacy and Norton Rose cases in Appendix 1).

4 Leadership as service – developing trustworthy leaders and followers

To rebuild or maintain trust leaders need to demonstrate that they are not 'self-serving' but instead serving the needs of the whole organisation (see John Lewis extracts in Section 3).

Senior leaders should verbally and behaviourally demonstrate greater humility about the limits of their competence, show demonstrable respect towards those at lower hierarchical levels than themselves and tangible benevolence towards all in their organisations and beyond (see Day Lewis Pharmacy case in Sections 2 and 3 for further information).

They should also display enough of their personal integrity and humanity to enable people to choose to trust them. Leadership development processes will need to be redesigned to identify, select and develop a new type of leader who behaviourally displays these attributes at an individual level.

There is a need for senior managers to be more visible, locally, in a face-to-face capacity, as well as virtually. If they cannot be more visible face to face, they need to delegate 'leadership' down to local middle managers.

There is also a strong need for senior managers to enter into dialogue with their employees rather than just presenting, pronouncing and then leaving the building. In the research if there had been a serious mistake, leaders needed to verbally apologise to the workforce in order to start to be trusted again.

The larger the organisation the more leadership will need to be devolved to local managers. However, senior managers should invest in communicating with local managers and commit to developing them as leaders who are themselves capable of demonstrating similar levels of benevolence and integrity.

Public sector leaders are required to become more personal, relational and accessible (see Sunderland City Council case in Sections 2 and 3).

The nature of followership also has to change: what's needed is an attitudinal shift on the part of employees from being dependent upon leaders to also seeing themselves as responsible for creating a positive workplace climate. Benevolence should become a two-way relationship with employees becoming more benevolent towards new leaders and not blaming new leaders for the mistakes of their predecessors.

Lastly, ownership structures affect the opportunity for leaders to 'do the right thing' by their people. The research showed that leaders within partnerships, or family-owned businesses, do seem to have more room for manoeuvre.

5 Kill spin

Organisations should be mindful that the mood in society is now very different to the pre-crisis climate. Employees want a language and a discourse that is honest about the difficulties that are being faced within businesses and institutions. Above all they do not want any 'spin'.

Communication in organisations should be a two-way process, not just the transmission of information from the top downwards through the organisation. What we heard in our research from employees was little about the media but everything about the underlying assumptions within the design of communication flow. People at middle and lower levels want their ideas to be heard without fear of sanction. Organisations should redesign communication with the aim of promoting more dialogue between different levels.

When faced with restructuring or redundancy situations, organisations that maintained trust strove to be as transparent and open in the process as was possible (see Section 3 and the Department for BIS in Appendix 1). Sharing business information and comparative market information and entering into consultation wherever possible

is also important (see Section 3 for examples from GKN and Norton Rose). It is also important to be seen to be applying the same principles/measures to all employees regardless of their status. Emphasising that it is jobs that are being made redundant, not people, and offering redeployment wherever possible seems to help (see Sunderland City Council and John Lewis in Section 3 for further information).

6 Re-engaging the middle and local – sowing the seeds of trust through the levels

The relationship with the direct line manager is the most critical in terms of determining trust relationships with the rest of the organisation. To undermine that relationship is not in the best interest of the organisations because of local line managers having an intimate and trusted relationship with their staff.

Senior managers need to consult local managers for their opinions before implementing major change and also respect what they hear (see HMRC case in Section 3). The more customer-facing your local staff, the more critical it is to ensure that the trust chain of the organisation – senior manager–local manager–employee – is not broken. The attitudes of middle managers can make or break trust relationships for the rest of the organisation.

7 Repositioning the employment relationship – establishing twenty-first-century expectations

In order to *repair* trust it may be necessary for some organisations to re-examine the employment relationship whereby the expectations of each side – employer and employee – are redefined. The expectations and obligations around employment with which we started the twenty-first century need immediate reconsideration (see HMRC and Royal Mail cases in Appendix 1).

By setting out achievable psychological *and* formal contracts between the two sides, employees may learn to trust again. Employers may find that if they promise less, employees may trust more.

Organisations are not families and senior managers are not parents. They have to make changes that ensure the organisation's survival but the way they do this must be seen to serve the greater whole, not themselves.

8 Where is HR – new contributions for the profession?

HRM's policies and processes are critical for an organisation to use to develop and repair employees' trust. These policy areas touch the lives of every employee from the onset of their interest in joining the firm, through their recruitment into becoming a full member of the organisation.

Each policy area, both singularly and in combination, offers a signal about the organisation's competence, but also about its integrity and genuine interest in the well-being of its employees.

There have been criticisms voiced in the course of our research concerning the current role of HRM functions and the way they are perceived to be aligned to overarching organisational aims and their lack of presence within local workplaces.

It cannot be assumed therefore that employees trust the HR function to protect their interests. There are clearly problems and tensions associated with HR's role in seeking high-trust and harmonious employee relations while at the same time seeking to be the strategic partner of the business.

For some HR practitioners, challenges around trust are new to them as individuals. Some of the learning from trust-building, conflict mediation and reconciliation processes introduced after major internal conflicts, or political traumas, may be helpful. (See Appendix 4 – Learning from other reconciliation activities).

In Shaping the Future (CIPD 2011b) HR's future role is presented as being concerned with promoting sustainable organisational performance. It is argued that this will be achieved by ensuring alignment, shared purpose, leadership, agility, balancing long- and short-term horizons, and so on. To achieve this, that report, as well as our Next Generation HR research, proposes HR should be geared up to play new roles. These include: becoming an 'insight-driven function' providing unique and real 'organisational insights' to help organisations meet new challenges and offering insights into organisational readiness and fitness for the future.

Our current research underpins and strengthens the Next Generation HR research, confirming that to be 'insight driven' HR professionals need to understand and be mindful of the wider economic, social and political context, not just the corporate business agenda. They of all the management functions need to understand and be concerned about the impact of corporate actions on local communities, not just the impact upon the bottom line.

In the report *Next Generation HR* it was also argued that HR professionals need to be able to engage in difficult conversations about trust, amongst other matters, and be seen as being 'worth listening to' by both employers and employees. The report also suggests other roles that may enable the HR function to become a trust custodian, including taking on an active stewardship role by challenging other executives where an organisation's future reputation is called into question.

We would suggest that a revival is needed of HR's previous role as 'the conscience of the organisation' – a guardian and champion of ethical and integrity issues. This was highlighted in the CIPD Next Generation HR research. That research referred to this role as 'the chief integrity officer'. If the HR profession does not wish to take up this role, other departments or bodies within the organisation will do so. It is time for the HR profession to reconsider its role within these moral debates. As was argued in Next Generation HR (CIPD 2011a), to support this process of repairing trust HR needs to support the creation of open, transparent, straight-talking and dialogue-centred cultures. As that report has pointed out, the 'building of adult cultures, leaving behind the paternalism of the past, is seen as a driver of short-term effectiveness and long-term loyalty…helping people develop trust in what the organisation stands for'.

Given this need uncovered in this research report, if the HR profession does not take up this role, other departments within the organisation will do so. There is evidence that in some organisations alternative guardians of trust are there already. The time for the HR profession to make a choice about its role within the moral debates in workplaces is upon us. A stance needs to be taken immediately.

Navigating your way around the report

Section 1 sets out what is significant about the social and economic context for this research into trust and trust repair. It also details what is already known about trust from established academic research conducted over many decades. This section also deals with the distinction between trust and employee engagement – they are related but they are not the same thing!

Sections 2 and 3 report the major findings from our research, including presenting a typology of trust relationships and describing the major HR actions that contribute to the maintenance or repair of trust.

More information on the participating organisations is contained in Appendix 1 of the report.

1 What's known about trust?

The challenge of trust in today's society

In the course of this research, many people we interviewed have remarked to us that trust has only recently been talked about openly in the workplace. Over the last 20 years 'commitment' has dominated the HR function's thoughts and concerns and more recently been replaced by the umbrella term 'engagement'. Why, then, in the last few years has trust become a subject for concern?

One prompt has been the crisis in trust created by the global financial crisis (GFC) and the resulting loss of confidence in the banking system. Much soul-searching has gone on to try to restore confidence in both banking and bankers. However, it would be wrong to point the finger at bankers alone and also incorrect to think that any loss of trust will be simply restored by a return to economic growth – the 'we can ride this out and all will return to normal' philosophy. The reason for these concerns is that the breakdown of trust within the workplace both precedes the financial crisis and is prevalent across most industry and public service sectors. Indeed the research evidence suggests that the emergence of discussions and debates around trust are in fact symptomatic of deeper concerns in the UK about the nature of employment, the intentions of employers towards their workforces and changes in employees' expectations of both their employers and their senior managers in the twenty-first century. In essence, we not only live in 'interesting times' (to quote the Chinese proverb) but we also live in uncertain times, and trust becomes much more important when people feel unsure about their future.

The GFC, the demise of high-profile banks such as Lehman Brothers and governmental rescues of the banking system across Europe and the USA has profoundly destabilised public confidence. In addition, the UK public cynicism has been stoked by the MPs' expenses scandal, high-profile organisational failures such as the BP disaster in the US, News International's phone-hacking investigations, the riots in the summer of 2011, and the recurrent eurozone crisis. The announcement of the government cuts to national and local authority provision of public services and large-scale jobs and pension cuts have been reported in the media alongside the reinstatement of high bankers' bonuses in the very institutions taxpayers so recently bailed out. The latter action has been perceived as both ungrateful and incomprehensible to those directly experiencing government cuts and whose standard of living is being reduced. The cuts being implemented within the public sector are causing high job insecurity, in many cases actual job losses. At the time of writing this report economic forecasters are gloomy about UK plc's ability to propel itself into a sustainable growth curve, and contagion from outside the workplace is certainly affecting internal workplace trust relations.

Yet it is important to appreciate that internal workplace relations were already strained before this crisis. The Change Management Consortium collected data over a three-year period from nine organisations between 2005 and 2007. These organisations included both the public and private sectors and clearly showed the existence of a problem with organisational trust. All nine organisations would be seen as 'good employers'. Survey data showed that employees in lower levels reported average to very high trust in their local line manager yet very low levels of trust in their senior managers (Hope-Hailey et al 2010).

Results from more than 200 interviews in these organisations identified key reasons for these differences in trust levels. One is the distance of senior managers, with those at middle and lower levels reporting that senior people are more and more remote. The lively merger and acquisition activity in the early 2000s resulted in organisations growing bigger. Many of the staff interviewed before the crisis felt little identification with the newly formed organisational entity and a diminishing knowledge, understanding or loyalty to their increasingly remote CEOs. This finding was echoed in both the public and private sector. Second, middle levels reported an increasing centralisation of reporting structures as these larger new entities seek to manage their business through tighter corporate control of local units. These controls promote a feeling of middle managers

simply not being trusted by their superiors. For those working within a multinational corporation, feelings of remoteness are exacerbated by the geographic distances, with corporate centres often located in the USA. Thus, local UK units feel less control over their own personal destiny (Clarke 2012, forthcoming).

In addition, these organisations had already experienced successive small rounds of job cuts, or threats of downsizing before the GFC; a fear of losing one's job was present in the climate of these organisations. Since the 1990s many larger employers have been reconsidering psychological contracts in an attempt to wean employees off relational contracts which carried an expectation of a job for life. Yet trust is fundamental to the psychological contract. Breaches in a relational contract can alter the nature of the social relationship, eroding trust on the part of both the employer and the employee (Atkinson 2006). There has also been an erosion of people's control over their personal destiny with employment, pensions and access to personal credit radically changing, while their leaders become more distant and better remunerated.

Yet, does it really matter whether trust is up or down like the weather? Do people really have to trust each other at work, or is it merely a 'nice to have' rather than an essential? Surely some of the decisions made within the banks that led to the crisis were a result of people trusting leaders too much? Plus, given HR's development of employee engagement as a movement over the last ten years, isn't a concern for trust superseded by our understanding and investment in engagement? We turn to these questions in the next section.

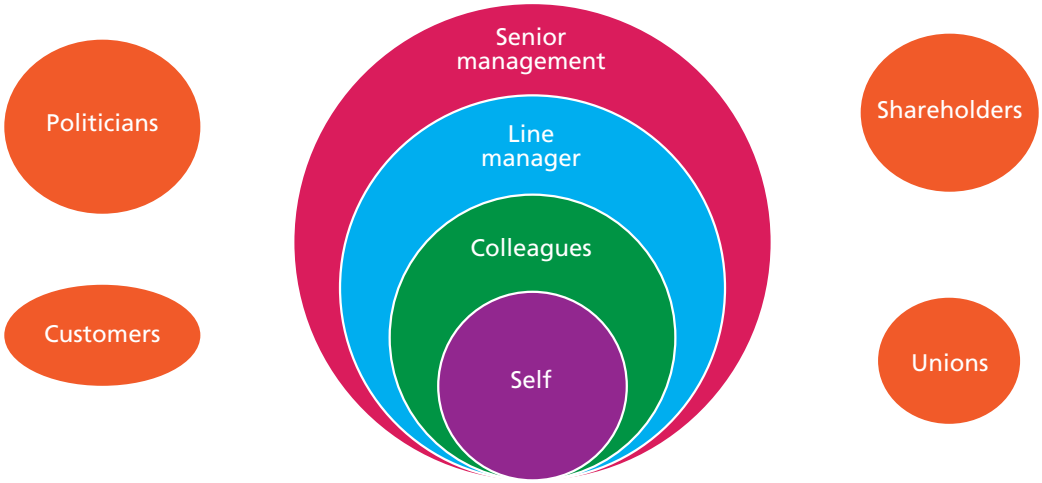
What is trust about and why does it matter?

Trust is about a relationship and about the sustaining of that relationship despite uncertainty or risk. Two classic definitions are:

> 'A psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behaviour of another' (Rousseau et al 1998).
>
> 'An individual's expectation that some organised system will act with predictability or goodwill' (Maguire and Phillips 2008).

Within organisations there are many different trust relationships. Figure 1 represents internal and external trust relationships. Internal trust relationships are possible with any of the layers of hierarchy. External trust relationships may be established with customers, shareholders, trade unions, the media, politicians or the community. The primacy and importance of these different relationships were found to vary between organisations, with some placing more emphasis on external trust relations while others are much more focused on preserving high levels of trust internally.

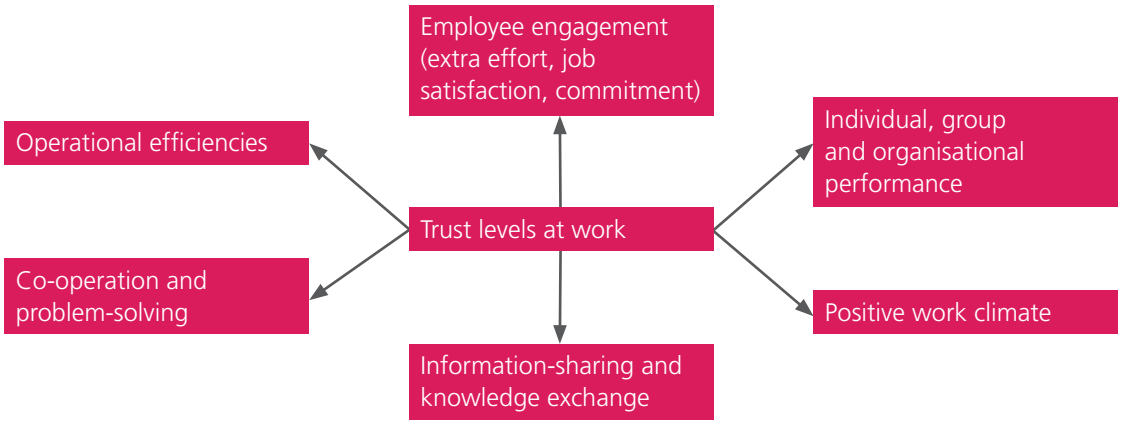
Figure 1: Trusting relationships



Trust is a universal relationship present and vital in all societies. Trust maintenance and repair, though, should be seen to be context and culture specific. What builds trust in Singapore or the Gulf may be different from what happens in the UK. Unfortunately, most research into trust in an organisational context is based on evidence from the developed economies in Europe and the US and potentially has limited applicability in different cultural and political settings. Trust is seen differently in different cultures, and as such plays varied roles and has different consequences in various contexts and cultures and sub-cultures (Dietz et al 2010, Hope-Hailey et al 2010).

Despite this caveat, trust is a universal phenomenon. It is perceived to have a vital role in securing sustainable relations among disparate parties, especially in ambiguous and uncertain situations such as those experienced in many workplaces in Europe currently (Dietz et al 2010).

Figure 2: Benefits employers can accrue from maintaining good trust relationships (Dietz and Gillespie, 2011)



The headline reasons for building trust include that it:

- promotes successful socialisation, co-operation and teamwork
- promotes and facilitates partnerships, joint ventures and cross-team working
- reduces risk and decreases operating and transaction costs
- reduces distractions or amount of time spent on self-preservation
- builds the foundations of a social order and the basis for civil society.

From an HR perspective (see Searle and Skinner 2011), the case for building trust includes the following benefits:

- improved employee performance
- higher levels of motivation and positive attitudes (including employees putting more effort in performing and developing their roles)
- reduced cost due to higher productivity, less wastage, lower staff turnover, fewer stoppages, and so on
- enhanced pro-social behaviour at work including desirable work-related behaviour and appropriate discretionary behaviour
- enhanced knowledge-sharing and increased innovation
- improved co-operative working.

The evidence from existing research suggests that organisations need to invest in trust-building or trust-repairing activities to minimise the negative results of a breakdown of trust. Such negative consequences include:

- growth in feelings of vulnerability among staff – this may be a cost to the organisation because of energy devoted to activities which they think will protect their jobs
- unwillingness to invest in relationship-building, leading to an introverted, silo mentality within an organisation with the resultant benefit of cross-functional knowledge-sharing or co-operation lost
- reluctance to engage in innovation due to feelings of inadequate psychological safety
- lack of horizontal and upward communication, so important information is lost, especially for senior team
- reduction in discretionary effort or engagement by individuals and teams
- reduced willingness to take risks
- defensiveness and/or disruptive behaviour
- shift to a command and control management mentality, which can constrain performance and innovation in certain sectors
- increased monitoring and bureaucracy, checking indicators of performance, takes resources in terms of management time
- increased anxiety/high stress levels among staff in low-trust climates may reduce performance
- low morale and loss of commitment and engagement at all levels
- higher staff turnover as employees seek out more trusted employers.

The benefits of trust are therefore well known, well researched and well documented within academic circles but perhaps not so widely shared within practitioner circles. It is the economic, social and political context that has made this concept come to the forefront of people's minds – and what is uppermost in most people's minds is how trust can be both built and, importantly, repaired.

Why trust and not engagement?

This has been a central question from practitioners, yet conceptually trust is quite a different construct from engagement. Emerging as it has from the positive psychology movement, the term 'engagement' has become for practitioners an umbrella concept for capturing the various means by which employers can elicit additional or discretionary effort from employees – a willingness on the part of staff to work beyond contract. Different employers apply different outcome measures to demonstrate its efficacy as a management activity (Vance 2006; Macey and Schneider 2008). Engagement is about giving of one's energy to an organisation, whether that is on a cognitive, emotional or physical basis (Kahn 1990), almost like an exchange relationship.

On the other hand, trust is about accepting a certain amount of uncertainty but being willing to trust the other party that they will act in a positive way towards you. Trust is about a willingness to make oneself vulnerable in the face of uncertainty or insecurity. Trust is a more personal relationship based on a perception of mutual and reciprocal aims and purpose. It is part of employee engagement, as the MacLeod Task Force 'Engaging for Success' acknowledges, but it is a distinct concept in its own right (MacLeod and Clarke 2009).

One simple way of thinking about the difference between trust and engagement is by comparing it with the relationship of marriage. Some days marriage partners can really love each other and some days love each other a bit less. Love is a little like engagement. It is an energy which can have fluctuating levels but for most marriages to work over the longer term each partner needs to trust the other to always have a benevolent and positive disposition towards the family, their home and their relationship. Very often when one party has an affair within a marriage it is often possible for the aggrieved party to love them again but they will report trust is more challenging to repair. Trust, therefore, can be seen as the basis by which people together create sustainable long-term relationships which see them through difficult or uncertain times.

The importance of trust at times of uncertainty is perhaps why we are more aware of it as a concept right now. For the reasons set out in the previous section people are feeling more uncertainty at a societal level and, in some cases, in the workplace. Those organisations which can maintain good trust relations or repair trust relationships will reap the business and operational benefits of trust, of which there are many. One distinct benefit of trust is its link to innovation. Some economic commentators argue that for UK plc to return to growth, restore job opportunities and find ways in which to deliver public services with reduced funding provision, *innovative* approaches will be key to these three activities within the workplace.

Another reason why a focus on trust is more relevant at the moment is that trust has a moral dimension to it. Engagement does not necessarily carry a moral dimension. In contrast trust does concern a firm's moral and ethical principles (Becker 1998, Mayer et al 1995, Schoorman et al 1996). Perceptions of trustworthiness include the organisation's competence (or ability) and predictability (Dietz and Den Hartog 2006), but also focus attention on two ethical dimensions (Searle [forthcoming]). One is benevolence, which emphasises the positive intent towards those who are trusting in them. Another is the integrity of the organisation, which concerns the degree to which they and their managers adhere to general moral standards. Research both conceptually and empirically illustrates that employees prefer to trust organisations that uphold moral and ethical standards (Gillespie and Dietz 2009, Searle et al 2011a).

We consider these important dimensions of ability, benevolence, integrity and predictability more deeply in the section on leadership.

Building or repairing trust

The focus in this study has been on those organisations that have either maintained, enhanced or repaired trust in the wake of the financial crisis. *Building* trust is much more concerned with new beginnings, whether at a group or organisational level, but is a different process from restoring or repairing trust.

Different mechanisms or actions come into play in the process of *repairing* trust. The reason for this is that a breach in trust is experienced as an act of violation, a reneging upon previously agreed obligations and therefore *repair* is concerned with healing that breach in the minds of those who have been let down.

Considering the *repair* of trust, a lot of research has been done at the micro level, with less attention on the organisational level. Less still focus has been given to the contribution of HRM systems to trust repair. Trust *can* be repaired, but how much depends on the organisational response. Experience suggests that many organisations respond badly to trust failures because they typically act too late, with inappropriate equivocation and often show less regard for internal relations than external ones. Therefore, knowing *how to respond* to trust violation has become a critical management competency, as Tony Hayward, BP's ex-CEO, graphically showed.

Once trust is violated in an organisational context it is not easily repaired for employees by simply ensuring promotions, pay rises or similar material compensations, and attempts at repair become harder following repeated violations. The process of *rebuilding* trust depends on the context in which it operates, particularly the culture and work morale of the organisation involved (Lamsa and Pucetaite 2006).

In general, trust repair depends on two broad factors:

- Legalistic, regulatory systems which can enhance trust over time, including providing deterrents in the form of punishments and sanctions imposed on those who engage in untrustworthy behaviour, for example fines, sacking, demotion, and so on – HRM systems are organisational systems and form the focus of this report. Indeed, HRM systems and policies can be seen as expressions of the organisation's attitude and orientation towards its employees – how just or fair they are, how developmental they are, and so on.

- To promote trustworthiness, voluntary acts of behavioural support are most effective. Therefore, how significant organisational representatives behave affects levels of trust. These organisational representatives may be senior managers or direct line managers and, in the case of the public sector, politicians.

Most evidence suggests it is best to see these two approaches (legalistic and voluntary) as complementary (Gillespie and Dietz 2009). Implementing systems to promote trustworthiness on their own won't necessarily be sufficient. The day-to-day behaviours of managers at all levels need to reinforce the policies and systems in a way that demonstrates trustworthiness.

Processes or mechanisms to assess or measure levels of trust on a regular basis can be established (Smith 2010) to act as an early warning system for possible erosion in trust levels. These can be a mix of staff attitudinal or reputational surveys, sample interviews, focus groups, exit interviews, 360-degree feedback. They need to be implemented in a timely and confidential manner, with clear understanding as to their purpose (Gillespie and Dietz 2009).

Trust is high where there are guarantees of job security and task-based participation but lower where management use instruments such as attitudinal surveys, formal consultative committees. Specifically there is no association between more extensive forms of *representative* participation and levels of trust. In fact, there appears to be lower trust where there is evidence of any form of representative participation (Guest et al 2008). This finding is supported by other research which also suggests that the use of formal representational processes, joint consultative committees, taskforces and formal policies promoting engagement are curiously all associated with lower trust (Blunsdon and Reed 2003). It is as though the substitution of formal mechanisms for representation erodes the basis of personal relational trust. However, the causality of these relationships is unclear. It might be that workplace climates that have low trust levels end up needing formal representative bodies.

For trust to be repaired there needs to be interplay between formal policies and systems and the behaviours of direct and senior managers that makes a difference to levels of trust. We know that if employees distrust their immediate manager, this taints their perception of the broader organisation's trustworthiness.

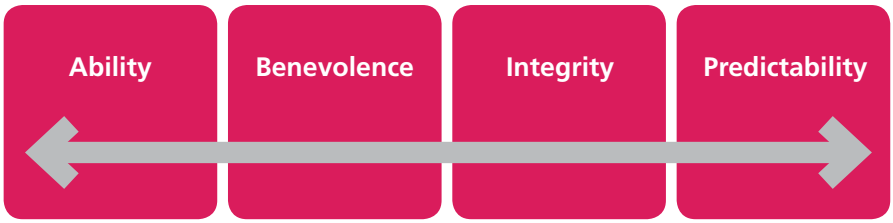
Much then depends on how leaders or direct managers directly respond in the aftermath of a trust violation. For example, trustworthy behaviour is likely to be more effective following a verbal apology, as the verbal action provides the listener with signals through which they can interpret whether it is sincere (Dirks 2006). In the same vein, if there is a truthful and authentic apology, or a good deed that reverses the offence, the victim is more likely to perceive the manager as trustworthy and honest, although forgiveness may not be immediate. Apologies which allow an opportunity for an exchange of views and dialogue between the two parties can become the basis for a new level of trust (Vasalou et al 2008). The role of leaders is therefore critical to trust repair.

The role of leaders

Worryingly there is evidence that suggests that trust in senior management is relatively low in the UK (for example, as compared with Australia), and this lack of trust undermines organisations' attempts to build trust. Thus one of the key challenges for HR is the '*reinvention of prevailing leadership and management styles to engender a move from low-trust, top-down, hierarchic managerialist regimes to more open, accessible and participative approaches*' (Worrall et al 2011, p38).

For leaders to be trusted, research shows that they need to demonstrate the key characteristics of any trustee, namely: *ability* – demonstrable competence at doing their job; *benevolence* – a concern for others beyond their own needs and having benign motives; *integrity* – adherence to a set of principles acceptable to others encompassing fairness and honesty as well as the avoidance of hypocrisy (Mayer et al 1995); and consistency or *predictability* – a regularity of behaviour over time (Dietz and Den Hartog 2006).

Figure 3: Drivers of trustworthiness (Dietz and Den Hartog 2006)



Leaders' behaviour and attitudes critically affect an organisation's ability to build and repair trust. They also set the standard for the rest of the organisation. Consequently leaders need to:

- tell the truth
- be willing to admit mistakes
- share information openly
- support transparency
- seek information from multiple sources and not merely rely on what they are told by their close advisers
- reward contrarians and so avoid groupthink
- protect whistleblowers
- be candid in their dealings with followers (O'Toole and Bennis 2009).

Trust also depends on the quality of the leader–follower relationship. The leader's personal character, their care and consideration as well as their perceived ability and effectiveness affects a follower's feelings about the relationship. More 'able' leaders are better at building and repairing trust (Dirks and Ferrin 2002, Dirks 2006).

Maintaining this trusting relationship is a two-way process in which leaders need to trust their followers, but also vice versa. If such trust exists, followers are likely to be more productive, prepared to go beyond job requirements and willing to remain in an organisation longer. Such trust should not just be based on the experience of specific individual relationships but generalised for newly appointed leaders too.

The creation of organisation-wide talent management and selection processes and procedures that overtly include 'trustworthiness' within the criteria for selection can send positive messages to the followers in an organisation that a newly appointed leader can also be trusted, even recruited from outside the organisation. These systems offer a rapid generation of mutual trust, enhancing a follower's perception of the leader's potential trustworthiness and their willingness to be led by that person (Brower et al 2009). In contrast, leadership styles that are overly bureaucratic, secretive and suspicious tend to inhibit the level of trust compared with more open and energised approaches to leadership (Perry and Mankin 2004).

If one accepts the analysis that effective trustworthy leaders and senior managers are a scarce resource (Casson and Della Giusta 2006), HR as a function has a crucial role in growing the pool of such leaders by putting in place policies or systems to facilitate their recruitment and development. Ensuring these recruitment and selection processes are fair and transparent is an important aspect of trust development (Searle and Billsbury 2011).

HR also has a role in addressing the impact of negative senior and line managerial behaviours. It can offer remedial managerial development for those managers who act in an untrustworthy fashion. There is the opportunity to shape further these behaviours through identifying which aspects are rewarded and sanctioned during the performance management process and through the criteria used to determine promotion and selection criteria for appointments made at all levels of management. However, HR and HRM processes play a much larger role as well in creating a workplace which enables high-trust relations and it is to this topic that we now turn.

The contribution of HRM practices and processes to building and repairing trust

While the dynamic between followers and leaders is important, we know that trust levels are determined not only by individual experiences and dispositions but also by the workplace itself. Put simply, process or technical interventions by management do make a difference, and HRM policies and practices have been proven to be amongst the most influential areas for trust development (Blunsdon and Reed 2003, Whitener 2001, Robinson and Rousseau 1994).

If HRM is perceived as being about '*structuring the interaction of human beings within an organisational context in order to maximise performance*' (Searle and Skinner 2011), HR activities in themselves are key in building and maintaining trust. Employees interpret HR practices as signals indicative of the organisation's commitment to them as people. There is also evidence of a positive relationship between the development of high-involvement work practices and the importance of procedural justice and its direct influence on building trust among employees (Searle et al 2011a, Wright et al 2005). This means that it is not just the content of HR policies and interventions (codes of conduct, flexible working, carer leave, and so on), but also the way they are applied (that is, in a consistent and effective manner) and with tangible evidence of fairness (Searle et al 2011b).

The role of the HR function

To ensure the ongoing effectiveness of HR's role in any trust-building cycle or the introduction of high-performance work practices, HR practitioners themselves need to demonstrate high levels of trust in their employees. This could be assessed by how members of this function engage with employees, specifically the openness of their dialogue and the way their knowledge is shared across the organisation. It also could be reflected in the organisation's philosophy and attitude to the prominence given to HR in the organisation's purpose and its willingness to invest and improve HRM practices. Thus, while specific HRM practices impact on the creation of trust, the evidence suggests that the level of trust that HR managers have in their employees is potentially of as great importance (Tzafrir 2005).

There is also a body of evidence that suggests that HR interventions can have negative consequences. For example:

- HR's involvement in badly managed organisational change processes can violate and undermine levels of trust among employees (Worrall et al 2011).
- Traditional HR practices fail to build effective collaborative relations based on employee participation and have negative consequences on efforts to secure harmonious employee relations (Mather 2011).
- There is an association of HR with the imposition of inappropriate controls, monitoring and procedures (Legge 2005).

HR also needs to show more awareness and acknowledgement of its role in helping shape staff attitudes, as well as the wider 'sense-making' role it plays at all levels of an organisation, particularly in times of change or downsizing (Buckley 2011).

For some HR practitioners, challenges around trust are new to them as individuals. Some of the learning from trust-building, conflict mediation and reconciliation processes introduced after major internal conflicts, or political traumas, may be helpful. Further details of learnings that can be gained from other reconciliation activities are included in Appendix 3.

Data collection

Given the topicality of the subject area in 2011, we were keen to collect data as soon as possible and from as wide a base as possible given both time and resource constraints. We wanted to understand how some organisations manage to *maintain* trust during times of adversity and how some had managed to *repair* breaches of trust.

We were able to collect data on *levels* of *trust* across all sectors in the UK using the CIPD *Employee Outlook* survey. This was important in order to understand how common an issue trust is across different industry and public sectors. However, in order to understand the *process* of successful *trust repair* or the maintenance of trust during adverse times, we needed to collect in-depth data using a case study approach. To ascertain what works in maintaining or repairing trust, we needed to understand the strategies put in place by senior managers but also the employee experience of those strategies.

We were also keen to include in our case studies as wide a cross-section of organisations as possible in terms of size, ownership structure, sector and geographic location. We did not want to present data based on a few large corporations or public sector bodies without also exploring small to medium-sized entities. These concerns, amongst others, guided our research design, which is set out in more detail below.

Quantitative data

The CIPD commissions a quarterly survey (*Employee Outlook*) among UK employees (including sole traders) to identify their opinions of and attitudes towards working life today, particularly during these difficult economic times. YouGov conducted the latest quarterly online survey for the CIPD of 2,068 UK employees from 16–21 September 2011.

This survey was administered to members of the YouGov Plc UK panel of more than 285,000 individuals who have agreed to take part in surveys. The sample was selected and weighted to be representative of the UK workforce in relation to sector and size (private, public, voluntary), industry type and full-time/part-time working by gender. The sample profile is normally derived from census data or, if not available from the census, from industry-accepted data. Panellists who matched the sample profile (as explained above) were selected at random from the YouGov Plc UK panel and were sent an email inviting them to take part in the survey.

Respondents were drawn from a mixture of public, private and voluntary organisations. Size of organisation was classified in the following way: sole trader (one-person business), micro business (2–9), small business (10–49), medium (50–249) and large (more than 250).

Qualitative case studies

Sampling

We were keen in this research to have as diverse a sample as possible given time and resources. We wanted a spread of different sectors, geographies, sizes and ownership structures. We held face-to-face interviews or conducted focus groups with a total of 220 people from the following companies during September and October 2011.

A practitioner workshop was held at Norton Rose's offices attended by both the research team and the practitioners from the participating companies; 37 people attended altogether. The research findings to date were shared with the practitioners, including the typology, and their comments incorporated into this report.

To participate in the project organisations and individuals had to be able to provide access for us very quickly at both senior and lower levels. Each organisation's specific story of maintaining or repairing trust through HRM is described in Appendix 1 – case studies. Fourteen organisations took part in the research. One declined to be named, which was the bank in our sample. For that reason their case study is not included in the Appendix. However, quotes and data from the bank case study are included. We have given the bank the pseudonym BANKGROUP.

Companies' details

John Lewis Partnership: A UK-based company which runs John Lewis Department Stores and Waitrose Supermarkets. John Lewis is an employee-owned partnership, as the company is owned by a trust on behalf of its employees (who are known as partners and receive a share of the company's annual profits). The group is the third largest UK private company in the *Sunday Times* Top Track 100 for 2010. It employs 76,500 people and is headquartered in London.

Cable & Wireless Worldwide PLC: A global telecommunications company headquartered in Bracknell in the UK. It is the third largest IP provider to FTSE 350 customers and provides connectivity to 153 countries. It can trace it history back to London in 1860.

Ernst & Young: Headquartered in London, Ernst & Young is one of the largest professional services networks in the world and one of the 'Big Four' accountancy firms. It has offices in 140 countries. It was ranked as the ninth largest private company in the United States in 2010 and has 152,000 employees globally.

HMRC: Her Majesty's Revenue & Customs is a non-ministerial department of the UK Government which is responsible for the administration and collection of taxes, the payment of some forms of state support and law enforcement. It is headquartered in Westminster.

GKN PLC: A multinational engineering company headquartered in Redditch in the UK. It produces vehicle and aircraft components. It was formerly known as Guest, Keen and Nettlefolds and can trace its history back to 1759. It is listed on the London Stock Exchange and is a constituent of the FTSE 100. It employs 38,200 people worldwide.

BIS: The Department for Business, Innovation and Skills is a ministerial department of the UK Government that has wide responsibilities in the UK, including economic growth, science and innovation, skills, higher education, regulatory reform, company and employment law, trade and investment. It is headquartered in Westminster. It should be noted that, although the department has many responsibilities outside England, economic policy has been largely devolved to the Scottish, Welsh and Northern Irish assemblies.

Hampshire CC: The county council which governs the majority of the county of Hampshire. It is one of the UK's largest county councils in terms of the number of people it serves, the number of people it employs and in terms of land mass. It is represented by 78 councillors and is currently Conservative-controlled. It is headquartered in Winchester.

Norfolk CC: Norfolk County Council is headquartered in Norwich. Within Norfolk there are also seven district councils. The county council is currently most commonly referred to in relation to its detailed and all-encompassing proposal for its response to its budget cuts, developed through strong engagement with the public and other stakeholders. It is a Conservative-controlled county.

Sunderland City Council: A local metropolitan district council in the north-east of England serving a population of 280,000 citizens and responsible for the provision of all local government services. It has been Labour-controlled since its creation in 1974. Labour actually increased their majority at the last election by four seats.

BANKGROUP: BANKGROUP Bank is a retail bank with a private bank for high net-worth individuals and a commercial and merchant banking operation. It employs 32,000 people and has offices in 15 countries.

Norton Rose Group: A leading international legal practice. With more than 2,900 lawyers, they offer a full business law service to many of the world's pre-eminent financial institutions and corporations from offices in Europe, Asia, Canada, Africa, the Middle East, Latin America and Central Asia. They are strong in financial institutions, energy, infrastructure, mining and commodities, transport, technology and innovation, and pharmaceuticals and life sciences. Norton Rose Group comprises Norton Rose LLP, Norton Rose Canada LLP, Norton Rose South Africa (incorporated as Deneys Reitz Inc) and their respective affiliates.

Orvis: A family-owned retail and mail-order business specialising in high-end apparel for men and women, fly fishing, hunting and sporting goods. It is based in both the USA and the UK, with 57 shops in the USA and 23 in the UK. It was founded in Vermont in 1856 and now employs more than 1,500 people.

Royal Mail: The Government-owned postal service in the United Kingdom. It was founded in 1516 and is headquartered in London. Technically, it is a public limited company in which the secretary of state for Business, Skills and Innovation holds 50,004 shares plus one special share and the Treasury Solicitor holds one ordinary share. This is set to change with the passing of the Postal Services Act 2011, under which the Government will be able to privatise up to 90% of Royal Mail, with 10% being held by Royal Mail employees. The organisation employs 176,000 people.

Day Lewis Pharmacy: The UK's largest independent chain of pharmacies run by its co-founder and current CEO, Kirit Patel. It has 187 shops, predominantly in the south of England, and is headquartered in Croydon in Surrey.

The locations of the specific sites that we researched within those organisations are shown on the map.

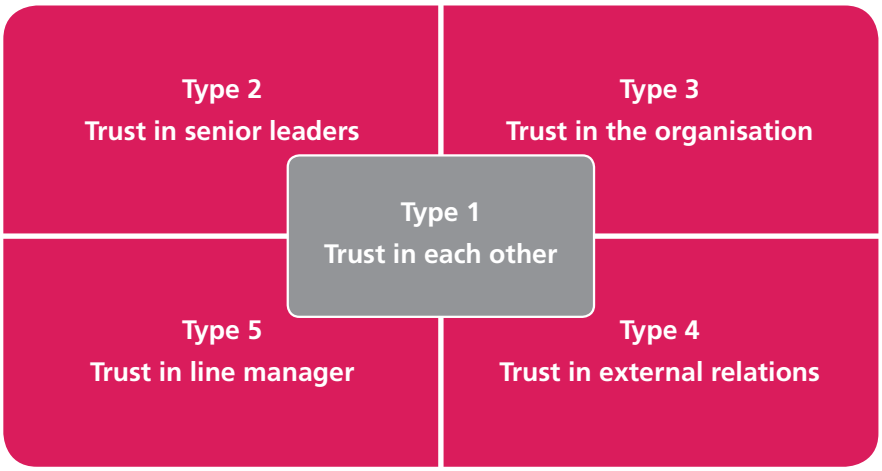
2 New insights into organisational trust

Types of trust relationship and their strengths and weaknesses – evidence from the cases

What became evident from the case study research was that organisations varied according to which trust relationship received most attention. From these observations we developed a typology called the 'trust relations typology'. We want to emphasise that this is not a typology of organisational types but of primary trust relationships. Think of it as being similar to the Myers-Briggs Typology. It is a series of lenses into different forms of trust relationships. Organisations tend to have one dominant preference in terms of their primary trust relationships, but other types could be present within the organisation but not as dominant. Furthermore, it is possible in times of adversity for each organisation to pull on aspects of other trust relationships to help them through uncertain or difficult times.

We came across five main types:

Figure 4: Key trust relationships



- Type 1 – *'trust in each other'* – trust relationships are maintained with customers, employees, line managers, the organisation and the senior managers. This forms a virtuous and reinforcing 'circle of trust'.
- Type 2 – *'trust in leaders'* – the main emphasis is put into trusting the senior managers.
- Type 3 – *'trust in the organisation'* – here the focus for maintaining trust is the relationship between the individual and the organisation as a depersonalised institution.
- Type 4 – *'trust in external relations'* – the senior management are most concerned with maintaining trust with its external stakeholders, most often customers, but not as focused on internal trust relations.
- Type 5 – *'trust in the direct line manager'* – here the attention is given to maintaining the trust relationship between the employee and their direct boss.

Key learnings:

1 There is no ideal type. Each type has its strengths and its weaknesses, as we explain later in this section. So, the typology is not meant to be seen as a restrictive categorisation but should be used more as a heuristic device to help people think about trust relationships within their own organisation.

2 The organisations which manage to maintain trust best through difficult times fall into the Type 1 category. When times were good they paid attention to every trust relationship: the leaders, the organisation, the external customers and the line managers. They are better equipped to deal with times of significant change or adverse trading conditions. During a more difficult period they can also afford for some trust relationships to decrease temporarily as they have sufficient resources in the other trust relationships that would buoy up the organisation during that time. In effect, they have a number of trust 'batteries' running simultaneously. The exemplar of this type is the John Lewis Partnership.

3 Organisations that just rely on one form of trust relationship out of the typology are in a 'high risk' category in terms of their ability to face difficulty. If that single trust relationship is damaged, there is little for them to fall back onto in adverse times and, in times of turbulence, it might be difficult to either repair a breach of trust or create new trust relationships. So, an over-reliance on Type 2 – trust in leaders – has placed some organisations at risk in recent years as the ability, benevolence, integrity and predictability of their leaders has been called into question. Nevertheless, there are examples of some leaders bringing all those personal characteristics to the fore. Sunderland City Council falls into that category.

4 Type 3 – trust in the organisation – is the relationship most under threat in the current context, particularly in the case of public sector organisations.

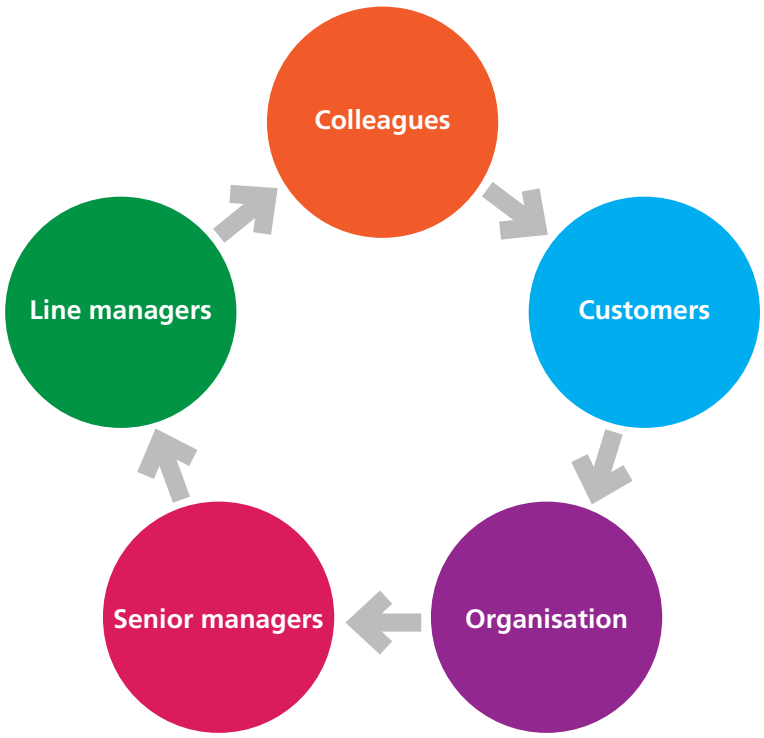
5 Type 4 – trust in external relations – is sometimes the default position for private sector organisations that are fighting for commercial survival. They have to focus on getting the trust of the customer back in the first instance.

6 The most resilient trust relationship is that found in Type 5 – trust in the direct line manager. However, senior managers cannot assume that in large organisations that the line managers at middle and lower levels are aligned behind the strategic aims of their superiors. So, while this is the most persistent trust relationship, and may create a better workplace climate at a local level, it cannot be assumed that it will result in the strategic aims of the organisation being delivered. Local managers and their teams may ignore attempts to change, or redirect, the organisation. This relationship should be augmented with either trust in the organisation or trust in senior leaders.

Type 1 – trust in each other: *'We're all in this together – I work for John Lewis because I trust them as a good company, as a fair company, as an employer who I believe will do the right thing by me and by the people that work for me, the people I work for and the customers we serve. I personally only work here for that reason – that's how much John Lewis means to me as far as trust is concerned.'* (John Lewis Partnership middle manager)

An organisation characterised mainly by this type of trust relationship is one where everyone trusts each other: colleagues, line managers, senior managers, the organisation itself and customers all trust each other. Senior managers are held accountable to staff for the leadership of the business and for their leadership of the people. All relationships, horizontal or vertical, are personal and individual. There is a mutuality of purpose within the organisation – benevolence towards each other. To achieve this people management is seen as absolutely critical and appointments at all levels are made on the basis of whether the individual 'fits' the culture. Employees' attitudes are seen as more important than their skills at the point of selection because skills training can be provided, whereas attitudes that promote and sustain a trustworthy culture are regarded as the key starting point.

Figure 5: Trust in each other – 'we're all in this together'



- Trust relationships run throughout as a virtuous circle and are maintained as a trust fund for difficult times.
- Senior managers are held accountable to staff for their leadership of the business and the people – a mutuality relationship.
- People management seen as key and staff must 'fit' the culture to be employed.
- Relationships are personal and individual.

The case study company within our sample that epitomises this type of trust relationship is the John Lewis Partnership:

'Because of the way the business is structured, because we have at our very heart what we call Principle 1, which was written by our founder back in 1927, it defines the purpose of the John Lewis Partnership, and the purpose is the employment of partners in worthwhile satisfying employment in a successful business…So what flows out from that is everything around your people strategy, of course, that's what you would expect, but it also wraps around your business strategy. So when you talk about trust, the 29,000 co-owners of the John Lewis Division, or the 75,000 co-owners of the John Lewis Partnership in its entirety, have to feel the connection with those fellow partners who are responsible for delivering business success. So that's trust in its broadest spectrum. It's from the top to the very bottom.' (JL senior HR director)

'Because it belongs to all of us. So, if they harmed us, they would be harming themselves, wouldn't they? See, it's an open and honest culture, it is just like one big family. So nothing is hidden.' (John Lewis shop floor focus group)

The customer trusts John Lewis more because they see the firm as having responsibility for its business because staff own the business.

'When you talk to people outside of the business…because you are a partner and co-own the business, they feel that there is more trust there because you have an interest in how the business is run. So that is where the trust gets built as well because it's not just, "Oh, it's not my responsibility," and brush it aside.' (John Lewis)

Other organisations also demonstrated this mutuality of purpose. Norton Rose Group, the international legal practice, another partnership, also made a bold and courageous move. In 2009, they launched an innovative initiative called 'Flex' to eliminate the need to make redundancies as a direct response to the global economic climate. It was an entirely voluntary scheme, only to be introduced if a minimum percentage of employees voted for it. This initiative was supported by 97% of their London employees, who were consulted on its introduction. Norton Rose had the option to apply the scheme for up to 12 months to those who agreed to have their terms and conditions changed, but the scheme was closed early in January 2010 as soon as general economic conditions improved. The Flex scheme has been a huge success and was seen as an inclusive and workable initiative internally. Norton Rose Group managed the downturn without having to make any redundancies by moving people onto either four-day weeks or allowing them to take sabbaticals. The way the partners and staff worked together to make this policy such a success was a huge credit to both partners and employees. In recognition, they have received multiple prominent external awards for the scheme, including FT Innovative Lawyers 2009 Award – Resourcing, awarded for devising and delivering the Flex scheme, The Lawyer HR Awards 2010 – HR Team of the Year and Innovation in Talent Management & Retention, Legal Business Awards 2010 – Most Enterprising Law Firm of the Year, RollonFriday – UK Firm of the Year 2010, The Lawyer – 2009 Law Firm of the Year Award.

Sunderland City Council (SCC) board and the local council are also trying something bold and innovative. It has committed itself, and its workforce, to making savings without dipping into its reserves and without compromising on the quality of its front-line services that the city needs:

'We are responsible to the people of Sunderland; they have the right to expect to trust us,' said Sue Stanhope, Head of HR and OD.

Unusually, SCC is trying to achieve this without taking the obvious option of cutting headcount through redundancies. The council is committed to making no redundancies at all, neither compulsory nor voluntary. In a city buckling under high levels of unemployment, to throw another few thousand people out of work is so unpalatable as to be impossible to contemplate. And there is to be no enhanced conditions for early retirement either, which would only increase costs in the short term.

SCC's response is *'a values-based approach'*, said Stanhope. The council's declared values are admirably straightforward: 'Proud, decent, together'. The response to the budget cuts has attempted to live up to all three ideals, with a particular emphasis on the latter two:

'We've been honest about our plans, about the timings and the agenda ["proud"]; we have been "decent" – we have tried to do our very best for people, and we have been "together", in being even-handed across the organisation, with no disproportionate favourable treatment' (Fiona Brown).

There are obvious strengths in these types of mutual relationships. In adverse times everyone pulls on the large 'trust fund' that has been created through the good times and helps each other through while maintaining good trusting relationships. Indeed, despite implementing a major restructure which involved

redundancies in the last couple of years, because of the transparent and caring way in which it was handled, the staff at John Lewis described the end result of the process as one where they actually trusted the organisation more than ever! Sunderland appealed to the local community to support their initiatives. Norton Rose put a vote to their employees.

Type 1's 'trust in each other' means that its strength as a trust relationship lies in the appeal to, and consultation over, mutual interests at all levels within the organisation (and outside the organisation in Sunderland's case). In addition, it is the demonstration of concern for all those affected, whether customer or employee, senior or junior, that gives this type of relationship its strength.

Everything about the cases described above may give the impression that this is the ideal type for trust relationships, but there is a shadow side to these relationships.

Figure 6: Trust in each other – weaknesses

Weaknesses

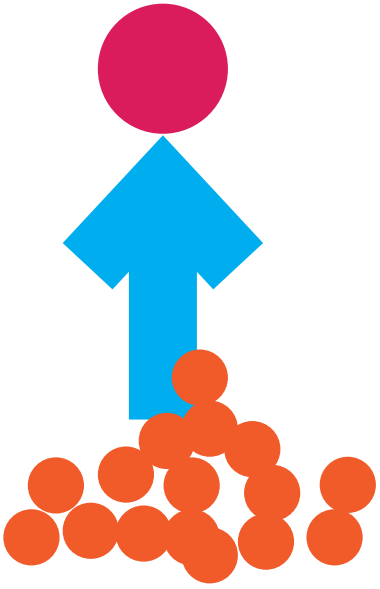
- In the good times the organisation can become inward looking, overly trusting of its competences, morally superior and not interested in learning from different organisations or people.
- In bad times, staff can be more shocked by difficult decisions, which results in higher breach of trust.

The danger for these types of relationship is that, over time, they can breed complacency. Organisations can become rather inward looking and overly trusting of their own competence, and with a danger of becoming rather morally superior. An example of the shadow side of this type could be seen in the complacency of Marks & Spencer in the mid-1990s when their sales figures started falling. Then M&S senior managers and staff were both slow and reluctant to change their culture or business model despite sales evidence suggesting a real need to do so. They had high trust in everyone internally to pull themselves through the bad times. In fact, they actually needed to adopt a completely different approach to their position as high street retailers, but it took the company a long time to come to terms with that.

The tell-tale signs of the 'shadow side' are evident when these trust relationships actually stop people from seeking to learn from other corporate experiences outside their own organisation. Staff at all levels start believing that the goodwill and cultural comfort created internally as a result of high, mutual trust is actually the same as high business competence. Another risk for organisations that enjoy these high mutual trust relationships is when they begin to start acting as though they are like families. Then, if there is a breach of trust for whatever reason, staff can be even more shocked, or hurt, than in other organisations which have a more measured approach to trust relationships.

Type 2 – trust in our leaders: '*I believe I am like a conductor of an orchestra and every single player in the orchestra is important. It doesn't matter whether you play the viola or the violin, you know it's genuinely important.*' (Kirit Patel, CEO and Founder of the Day Lewis Pharmacy Group)

Figure 7: Trust in our leaders



Trust in our leaders

- Leaders and their behaviours are key to maintaining sufficient trust levels within the organisation.
- Staff look up to their leaders for evidence of trustworthiness.

A second type of organisation is one where the primary trust relationship is focused around the leaders of the organisation. In this type of relationship people look upwards to their leaders, and as long as they are seen as trustworthy and can be trusted, then sufficiently high trust can be maintained within the organisation.

In the CIPD survey results we found that employees' perceptions of trust in their organisation and in their senior team are significantly correlated (0.725); thus, when employees think about trust in their organisation, it is often synonymous with trust in the top team. Therefore the behaviour and actions of organisational leaders can play a pivotal role in organisational trust, and, as we shall see, in its repair. Importantly, employees who indicated high trust in their organisations and top teams also felt that they were trusted by managers (0.723). In this way trust has an important reciprocated component, and should not be regarded as just flowing up from employees to their managers; rather, it is important that trust be returned, so that employees can feel actively trusted by their superiors.

An example of exemplary trustworthy leadership is the family-owned business the Day Lewis Pharmacy Group, where the founder and CEO, Kirit Patel, is revered and respected as a man of ability, integrity, benevolence and predictability. Day Lewis is the UK's and Europe's largest independently owned local pharmacy chain. Over the last 30 years the company has grown into a group with 187 different pharmacy stores across the south of England. The group remains family owned.

Kirit Patel sees trust as paramount to the business and he describes his structure as an inverted pyramid. Senior management are expected to demonstrate downward trust by empowering pharmacists in each store to run the shop as their own business. In return, the senior leaders are trusted by the pharmacists. Mr Patel visits every store at least once a year to talk and meet the people who work for him. Any employee can go to him with any concern. He is seen as the face of trust within the organisation and since the employees trust him, they by default also trust the organisation.

Mr Patel sets an example by operating according to the highest ethical standards and by demanding the same of everyone else in the company. His personal philosophy on leadership and his day-to-day practice of that philosophy is a good template for other CEOs to learn from.

'You can never stop working at it [the trust relationship]. …we don't want to have a stick. My philosophy is that nobody carries a bigger stick than me and I don't carry one.' (Kirit Patel, CEO Day Lewis)

There are both strengths and weaknesses in relying on trust in leaders as the primary relationship within any organisation. The strengths are that, provided leaders can demonstrate their ability, benevolence, integrity and predictability, they will be able to lead their people through difficult times. Kirit Patel clearly did this with his 1,300 staff throughout the crisis.

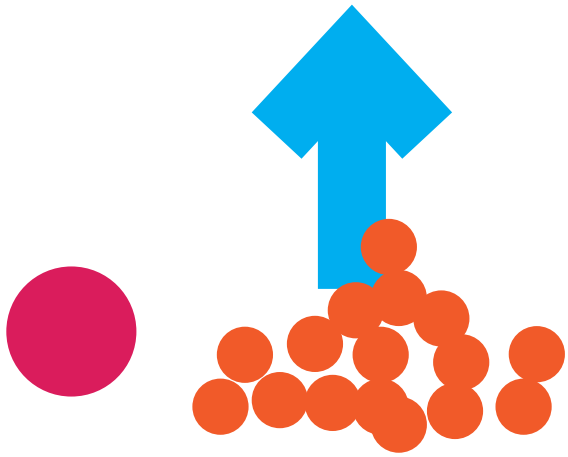
However, if for some reason leaders are found to be lacking in any of these attributes – ability, benevolence, integrity and predictability – trust can start to decline in an organisation. In the BANKGROUP bank, the immediate aftermath of the personal financial crisis meant that trust in their leadership crashed.

'That was for a lot of people really the limit because we had to make a lot of people redundant and then this person at the top of the bank leaves with so much money while we're in this big, big trouble…' (BANKGROUP manager)

'Trust collapsed in a matter of months. It was due to the actions of the former board of directors. There was total mistrust after that.' (BANKGROUP HR manager)

Another weakness of this over-reliance on leaders for the key trust relationship is that they are both human and mobile. They can become ill, or choose to leave the organisation.

Figure 8: Trust in our leaders – weaknesses



Weaknesses

- If leaders are found to be lacking at a personal level in ability but particularly benevolence and integrity, trust can collapse.
- In good times there can be too little distrust.

Another organisation we researched, Orvis, is a North American retailer. Orvis is a private business founded by Charles Orvis in Manchester, Vermont, in 1856 and has changed ownership only twice in its 150-year history. Under the leadership of the current owners, the Perkins family, the company has thrived and broadened its vision. Most people agreed that trust in the senior management in Orvis is the most important trust of all as these are the people who make the strategic decisions and are responsible for the future of the organisation. In addition, if the senior management is promoting a culture of trust, this filters down to the whole organisation, thus their role in instilling trust for the firm is crucial. Yet as the company was slowly coming

out of the storm caused by the global financial crisis, another crisis occurred: the CEO of the UK headquarters died suddenly. This created a sense of loss within the organisation and people temporarily lost the person in whom their trust was founded. The organisation has successfully addressed this issue but the case illustrates the danger on relying upon a single leader to represent all that is trustworthy within an organisation.

So, inherent in this type of relationship is a fragility produced through an over-reliance on senior managers as both individuals and as a team. Sometimes when they are seen as figureheads there is a danger that too much reliance and trust is placed in them – they are expected to be able to perform minor miracles. Equally, with some of the events leading up to the banking crisis, a little less trust placed in the leaders of individual financial service firms and a more shared responsibility in scrutinising activities of staff might have been beneficial.

Type 3 – trust in the organisation: *'Does the organisation value me? …that is again something that has been lost. And a sense of value would be a small step, well actually a good step in the right direction.'*

In this type the primary trust relationship is with the organisation. In this relationship the organisation is perceived as an institution with an important and persistent purpose in the world.

This trust relationship personifies much of the relationship between public sector employees and the institutions they work for, although many of the same characteristics would have been found in the very large multinational corporations 20–30 years ago. Here the employment relationship is very impersonal, as the employee joins the institution in order to be a civil servant, a United Nations official or a local government officer. Regardless of which political party is leading them, their job is to deliver a public service.

Figure 9: Trust in our organisation

Trust in our organisation

- Primary trust relationship is with the institution and its purpose and value to the external world.
- Impersonal relationships as organisation's purpose is executed through fulfilling bureaucratically defined jobs and roles.

As such, the personal characteristics of the individual leader or of the individual employee are less important than the role they are both fulfilling. Many senior managers in these organisations got to the top because of their technical skills, rather than through their leadership skills. Over the past 20 years the emphasis in the public sector has been on monitoring performance and raising levels of delivery and so the selection, promotion and development of senior managers has tended to mirror those dominant metrics.

This quote from an HMRC HR manager describes their shift from this more impersonal approach to leadership to a more people-oriented approach:

'The underlying assumption about the development of leaders was about delivery. Ultimately the focus very much was about the business plan, targets, capability around that delivery. …What we're now trying to say to them is "Think about the people, think about the engagement, the involvement".'

Another public sector HR manager from Hampshire County Council observed that the leadership is perhaps perceived as too impersonal:

'Staff need to be exposed to see that these senior managers are also human beings and have the same feelings as they do when it comes to issues.'

So, the emphasis in these organisations has not been on trust in their leaders. Many public sector managers tend to be just that – managers, not leaders. What has been valued in these organisations is the fulfilment of roles; roles which have been defined in terms of their delivery, rather than as leadership roles.

So, where should employees in these organisations place their trust? What they have traditionally done is trust the organisation, its purpose and its value within the wider community. They trust the value of their job and service. These roles are therefore very bureaucratically defined and people will describe themselves in terms of where they work – the Ministry of Defence or the Home Office.

A strength of this type of trust relationship is that it is *not* dependent on the cult of the individual leader. Politicians may come and go; permanent secretaries may or may not persist, but employees trust that the value and purpose of the institution they service will not falter. For that reason these trust relationships usually result in people remaining with the organisation for a long period of time. As these relationships are *impersonal*, being a public sector officer in local or national government means serving any government, or council policy, regardless of your personal opinions on the politics of that particular policy. It is through this very level of detachment that people are able to continue to serve despite changes in political parties in the council or in the Government.

Therefore trust is vested in the institution, because that is the persistent trustee. Central, therefore, are the systems and procedures of the organisation, as they represent the enduring benevolence and integrity of the organisation. Often HR systems are very strong in terms of procedural justice and often these organisations seek to instil 'best practice HRM' in order to fulfil its perceived obligation as a 'good employer'.

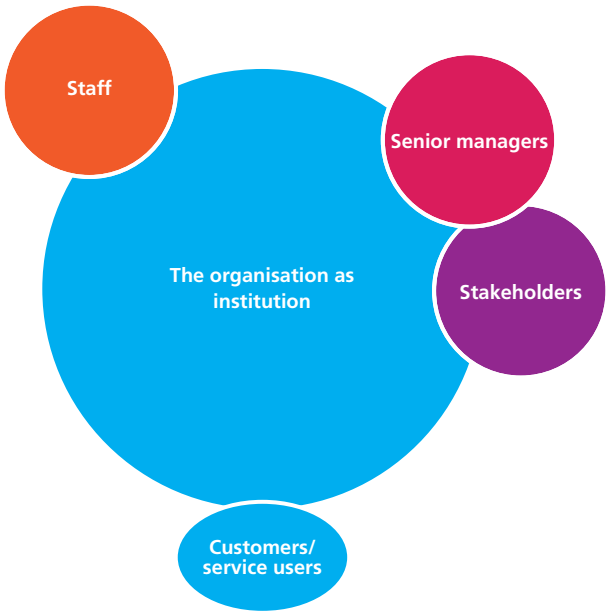
In the next quote a long-serving public sector worker talks about their organisation as if it is a person, and reveals that the way a system for restructuring and cutting jobs has been implemented has destroyed their trust in that institution as an employer:

'Before that happened I had 100% trust in this organisation and I've completely trusted them that my best interests (as long as they weren't totally conflicting with the department's best interests) were sort of okay. And since then I think I'm finding it really hard to trust them now that they won't do something like that again. It's really hard.'

A consequence of this type of trust relationship is that if the organisation's purpose, value or service to society or the community is criticised or subject to significant change, internal trust relations may start to decline. The reason for this is that the very object of trust – the organisation – is seen as being under attack in the eyes of the employees. If a public sector organisation is trying to respond to the need to implement cuts, it becomes doubly difficult when concurrently external stakeholders, such as trade unions or politicians, are critical or adversarial with them. In response, senior managers are obliged to divert a great deal of their time and try to manage these external trust relationships rather than focusing on the internal organisational changes and attempting to rebuild, or buoy up, internal trust relations. The lack of trust expressed in senior managers by the politicians or public makes these same leaders appear less able to be trusted by their staff, and so a downward spiral of distrust is created:

'We're trying to get staff together in groups and discuss better ways of moving the department forward with fewer resources and actually trying to come up with some good ideas on how we can go forward in the future. But the feedback is around trust and people feeling that senior managers are either holding the roles to themselves and not kind of delegating and therefore it feels like you're not being trusted. So they'll give out the role and then they're like "xx – what are you doing? What are you doing? What are you doing?" And actually they are micromanaging and not kind of trusting…'

Figure 10: Trust in our organisation – weaknesses



Weaknesses

- In adverse times, if the organisation's purpose is either under attack or subject to change, relations become eroded.
- Senior managers may have underdeveloped individual and relational ability to lead.
- Seen as impersonal and more concerned with implementing performance monitoring systems which staff interpret as a lack of trust in them.
- Particularly bad if external shareholders are critical as senior managers have to attend to rebuilding trust relationships with externals rather than focusing on internal trust.

In 2012 public sector officers feel demoralised about their worth within society and the only people they feel inclined to trust are people they see every day, namely their local line managers. There is a fragility about this trust relationship because, if the local line managers are feeling the same way as their staff, they may set up an alternative fortress or encampment of local trust. The result is that employees start to trust each other locally and don't trust senior managers, because they are responsible for implementing these antagonistic people policies. Nor do they trust the organisation as they no longer know whether what it stands for, or delivers, is of any value.

If their local line manager is also moved out of their job because of restructuring, employees are left isolated in terms of trusting relationships: *'at a time when you're having to make significant cuts, and you've been*

restructured so lost your sense of relationship with your immediate line managers that may have been a place where you could've at least placed some trust.'

The following anonymised quotes from public sector senior managers capture some of these dynamics around trust relationships between both sets of external stakeholders, politicians and unions, from quite different organisations. These quotes also capture the impact of restructuring on line manager relationships:

'particularly with our elected councillors, if there's issues of trust, that can be pretty fatal, because if the councillors don't feel they can trust the officers then the relationship moves onto a different footing… it then becomes very difficult and you do see that in some organisations where elected members just rubbish their officers.'

'I think, without wishing to sound overtly political, there's a huge distrust of government… it's not just about issues pertaining to the deficit, it's more the consistently insulting and totally derogatory behaviour or attitude of the Government to the public sector, they rubbish everyone in it basically. So I think there's recognition that cuts have got to happen, because there's absolutely no question of that, but it's more a distrust slightly of the philosophy of motives underlying it and the attitudes displayed in implementing it.'

'There's a trust issue with all the stakeholders which makes everything we do quite difficult…no one's buying into what we do and they don't trust us to be doing a good job and to help them.'

'There's a general thing about, you know, our political masters using us as whipping boys occasionally when they, you know, when they want to be shown to be doing something to the public…but then sometimes there is that fine line and this is about the trust issue as well. And there have been certain things that have been done which have been taken as a betrayal of trust which goes beyond rhetoric and to kind of action…'

'We have, on occasions, you know, not done the right things by our people when it comes to understanding how they feel about situations.'

Union relationships also fall into this category, as this quote describes:

'For the wrong reasons I think the most important trust relationship is with the union. And that's management of the union and staff of the union and in fact you can then split the management layers out into the day-to-day working management relationship with their local rep as opposed to the more political agenda that you get as you go higher up the organisation. And I think I have to say that's the most important because that's where we have the most issues to deal with.'

These reactions suggest that the execution of the cuts in the public sector might be enhanced by greater understanding of how current approaches are crippling trust relations in that sector.

We also should be mindful of the fact that trusting workplaces are important for the promotion of innovation. In order to both achieve public sector cuts while also continuing to deliver services, some innovatory thinking may have to enter the mindsets of local and national government senior teams.

It is important to note that the attack on organisations as institutions is not limited to the public sector. Until the 1990s banks were viewed as indestructible institutions, resistant to change and attack and, despite the changes wrought over the last 20 years, many were still viewed until recently as dependable institutions within society. Yet 'banks and the banking sector' have come under enormous attack in the last three years.

When we interviewed staff from BANKGROUP bank in the UK they told us that they had to defend themselves and the institution within the local community regardless of what hierarchical level they were working within the bank:

'Everyone who works for one of these companies [BANKGROUP and BankGroup] has the problem of having to defend themselves at birthday parties, at the football, in the village. They are directly attacked by people who lost eventually money and investment products or tax papers, based upon the fact we are a state-owned company.'

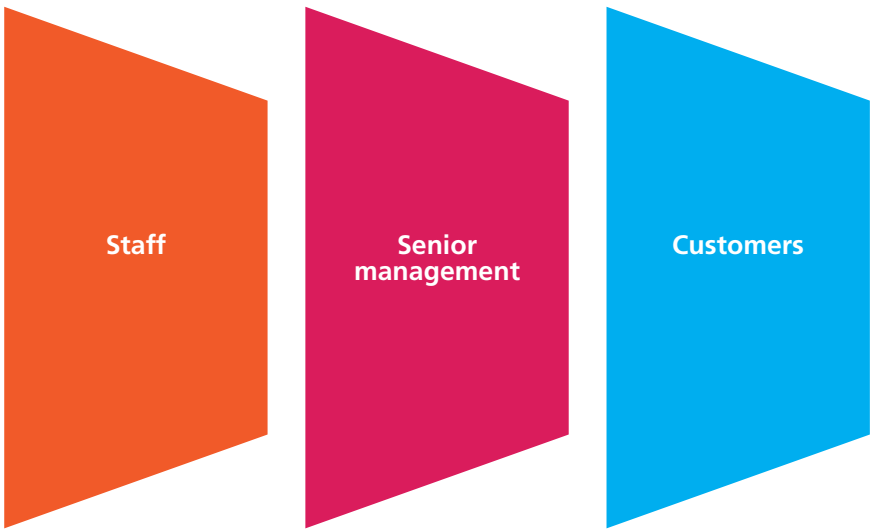
'I know there are some whose children don't dare to say at school that "my dad works at a bank". It's something to be embarrassed about and it used to be an employer to be proud of.'

These preceding quotes reveal something of the loss of identity for those who previously had regarded themselves as employed within a valued institution.

Type 4 – trust in external relations: *'Truth is everything – when you sign up to do business with me – it's not a transaction, it's a relationship which goes on for years.'*

Within some organisations the primary focus for the organisation is on maintaining high-trust relationships with customers. Internal trust relationships are regarded as a 'nice to have' rather than as a priority for the business.

Figure 11: Trust for our external customers is key



- External trust relations with customers is the most important.
- Trust relationships inside the organisation are 'nice to have' but not essential for the business.

The strength of this trust focus is that senior managers are focused directly on the business. Their HR strategy will be derived from an understanding of what the business needs from HR, or concerned with people management in order to achieve business results. Gaining and maintaining the trust of the customer is the key relationship.

In extremis, when a business is in crisis, organisations might have to focus on the customer to survive and therefore this focus is very justifiable. This is particularly true of the bank we researched and particularly pertinent for that sector after the banking crisis.

'Well to start with, a bank is built on trust. We've seen that, you know, so – I mean, in '08, with the collapse of BankGroup and all that, we saw that trust is the main asset of a bank. If people – if customers don't trust the bank anymore, it's gone. So in that sense, it might even be more important for a bank to have trust.' (BANKGROUP manager)

In order to restore trust in the first instance the bank had to concentrate on Type 4 – trust relationships with customers – as, without that fundamental trust, there would be no bank.

'It was basically two drivers, one driver was of course our customers don't trust us anymore so everything is really – the customers from a point of view we have to do everything for the customer and that's a very consistent message that is still going on for the last two years…. The whole approach we use is called customer excellence, which is a combination of attitude, behaviour, process technology, client journeys where we put clients into the operations discussions – real clients – and discuss with them how they would like to be treated and the fulfilment of processes etc.'

However, one commentator from BANKGROUP also noted that banks had become complacent before the financial crisis:

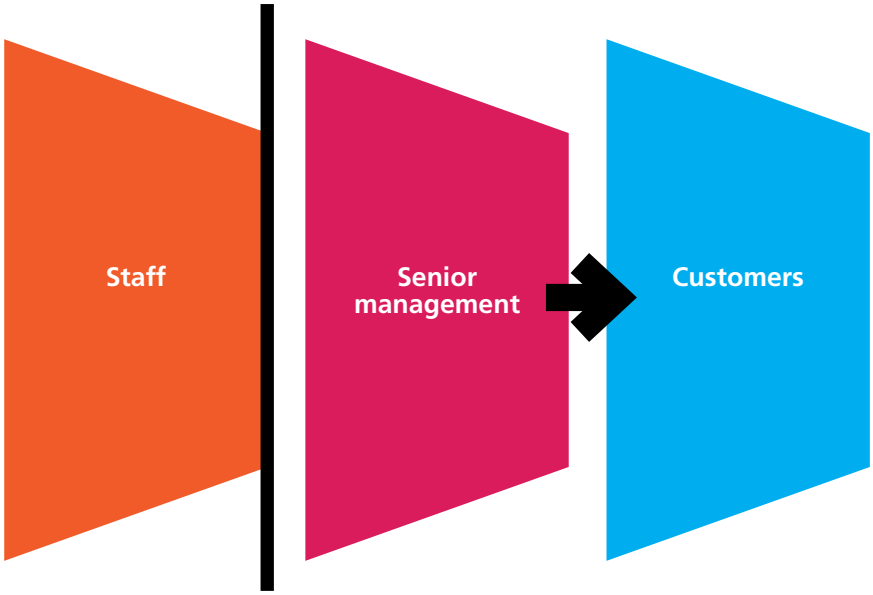
'I think we will never get the same trust level as we had before with customers and I think that's good because it keeps us sharp. Our customers are less loyal…'

One weakness of this approach is that the neglect shown towards internal trust relations may result in the benevolence or integrity of leaders being questioned. Staff in one organisation agreed that *'when we get it wrong with a customer we go out of our way to rebuild it whereas internally if there's a mistake it's more like "The moment has passed, move on".'* One explanation given in this particular organisation was that there was always a rush at lower levels to keep the customer happy, which from the perception of their employees bred a sort of fire-fighting culture in the organisation. This culture valued short-term solutions as a priority over medium- to long-term relationships.

'We will deliver on time and where or when they need it, we jump to their needs.'

Another weakness of this approach is that it may be more difficult for companies that focus exclusively on external customer trust to innovate. As they experience a trust deficit internally, their workforce may be too worried about taking the risks that generate true innovation.

Figure 12: Trust for our external customers is key – weaknesses



Weaknesses

- In adverse times, previous lack of attention to internal trust may mean that integrity or benevolence of leaders is questioned.
- Organisations may not be able to relaunch growth through innovation or be an attractive employer in tight labour markets.

Similarly, for retail organisations virtually every member of staff is customer-facing. Therefore there is a need to maintain some level of internal trust relationships with sales staff in order to enhance the trust relationship with the customer. Retailers cannot afford for internal trust levels to fall too dramatically as poor trust relationships may start to affect the customer experience. The customer-facing employees need to be able to positively represent the decisions of senior managers to customers, not disown them or even sympathise with customer complaints.

Type 5 – trust in the direct line manager: *'immediate line manager offering good communication channels, offering a listening ear, offering information to the extent to which he has it and can impart it, so I'd see that as a good relationship and that helps quite a lot.'* (Norfolk County Council)

Top managers are not the only leaders whose behaviour has been found to be important in creating and sustaining trust. The final type of trust relationship we identified is the most resilient – the trust that people feel in their direct line manager. The relationship with the direct manager is necessarily more personal, more immediate, more proximal and more regular. The opportunity to gauge the trustworthiness of such a person is much easier compared with a person's opportunity to gauge the trustworthiness of a remote senior manager.

The results from the CIPD survey show a pivotal role of line managers as the embodiment of the organisation. Those who perceive high trust in their organisation are also likely to perceive their line managers as behaving in a supportive and enabling way; the range of behaviours we include here are often the skills associated with competent, supportive, enabling line management, that is, trustworthy behaviours.

To illustrate, a John Lewis middle manager described what is expected of you as a manager in terms of management: *'honesty, open conversations, promoting ownership of decisions, sharing everything as soon as possible, explaining the necessity of hierarchy, making people aware that anyone can come and talk about anything.'* Another, more senior manager at John Lewis listed: *'doing the right thing, not doing something for the glory and being courteous to all regardless of level.'*

Figure 13: Trust in the line manager

This final trust relationship is the most resilient, with the relationship between subordinate and direct manager as necessarily more personal, more immediate, more proximal and more regular. They are representing the organisation as a whole through their interaction with staff members. This relationship can become more confused where there is a tension between the type and level of changes required by the organisation and which the supervisor is able and willing to implement.

Given its strengths, why can't we rely on this relationship to deliver employers all the benefits that we know can accrue from high-trust relationships?

The weakness of this type lies in the assumption that the line manager will always act and speak for the organisation. The further away the work group are from the strategic decision-making at the top, the more dependent the employee becomes on the communication and persuasion of their line manager. However, in some contexts, the direct line manager may have difficulty representing their own and employer's interests

simultaneously as, in effect, they are participating in two employment relationships – one with those they manage and one with those who manage them. Sometimes these managers themselves may feel angry about what is being decided at a corporate level and with what they are being asked to implement and therefore 'jump into the trenches with the troops'.

Figure 14: Trust in the line manager – weaknesses

Their very proximity to their teams carries certain risks. It means that the direct line manager can, through their behaviour and communication with their teams, 'break or make' the trust relationships that their subordinates have with their organisation or their senior management. For example, local managers can act as shock absorbers for some of the emotional turbulence of change. If those same managers become dislocated, or alienated, from the strategic aims of their senior managers, they can begin to alter and reshape the type of trust away from the organisation and senior managers.

Indeed, it is easy enough for some local managers to heighten employees' trust in themselves through denigrating senior managers or the employing institution in front of their staff. Similarly, local managers can choose to protect themselves from the negative impact of downsizing by telling their teams that this is not their decision and if they were in charge these changes would not be implemented. This can then win them the trust, loyalty and appreciation at the local level. So, the resilience of the trust relationship with the direct manager can be maintained with lower levels, but ultimately at the cost of the trust relationship with the organisation or the senior managers.

This had been the case within HMRC in the years following its merger, although HR, in partnership with the senior management, is now taking impressive measures to address the separation between the centre and the local. Similarly, BANKGROUP bank have altered their strategy to one of seeking help much more from their local managers, who had previously been ignored or silenced when commenting on or suggesting alternative solutions from the centralised strategies:

'I think that one of the best things we decided is that change, we decided top–down that change should come from bottom–up. There was a huge disconnect between people growing over the last many years. Because any or every idea that they could come up with to reorganise was completely lost somewhere in the woods in the hierarchy or whatever. We since then have found a new methodology that we applied broadly in the bank now to release that known knowledge. That's a place where the work is done…simplicity is one of the major things we advocate and simplicity does not come from headquarters.' (Director)

Another risk in relying on this relationship alone for generating high trust within the workplace is that it is dependent upon the capability of the manager to manage. If the line manager does not tackle poor performance, for instance, their team may grow to distrust them.

3 HRM and the repair of trust

Journeys through the valley of distrust

The different journeys the case organisations were going on can be represented as distinct approaches to 'climbing out of the valley of distrust'.

Figure 15: Climbing out of the valley of distrust

The journeys that the organisations took through, or over, the 'valley of distrust' varied. Some of the journeys that were taken were purposeful and managed by the senior teams. Some had the routes forced upon them by circumstance or by their senior leaders being either unable to anticipate declining trust relations, or them being unconcerned by the consequences.

Some organisations were able to proceed through the current recession without having trust significantly challenged. They were able to operate *within their dominant type*. For example, Norton Rose and the John Lewis Partnership are organisations whose dominant trust relationship is Type 1 – 'trust in each other' – and so they were able to pull their staff through the difficulties and still maintain their trust.

Similarly, the Day Lewis Pharmacy group were able to preserve trust through the recession by pulling on their *dominant* trust relationship of Type 2 – 'trust in our leaders'. Sunderland City Council stopped relying on the public sector position of hoping their staff would still trust in the benevolence of the organisation and instead concentrated on promoting the integrity and benevolence of their CEO and calls for the community to pull together. In each of these cases the organisation had to work extremely hard, and there were some issues as they 'went over the bridge'.

Those organisations which typified Type 1 – 'trust in each other' – had a multiplicity of trust relationships which operated like a pack of batteries. If one was depleted through a serious organisational change, the other batteries had sufficient charge to keep the trust generator going!

For other organisations, there was a serious breach of trust and the challenge therefore became how to manage their staff out of the 'valley of distrust'. For example, HMRC and BANKGROUP have had to find new forms of trust within their organisations. In the case of HMRC, emphasis was placed in a number of new areas. The practice of senior leadership was made more personal and relational and the senior directors consulted far more with local middle managers. In this way HMRC started to build up a Type 2 approach to trust relations by boosting their 'trust in leaders' scores.

The hardest part of this journey is climbing out of the bottom of the valley. This is where most management effort is needed to repair trust. Of course, the best thing is to never go there! Senior managers should regularly measure levels of trust within the organisation and avoid such a descent if at all possible. To repeat the old Dutch saying, *'Trust enters by foot but leaves on horseback.'* So, a loss of trust can happen swiftly but its repair can take a lot of time and energy. Some organisations may spend years at the bottom of the valley. It takes a great deal of investment in management energy and moral commitment to climb up the slope.

However, our research showed that some organisations are successful at maintaining, enhancing and repairing trust. We go on to detail what seems to help in the various organisations.

HRM actions that maintain or repair trust

There are six HR 'hot spot' areas where effective management is pivotal to maintaining or repairing trust:

1 leaders and followers

2 restructuring and redundancy

3 communicating change

4 engaging the middle and the local

5 renegotiating the employment relationship

6 repositioning the HR function.

We consider each of these in turn.

1 Leaders and followers

Given the critical importance of leadership behaviour to the maintenance and repair of trust from the survey, it is unsurprising to find that most of the organisations researched give particular attention to the selection and development of 'leaders' within their organisations.

Organisations seem to be moving towards a new model of leadership. The HR director of Hampshire County Council summed up the situation for many other organisations by saying that he had told his team to *'throw away the manager's handbook of old'* as they are now to focus on *'authenticity'* in leadership and communications. He added that, *'I think authenticity is the new emotional intelligence.'*

The common themes emerging are:

- Need for senior managers to be more visible, locally, in a face-to-face capacity, as well as virtually – if they cannot be more visible face to face, they need to delegate 'leadership' down to local middle managers.
- Need for senior managers to enter into dialogue with their employees, rather than just presenting and pronouncing and then leaving the building.
- Senior leaders in particular are expected to demonstrate to the rest of the workforce that they are not simply 'self-serving', but instead concerned about others' needs beyond their own – benevolence.
- If there has been a serious mistake, leaders need to verbally apologise to the workforce.

- Both Sunderland and Norton Rose's handling of the downturn and cuts illustrates the benefits of individual CEOs being bold, courageous and taking a moral stance on the future of jobs balanced against the needs of the business. This allowed them to be seen by their employees as leaders with integrity.

- Public sector leaders are required to become more personal, relational and accountable in their approach to leading their employees.

- A gradual realisation that the nature of followership also has to change – many people who were interviewed accept that creating trust is everyone's responsibility, not just that of leaders. Thus the workforce has to shift from being dependent upon leaders to take responsibility at lower levels, as well as for creating a positive workplace climate. In this way benevolence becomes two-way, with employees becoming more benevolent towards new leaders and not blaming new leaders for the mistakes of their predecessors.

The attitude towards leaders and leadership is fascinating in the John Lewis Partnership. Given its democratic structures, senior managers perceive themselves to be accountable to the workforce, not superior, and therefore open to challenge at all times:

'You could legitimately go up to xx [an MD] and ask him whatever question you want about his running of the business without – importantly – without fear of recrimination. It is your right as a co-owner.' (John Lewis middle manager)

More-senior leaders at John Lewis raised their prioritisation of people issues during the restructuring and the role redundancy process called 'Branch of the Future':

'So, I still had to do my day job while I was doing all of that [Branch of the Future]. So did I put in the extra hours? Yes, of course I did and I still do. But if it was a choice between getting a spreadsheet out on time or somebody standing at my door that needed me because they were upset, I know which would've won and it wouldn't have been the spreadsheet.'

In some case organisations, what also emerged from discussions is a realisation by senior leaders that they themselves need to demonstrate their trust for the workforce – a *downward* trust – in order to be trusted themselves.

'We try to achieve a new leadership based on focus, engagement and trust. Those are the three pillars for our leadership. That means we will reward different competencies in the future. We need more engaging, empowering leaders and so you need to give trust.' (BANKGROUP senior manager)

Sunderland City Council

This council felt that they could not rely on operating within the traditional Type 3 trust relationships for the public sector – trust in the organisation. Instead, they augmented that trust relationship with a strategy that also calls upon the community of Sunderland and their staff to come together to help them manage the cuts in public services. In addition, the determined and 'local hero' stance of their CEO meant that they also put in place a strong personal trust relationship with him as the leader of this strategy, triggering a different form of trust relationship: Type 2 – trust in leaders.

The senior management team at Sunderland City Council (SCC) had seen the massive government cutbacks coming back in 2009. They had anticipated that, regardless of who won the general election the following year, a huge cut to the council's central government grant was inevitable. In the end, SCC lost

Sunderland City Council (continued)

£58 million from its £745 million annual budget, front-loaded, with more swingeing cuts to come over the next three years. Such a drastic cut in budget is always likely to impact on the workforce, and raised difficult challenges for HR to maintaining staff morale and trust.

However, the SCC board and the local council have tried something bold and innovative. It has committed itself, and its workforce, to making the savings without dipping into its reserves, and without compromising on the quality of its front-line services that the city needs:

'We are responsible to the people of Sunderland; they have the right to expect to trust us,' said Sue Stanhope, the Head of HR and OD. *'We have to shield the city,'* added Andrew Seekings, Head of Transformation Programmes.

Unusually, and possibly uniquely, judging by the bewildered looks the HR team has received from counterparts elsewhere in the country – SCC is trying to achieve this reduction without taking the obvious option of cutting headcount. The council has committed to making no redundancies at all, neither compulsory nor voluntary. In a city already buckling under high levels of unemployment, and acute social and health-related problems, it has argued that to throw another few thousand people out of work would be so unpalatable as to be impossible for it to contemplate. In addition, there are to be no enhanced conditions for early retirement either, which would only increase costs in the short term.

SCC's response has been 'a values-based approach', said Stanhope. The council's declared values are admirably straightforward: 'Proud, decent, together'. Faced with the imminent cuts:

'The chief executive said we must act in line with our values and the more challenging our situation, the more important our values become. The values themselves were not imposed from above, rather they were "discovered" by looking into the organisation, which makes them "real" for people. Some of the decisions we've taken in order to stick to our values are far more difficult to deliver than the more obvious routes. Whereas people have described the approach as "courageous", it's also very much worthwhile because of the longer-term benefits.' (Dave Rippon, Head of OD and Workforce Development)

The response to the budget cuts has attempted to live up to all three ideals, with a particular emphasis on the latter two.

'We've been honest about our plans, about the timings and the agenda ["proud"]; we have been "decent" – we have tried to do our very best for people, and we have been "together", in being even-handed across the organisation, with no disproportionate favourable treatment.' (Fiona Brown)

A new business operating model sought to centralise functions and departments, to avoid unnecessary duplication, which has meant some posts becoming ear-marked for deletion. However, with a freeze on (almost) all external recruitment, the HR solution has been to create an internal jobs market and redeployment pool called 'SWITCH'. A self-assessment tool helps identify employees' personal strengths and their qualifications and experience – and SCC then uses this information to ensure people are matched to jobs that play to their strengths. When a vacancy occurs, the first consideration is whether a replacement is necessary, or whether a reorganisation of tasks can help save money, and thus retire that position. The stop on (almost) all external recruitment has meant managers having to *'find what we have internally to grow into the role'* (Rippon). Any job with a vacancy is assessed according to the strengths required by a post-holder, and then ranked according to the council's pay grading system. Then *'it's about moving people around to where they're most needed, based on their capabilities'* (Stanhope), using job-matching software to match existing talent to the vacancy.

Cable & Wireless

Although in recent years Cable & Wireless Worldwide have experienced quite a lot of turnover at the very top of their organisation, interviewees feel that their new leader has already made steps towards increasing trust levels within the organisation. This has been achieved from the start of his appointment through raising his visibility, and more honest and open communications about his ethos and the organisational strategy. He has actively made use of different media, including videos and podcasts, to *'say it like it is'*. This use of media has been accompanied more by face-to-face contact. Together with this senior management team there has been a series of road shows to increase visibility and transparency.

In addition, the organisation has focused on developing a culture of responsibility, whereby every colleague has a responsibility and role to play. This includes: developing managers as coaches and role models, and encouraging colleagues to take more responsibility for their own development and career opportunities. The IT department within Cable & Wireless Worldwide uses a powerful trust equation as a way of measuring performance and service and developing responsibility:

$$\frac{\text{Credibility + reliability + intimacy}}{\text{Self-orientation}} = \text{Trust}$$

Through this tool a monthly score card has been devised where individuals are measured around these four key areas.

Over the last two years the leadership development team at Cable & Wireless have been helping managers at all levels. The organisation's survey results highlight the pivotal role of line managers in the business, and consistently show that trust in direct managers is higher than leaders. Therefore, there has been a strong focus on line managers and strengthening the management community. This has included the introduction of monthly management webinars, training in soft skills and *'more supportive mechanisms in place with better foundations'*. High-potentials have also been set stretching opportunities, secondments and given internal recognition.

Finally, they have tried to enhance and restore trust by ensuring that all processes are as transparent as possible. As one interviewee described:

'Eighteen months ago there was a high-potential scheme which was run behind closed doors – but this has been deliberately turned around. It is now a very open and transparent process, which speaks for itself.'

In fact, the People Team is adopting a strong focus on internal talent and greater internal mobility in which managers are encouraged to recruit internally. This team is developing *'a clearer view of capability today and what is needed for tomorrow'* and focusing on colleagues' strengths and personal insight.

Looking at the CIPD survey results, respondents were asked the likelihood that their organisation would take steps to actively repair breached trust. We found employees' belief in the likelihood of repair significantly associated with high trust in the organisation, high top team trust, and the extent to which they feel trusted by management and the extent to which their line managers behave in a positive way.

2 Restructuring and redundancy

The research has revealed some positive stories about how restructuring and redundancy have been approached across both the public and private sectors. In the cases of Norton Rose, Sunderland City Council, GKN, Day Lewis and John Lewis, they have managed to either maintain or even enhance organisational trust in the face of a crisis over job cuts and restructuring.

Key themes include:

- transparency and openness in the process (see Department for Business, Innovation and Skills case study)
- sharing business information wherever possible and, if possible, market information to show the organisation's position on a comparative basis
- the importance of applying the same principles and measures to all employees, regardless of their status in the hierarchy (see GKN for more details)
- emphasising that it is jobs that are being made redundant, not the people, and trying to offer redeployment wherever possible (see John Lewis for more examples)
- consulting and surveying the whole workforce, providing options of salary cuts and/or flexi working in order to save jobs (see Norton Rose for more details)
- making time for listening and counselling people whenever formal announcements are made and in this way never losing sight of the human dimension (see John Lewis for more details)
- senior people providing space for staff at middle and lower levels to make sense of what is happening
- clarifying that an organisation is not a family, and that senior managers are charged with taking decisions to ensure the organisation's survival, rather than act as parents to the staff
- demonstrations that everyone is sharing the pain and uncertainty, including cutting senior staff travel and subsistence budgets and salaries and bonuses concurrently with everyone else's.

Department for Business, Innovation and Skills (BIS)

Following the merger that created the Department for Business, Innovation and Skills in 2009, the organisation was forced to massively restructure the merged organisations. This restructuring was made particularly onerous as it began at the height of the global financial crisis, which forced significant, long-term budget reductions on the new department. With regard to trust issues, the most damaging aspect of this restructuring was the necessity of redundancies. Furthermore, this restructuring is still in progress.

A fundamental part of this process was compulsory assessment forms completed by, and for, all members of staff. There were two forms, a self-assessment form and a leadership assessment form; while the self-assessment form was, obviously, completed by the employees themselves, the line manager filled out the leadership form with some input from the employee and signed off by the line manager. Together with previous performance appraisals, the forms were scored by an external company, and members of staff who received the worst scores were considered for compulsory redundancy. The use of these forms was felt to be *'harsh but fair'*, as well as necessary; despite the fact that many employees chose voluntary redundancy, a few compulsory redundancies were still required.

The assessment forms were also used for a job-matching process. In this secondary process the remaining staff, based on the results of their assessment, were offered at least one appropriate role, and often a variety of roles, within the organisation. Obviously this selection process was potentially very challenging for the department's staff and trust within BIS as a whole. It is felt that trust was maintained as much as possible by:

- involving all members of staff regardless of seniority
- being as transparent as possible
- engaging the staff in the process, rather than giving the impression that they were simply awaiting judgement from 'on high'.

John Lewis

A new strategy was launched in 2009 when John Lewis introduced the idea of the Branch of the Future, or BOF as it became known within the partnership. The aim was to improve efficiency of processes, flexibility and cost efficiency, but, in order to achieve this change, several jobs in the branches would be made redundant.

Every senior manager was very well informed before calling meetings, with considerable thought about who should be attending and what support would be necessary. They were told to tell the whole story – the why, when, the timelines and take as much time in their briefings as people needed to make sense of it all. Any questions could be asked, any comments could be made and at no time was a senior manager allowed to *'squash any comment'.*

One branch managing director, Liz Mihell, said that while the communications briefings could demonstrate to people the intellectual side of the business plan, the emotional side was a different matter and up to local managers. That emotional piece was accordingly *'filled up by listening and demonstrating you're listening'*. Every senior manager was expected always to be available immediately afterwards to talk to people even into the evenings. They were expected to never turn anyone away who needed to talk things through. In one branch we were told that every manager was expected to clear their diary for two solid weeks and make that time available only for talking to staff about what BOF meant or might mean for them. Every single person whose job was made redundant was offered redeployment, and for those who chose not to take redeployment, another senior manager said that the organisation would then *'love them over the line'*. Managers talked about never underestimating the impact of small gestures to people and as a series of senior managers said:

'We will make time for people.'

'We face into the difficulty.'

'I feel really responsible for them.'

'You're here on behalf of the people you lead.'

'This job requires a huge amount of investment of yourself.'

A senior manager, Paul Backhouse, said that the lessons they learned were:

- to ask themselves whether the actions being taken were being taken for the right reasons in terms of the long-term needs of the business: BOF was about the future of John Lewis, not a knee-jerk reaction to the recession
- to always bring back the decisions and the implementation of those decisions to what it means for individuals
- to always emphasise that it is about jobs that are going, not people
- to emphasise that work and the business is a two-way relationship – the senior managers have responsibilities but so do the workforce.

As a result of this careful people-oriented implementation of the restructuring and redundancy programme, trust in John Lewis as an employer actually rose. As one sales assistant said:

'I've been here 19 years…and in the time I've been here I trust the company more now than I did when I first started because I think we're a more streetwise business.'

GKN

The GKN story is of a long-established manufacturing firm hit hard, and suddenly, by a huge decline in orders within their sector, and the attempt by local managers, corporate headquarters and the '*well-organised*' trade unions at the plant to manage three downsizing programmes simultaneously in a manner that protected the generally good trust levels throughout the firm.

GKN, including its Driveline division where the research took place, is designed as a matrix, so that '*on a day-to-day basis, the plants run themselves*' (GKN managing director). Responsibility for HR is also largely conducted at plant level, rather than being centrally co-ordinated. This devolved structure seems to have been instrumental in the effectiveness of the downsizing.

According to the managing director (MD), GKN's three sites in and around Birmingham (Erdington, Walsall and Hampstead) had long enjoyed '*very high*' trust between managers, workers and the recognised trade unions – an impression confirmed by the senior union convenor. The MD attributed this to the stability of its workforce: very few leave such a noteworthy employer, renowned in the area for collaborative workplace relations, upper quartile pay and conditions, and an excellent safety record. A plant manager confirmed that trust levels had been '*decent*' because the company had been fixing staff gripes and improving the working environment.

The MD also made the interesting point that, because local managers have considerable discretion over how to run their plant, it increases the employees' bond of trust with them, not only from the sense of all being in the same situation, but also because local managers can influence the fate of the plant.

When the sharp decline in sales hit the sector in August 2008 – the union convenor likened it to GKN '*dropping off a cliff*' – the company's examination of the figures came to only one conclusion: there would have to be plant closures. Around 60% of its Driveline workforce would either lose their jobs, or be transferred to another location. In the event, two sites were closed and only Erdington remains. The company had been through redundancy programmes before, and had an established procedure in place, as well as collaborative relations with its trade unions characterised by *'a productive dialogue'* (MD) and what the union convenor described as *'responsible shop stewarding'*. This proved crucial.

The first move was to stop all agency hires and then to review and let go of any temporary staff, and then to stop overtime. But when the firm still had too many people, management negotiated with the unions an agreement to move onto a short-time working programme. Everyone, including the MD, would take part, and incur what amounted to a 25% cut in salary. This was, of course, a major risk-taking act on the part of everyone, and the senior managers knew that it *'wouldn't have worked if it wasn't everyone doing it… we could say to the staff, we're doing it too, we are all in this together, if it happens to you it will happen to us. They [sceptical or angry employees] can't take that away from us.'*

Such a change in terms and conditions also required, by law, a 12-week notice period, but all but one employee agreed to a waiver on this to begin the new working times with immediate effect – an indicator, for the MD, of the workforce's trust in their employer. The arrangement lasted 18 months, and *'probably saved 150 jobs'* (MD).

3 Communicating change

BANKGROUP captured the mood of the other organisations when it said that they were trying to move from a *'dictatorial style of communication'* to one which is more *'discursive'*. Key themes which emerged from the data regarding communications are:

- It has to be a form of 'authentic dialogue' with as much emphasis on listening as on giving information.
- It has to be delivered at a local level, as well as corporately and with face-to-face dialogue, not just electronic – particularly for restoring levels of trust people want to be able to assess those delivering the message intently, watching and assessing through their behaviours, not just their written words.
- When delivered locally, the messaging needs to be regular, relevant to that local area and personal to people's jobs in that area. In John Lewis, every individual business unit has its own unique communications programme to suit its particular needs. The focus for all the programmes in our cases was based on face-to-face communication (for example, daily 'team huddles'), with our detailed analysis revealing this is virtually always preferred by staff.
- Senior managers need to be as transparent and open as possible. Above all, to avoid 'spin'.
- When senior managers make a mistake, apologising for their error actually increases trust.
- Where senior managers do not know the answers or are unsure, their admission of this vulnerability also helps people trust more.

Appeals and demonstrations that *'we are all in this together'* also help. GKN's global HR director has a phrase, which is *'the enemy is outside, not inside'*. In Norfolk CC the chief executive produced a weekly blog, which was read by 3,000 people. In it he expressed his genuine sense of loss at parting with many valued colleagues; this was subsequently cited positively by a number of respondents as a means of showing their trust in his leadership.

In addition to empathy, employees in lower levels ask for honesty with no spin: *'Trust's about honesty. If you're going to shut us, shut us. Tell us you're going to shut us. Don't give us false hope.'* (Hampshire County Council district manager)

This was also reinforced by a story recounted by one of the Royal Mail district managers who had tried to be honest and open in a presentation to local staff about the possibilities of job cuts now and in the future within his district. In response, every postman in the depot had come and shaken his hand because they respected his honesty. This was a turning point in creating a more positive climate within that particular depot.

Many of the organisations researched are building up the capacity of line managers to communicate corporate plans clearly and effectively with staff. The Royal Mail also ran workshops for managers and supervisors on how to hold one-to-one meetings with staff: *'it sounds really easy but when you've got 15, 20 people out there, it's difficult and the up-skilling they've done with our teams is a really positive thing.'*

Cable & Wireless

In Cable & Wireless there is a focus on honest communications throughout the organisation. The communications team has created an online video magazine called *rewired* which is distributed on a regular basis. The focus of communications is on an overtly honest and personal style, with a number of communications written by colleagues themselves. This is seen to be a big shift away from perceptions of spin. The communications team described their efforts as *'trying to effect a drum beat of change'* throughout the business and across different operational areas. They work with the operations board for each area to go out with communications as quickly as possible about changes in their areas and steps that will be taken. Departments reported noticing greater rigour and openness around the organisation's investment intentions. This provides them with greater confidence for the long term and sustainability of the business.

Emphasis has been placed on facilitating employee voice and consultation throughout Cable & Wireless. An employee consultation forum meets on a monthly basis, where 25 colleagues from across the business are brought together to meet with the CEO to listen to business plans and strategy and where they have the opportunity to put questions directly to the leader of the organisation. One person described this as '*providing a touch point at any point in time*' and providing a '*barometer*' for senior leaders of the temperature of the organisation.

Hampshire County Council

Hampshire County Council are upping the ante around communication and visibility of senior leaders:

- weekly messages are communicated by the CEO
- greater exposure of senior managers to staff through road shows where they are able to ask any questions they might have
- vehicle for employees to share good ideas on the intranet
- honesty – if the senior team doesn't know things, being honest and clear about that.

In addition, the CIPD survey revealed a strong association between the different levels of trust and high-quality organisational communication, namely organisational-level trust, top team trust, positive line manager behaviour and being trusted by managers. Strikingly, this high-quality communication is also associated with higher job satisfaction and willingness to recommend the organisation as an employer, which indicates the broader impact and value of communication for employees, and thus in turn for their employing organisations.

4 Engaging the middle and the local

The merger and acquisition activity across many sectors, the increasing size of many organisations, the restructuring agendas whether global or national, and the centralisation of many reporting lines, have all contributed to middle and lower levels' feeling of being overlooked and unimportant in the grand scheme of things. In some of the organisations we researched, we detected a desire to re-engage local and middle managers.

Key learnings are:

- The relationship with the direct line manager is the most critical in terms of determining trust relationships with the rest of the organisation.
- To undermine local managers is not in the best interest of the organisations because of their intimate and trusted relationship with local staff.
- Senior managers need to consult local managers for their opinions before implementing major change and respect what they hear.
- The more customer-facing the local staff are, the more critical it is to ensure that the trust chain of the organisation–senior manager–local manager–employee is not broken.

The bigger the organisation, however brilliant the senior leader, they are unable to understand, or know, everything that happens at a local level. Tapping into local knowledge is important: *'it should be an adult-to-adult relationship, you know. We're all in the same boat together. You've got some authority more than me but I've got some ideas; let's all work together rather than senior management having all the good ideas – it doesn't work like that.'* (BIS middle manager)

Her Majesty's Revenue & Customs (HMRC)

HMRC was formed by the merger of the Inland Revenue and Customs & Excise. The merged department employs 100,000 staff. At the time of the merger, the chairman of the HMRC also announced that on top of the integration agenda there would also be the introduction of a new structure, headcount reduction of nearly 20,000, a focus on lean processing and a cultural change to transform the department. All of this was to be achieved with increased targets for tax revenue and with no extra investment in change management.

This huge change agenda was determined prior to the financial crisis and was found to be extremely stretching and demanding in terms of capacity, capability and readiness for change. The cultures and mechanisms for tax collection were very different for the two departments. The new structure entailed breaking down the regional structure and moving to national business processes reporting into the centre at 100 Parliament Street. Lean processing was a shock for many at lower levels who had not experienced such a depth of change over their long years of service. On top of this there was a rapid changeover at the top, with two chairmen leaving in quick succession.

Many people did not like the abandonment of local reporting lines in favour of national process lines:

'It's all very well to say we're one production team but it's another thing to feel it…when we were in areas we had a mini version of HMRC in our region.' (HMRC middle manager)

Middle and lower levels said that their leaders should visit them, should *'make the effort'* more and should work more at building relationships by *'sharing what you are with people'*. Having announced the job cuts, staff were left for long periods of time with no idea whether it was their office which would be closed. Trade unions were concerned at the volume of change. Local managers felt they were not consulted by the centre on how to implement the various changes and refused to endorse many of the centre-driven changes. Unsurprisingly trust levels in senior managers plummeted, whereas in direct and local managers it remained constant.

While the national reporting and process lines are remaining intact, senior management are now encouraging efforts to build the HMRC business community at site level. Offices are encouraged to get involved in local events such as community fundraising for charity. They hope this will allow employees to feel a greater loyalty and commitment to the organisation through a more proximal relationship and by allowing local senior managers to be seen as leaders for their offices.

The CIPD survey results showed some of the factors which contribute to employees' perceptions of trust repair. The biggest contribution comes from line manager behaviour and organisational trust. Finally, smaller contributions come from employees feeling trusted by management and lower levels of organisational distrust.

5 Renegotiating the employment relationship

Many of the organisations are introducing new corporate values while trying to effect a cultural change. Some of these changes encompass new approaches to leadership and communication but also new employment relationships.

Repositioning the employment relationship is a long-term process. It is not something which can be achieved overnight, but it is important for redefining what employees can trust an organisation to provide and what is unrealistic to expect. Key themes that emerged are:

- Repositioning the contract with staff, particularly staff with long lengths of tenure, takes time.
- For some organisations, this repositioning is the only way to rebuild trust – they cannot return to what had been before as it is no longer viable.
- Organisations may need to promise less in their branding and recruitment literature. To maintain trust, it is better to promise less and be able to deliver on, or exceed, that promise rather than promise more than an employer in the twenty-first century can guarantee.
- To renege on implied expectations is worse for trust than expecting less in the first place.

This repositioning takes years to achieve and needs to be done by entering into dialogue with the workforce about the future. Put bluntly, many people in the UK and the West cannot expect the same form of employment deal in the twenty-first century as they expected or experienced when they joined the same employer in the twentieth century. The financial crisis is not the only cause of this change. International competition in the marketplace, the capacity of multinational corporations to shift production, or services, to cheaper economies and the emergence of India and China as new world economies put powerful pressures on the workplace in the West to be ultra-efficient and effective. These factors are shaping what employers can deliver within European workplaces.

Similarly, the government cuts in public services mean that the employment relationship within both local authorities and national government departments cannot continue based on the same assumptions and beliefs that have determined these relationships in the late twentieth century. HMRC have started to do this as described in the insert below.

Employees at institutions, such as the Royal Mail, interpret these changes in formal terms and conditions as a breach of contract and any alteration of informal expectations as a breach of trust. This shift in expectations is very difficult for some groups of employees to comprehend: *'At the end of the day, we are a business and, you know, most of the people that work for the Royal Mail joined when we were not as focused on making a profit. You know, we were seen more as a community service and, you know, providing that service to the community rather than having to operate as a business.'* Royal Mail have introduced a redefinition of their business with a programme called 'modernisation programme' which, as well as redesigning the business model, focuses on changing communication, management training and engagement. However, it has emphasised that everything will take time: *'With Royal Mail the thing is you can't do it overnight. It's too big, too cumbersome. It's 350 years we've done so far and so that's slow but steadily progressing.'*

Her Majesty's Revenue & Customs (HMRC)

In seeking to repair trust levels within the organisation HR and senior managers realised that rather than restore the old employment relationship, they would need to create a new one in line with the requirements of the new HMRC. *'So if we're going to be a very different organisation, a smaller organisation, you know, we're not going to be able to continue to deliver and continue to improve unless we start establishing and building the trust. I think there was a view in the past we've got targets, we've always delivered, command and control, you know, we will just keep meeting the requirements within the business plan and ministers. But you reach a point, and that's where I suppose we've tried to help senior leaders understand, it's just going to fall over. You cannot continue in that way. And I think that's why I think trust, it is vitally important.'*

'[Before the cuts] HMRC almost was guaranteeing its employees a job for life. In the current world that's not really the case and we need to help people understand that. So our role is also trying to help people understand what the future will look like in that respect.'

New employment deal

The resulting new deal is encompassed under the label 'One HMRC One Deal'. A joint message was published with the trade unions on the importance of trust. Whereas before the change the old employment relationship emphasised a job for life, varied development and career opportunities and flexi working, the new deal sets out to emphasise six principles:

- straight talking
- valuing people
- organisational purpose
- people development
- continuous improvement
- work–life balance

To explain just what a difference a few of these will mean translated into practice, this senior HR manager goes on to say:

'So our role is also trying to help people understand what the future will look like in that respect. Things like work–life balance were seen as most important other than pay, to a lot of people, whereas to leaders it was probably getting in the way of doing business. So our role is also establishing, in terms of work–life balance, what that now looks like. It's not about come in when you want and go home when you feel like it, it's balancing the need. HR also develop a continuous improvement at HMRC – it's really trying to get people to see that change, improving how we do things, is what the business is about. So it's really changing it in their mindset that it's about continually trying to improve, because we are going to have to reduce in size, we are going to have to get smaller, you know, we are going to have to continue to deliver.'

The new HMRC values have been published and incorporated into the performance appraisal system.

John Lewis

The HR team at John Lewis was tasked with developing a new employer brand. To do this they went back to the original founder's principles, they looked at companies with similar heritages such as Disney, and they interviewed senior managers and undertook extensive workforce consultation. Eventually the team settled on new commitments to drive their principles but all of these also had continuity with the past. These were rolled out across the company. Particular attention was paid to incorporating the new principles into what the team call 'HR touch points' – moments which define and communicate what the employment relationship is really about to partners. Recruitment messaging and induction briefings are two examples of these touch points.

6 Repositioning the HR function

The previous sections outline the contribution of various HRM processes in the maintenance and repair of trust, including: leadership development, restructuring communications and cultural change. What of the function itself? Here there are very mixed messages. The devolution of responsibility for people management to the line, the establishment of shared service centres for the administration of core processes, and the alignment of the function with the senior managers in the business mean that HR is seen as remote and absent from the workforce in many of the organisations we researched.

Key messages that emerged are:

- In some organisations responsibility for the restoration of trust levels has been given to newly created departments concerned with change or communications.
- In other organisations, HR are struggling to support the business in trust repair because either they themselves are being redesigned and downsized as a department, or they are trying to create a new HR model following an organisational restructure.
- Employees watch the actions of senior HR managers. The perceived attitudes of senior managers towards the relationship between employees and senior managers communicates to employees the importance they think trust plays in workplace relations.
- HR is seen in some organisations as remote from the workplace – people don't even know where the function is located.
- HR is also seen in other organisations as solely focused on the concerns of the business or senior managers and therefore insufficiently impartial to be trusted. HR departments are too often seen to be associated with the design and implementation of policies that reduce levels of trust (restructuring, downsizing, outsourcing practices, mechanistic performance appraisal criteria, etc).
- Many employees feel that there should be a function or forum where lower levels' concerns around justice or morality can be heard. That function needs to represent the organisation as an employer as a whole, with a broader remit above and beyond the listening role that the direct local line manager fulfils.
- Some organisations, such as John Lewis, have a different department for fulfilling this role – The Registry. In others, including the Royal Mail, the trade unions fulfil this role, while in a few there is a vacuum.

A manager from one of the organisations summed up the situation:

'I think part of the problem that HR has got in a sense is the fact that they have changed their own roles. They've gone to the HR business partner role which basically means that a lot of the day-to-day stuff around managing, recruitment or whatever is down to line managers. HR is there to facilitate rather than take it on. The fact that they've changed the way they operate is in itself problematic in terms of trust. You go back to that thing about getting consistent practice and having a supportive feel across functions and which isn't really there. Because of their change in role I don't think it should come from them because they're not in the place to do that anymore. I think it might have to come from somewhere else and I'm not quite sure where.'

Some HR professionals we interviewed are trying to build a culture in the HR function itself which echoes all the attributes of trustworthiness in leaders and organisations. Orvis has embarked on an employee branding programme with trust and credibility in leaders and individuals across the whole company seen as critical. Here the HR manager at Orvis describes his approach to his work: *'One thing that I think is really core to this project is integrity and respect, it actually struck a chord with me. I think the worst thing anybody could say to me is "You've got no integrity" or "I don't respect you." And that kind of struck a chord with me for HR. That's the culture we want to build.'*

John Lewis

The Registry is an independent forum to which staff can go – if they feel the need to go outside of their line management – for a wide variety of solutions to an extremely wide variety of concerns ranging from the personal to the professional. It is almost like a union or ombudsman in its function and degree of independence, despite being run by the company. It performs a support role for staff, but is run independently from personnel/HR. Illustrating examples:

- financial issues (for example, if their partner has lost their job and they are struggling to meet mortgage repayments)
- professional issues (for example, if they believe that a more senior colleague is behaving incorrectly, unprofessionally or even illegally, and they require an even higher degree of confidentiality when reporting such)
- personal issues (for example, a personal issue that may require time off from work).

Appendix 1: The case studies

12 of the 14 case studies are described in detail below.

Sunderland City Council

Context
The senior management team at Sunderland City Council (SCC) saw the massive government cutbacks coming back in 2009. They had anticipated that, regardless of who won the general election the following year, a huge cut to the council's central government grant was inevitable. In the end, SCC lost £58 million from its £745 million annual budget, front-loaded, with more swingeing cuts to come in the next three years. Such a drastic cut in budget is always likely to impact on the workforce and raise difficult challenges for HR in maintaining staff morale and trust.

But the council is trying something bold and innovative. It has committed itself, and its workforce, to making the savings without dipping into its reserves, and without compromising on the quality of its front-line services that the city needs:

'We are responsible to the people of Sunderland; they have the right to expect to trust us.' (Sue Stanhope, Head of HR and OD)

Unusually, SCC is trying to achieve this without taking the obvious option of cutting headcount. The council is committed to making no redundancies at all, neither compulsory nor voluntary. In a city already buckling under high levels of unemployment, to throw another few thousand people out of work was so unpalatable as to be impossible to contemplate. And there is to be no enhanced conditions for early retirement either, which would only increase costs in the short term.

The 'trust' story
SCC's response to the economic crisis and the government cuts is *'a values-based approach'* (Stanhope). The council's declared values are admirably straightforward: 'Proud, decent, together'. The response to the budget cuts has attempted to live up to all three ideals, with a particular emphasis on the latter two:

'We've been honest about our plans, about the timings and the agenda ["proud"]; we have been "decent" – we have tried to do our very best for people, and we have been "together", in being even-handed across the organisation, with no disproportionate favourable treatment.' (Fiona Brown)

A new business operating model sought to centralise functions and departments, to avoid unnecessary duplication, which has meant some posts becoming ear-marked for deletion. However, with a freeze on (almost) all external recruitment, the HR solution has been to create an internal jobs market called 'SWITCH'. A self-assessment tool helps identify employees' personal strengths and their qualifications and experience and SCC uses this information to ensure people are matched to jobs that play to their strengths. When a vacancy becomes available, the first consideration is whether a replacement is necessary, or if a reorganisation of tasks can help save money, and thus retire that position. The stop on (almost) any further external recruitment has meant managers having to *'find what we have internally to grow into the role'* (Dave Rippon, Head of OD and Workforce Development). Any job with a vacancy is assessed according to the strengths required by a post-holder. Then *'it's about moving people around to where they're most needed, based on their capabilities'* (Stanhope), using job-matching software to match existing talent to the vacancy:

'Managers cannot interfere with it, and they cannot "cherry-pick" either; it's an objective process, which was seen as a real plus by the trade unions.' (Rippon)

The trade unions were consulted at every stage, in both the regular joint consultative committees as well as a dedicated fortnightly 'Transformation Group'. Initially, one senior representative had said her members would be evaluated psychometrically *'over her dead body'*; the trade unions have recently used the exact same phrase to protect the internal jobs market principles against some sceptical managers.

The internal jobs market provides the council with a pool of people to consider for permanent vacancies. But these are not compulsory redeployments, as that can often mean *'too many square pegs in round holes'*. Eligible staff, who match a vacancy's 'strengths' criteria, are invited to apply, offered retraining and 'taster' days prior to accepting a new role. Most moves have been horizontal. Where displaced employees are not immediately found a permanent role, they become part of the SWITCH team, which is used to populate projects and secondments, instead of going to agencies or consultants, and it has a 'Be Your Own Boss' initiative, to encourage entrepreneurship among its staff. All in all, around 3,000 of the council's 8,000 non-schools workforce is now part of the internal jobs market.

When asked what had happened to trust levels during the cutbacks crisis, Stanhope felt that they had probably gone up:

'…because what we said we would do we have done, and the vast majority did believe what we said, from the "vox pops" and temperature checks we have done'.

Others were more cautious. Trust levels:

'…couldn't go up [across the organisation]… There are some who recognise the process and trust that you've done your best; there are others thinking "thank God we've got through that", and there are others waiting for the next wave of "efficiencies"….' (Fiona Brown)

Rippon preferred to say that trust levels are:

'…higher than they would have been, had we not taken this approach… With the news people have been feeling apprehensive, and there has been a lot of external downward pressure on trust, and SCC has tried to minimise that impact… The change has gone a long way to achieving good levels of motivation.'

Asked what has contributed to maintaining trust levels, many interviewees echoed some of the core principles and dynamics of trust. Stanhope referred to colleagues being told:

'…the "givens"… we were open and transparent about that… and the proof of the pudding is where I am now; they said this would happen and it has happened – although it might not have been what I wanted to happen…. [Trust] is about integrity and being authentic, and people are more likely to find [change] more engaging if you can do that….'

HRM and trust

HR has led on the town hall briefings which explain the executive management team's vision and schemes, and on *'selling the good stories' (Andrew Seekings, Head of Transformation Programmes).* HR's role is to be the *'organisation's conscience… on management's shoulder, asking, "hang on, what's going to be the impact of what you're trying to do?" [on the team, department, or even SCC itself]'* (Dave Rippon). Finance and HR have worked together to gather metrics on how much it is costing, where savings are being made, and the impact on turnover levels (around 3.5%).

For Stanhope, *'part of our job [in HR] is to challenge the organisation'* on what it is doing, and there have been, inevitably, occasions when *'we have had to point those values out to some individuals'*, such as managers trying to resist the strictures of the internal jobs market:

'We have some heads of service that do it, and some don't. Some had had lots of staff [in their department], and they have not got them anymore. They [the resisters] have to trust us to say they need our help [to make the changes]. If it doesn't happen, it eats into our integrity.' (Seekings)

HR has looked at each issue facing the council and at what the HR process is:

'…but also at SCC's values, and tried to do it [the changes] collaboratively, to get "buy-in" and to do it straightforwardly, not the slickest or the fastest, but thinking long term…. They've also been open and honest about their frustrations, but also been personable and humorous, because there are a lot of egos! …The change has been done in a very clever, quiet way, and it has become embedded.' (Sarah Reed, Assistant Chief Executive)

The internal jobs market and the SWITCH team have been the most *'visible manifestation'* of the council's efforts to maintain and, ideally, enhance staff trust during the cutbacks, *'because it's [felt] at an individual level, but it's also collective… Everyone is coming into contact with it.'* But it is not the only HR/OD response to the cutbacks:

- The council's vaunted leadership training programme has concentrated on transformational and authentic models of leadership, and this is the language spoken by several of the interviewees. More recently, the chief executive's enthusiasm has been for more collaborative or distributed forms of leadership.

- Its performance management policies for heads of service have been revised to account for the need for cross-functional collaboration.

- Pay and benefits have been re-examined in pursuit of savings (such as replacing car mileage benefits with flexible working – the new default position is to approve any request if at all possible – and compressed or variable working hours), extra annual leave of up to two weeks, encouraged by spreading the salary sacrifice over the year (*People Management*), and there has been no pay increase for two years.

- A blog from the chief executive, and numerous other communication efforts, have provided employees with the information on the bigger picture: *'if you understand that, you can make an informed choice'* (Stanhope).

A team of SWITCH support officers meets one-to-one with everyone to *'focus on the positives, advising them on selection processes, and offering counselling in extreme circumstances'*.

Important trust relationships

There is no formal programme in place that explicitly addresses *'trust'* as a theme or focus. But for all of our interviewees, trust is seen as *'a vital component of business'* (Fiona Brown). To work effectively, Brown talked of a 'golden thread' running all the way through the organisation, from each employee to their line manager, all the way up to the chief executive: *'If there is any break in that thread, it has knock-on effects elsewhere.'*

Stanhope reflected that if staff *'trust the manifestation of the organisation – the people – not the organisation itself'*, then trust in the leadership team has been crucial. The entire change effort has been led by the chief executive, a native of the city and a man of whom every interviewee spoke with admiration, for his authenticity, integrity and capability. One senior manager singled out the chief executive as someone who has embodied the qualities of the 'ABI+' model of trustworthiness. The executive team has made the changes in the manner that they have *'because it's the right thing to do; it's about being a caring employer of choice'* (Stanhope), and many staff have acknowledged it as such.

For Seekings, there are two key relationships. The first is between the individual and their line manager, and those who take time to talk to their staff about operational issues and the changes going on have retained staff trust: *'You won't trust the organisation if you don't trust your line manager.'* The second is trust in the vision for the organisation, *'which means trust in the chief executive and the executive team to deliver on the vision: It has to come top–down, but "directive", not "controlling", to engage staff.'* He cited 'benevolence' in particular as being decisive and described the process of demonstrating benevolence as seeking a 'win-win': *'about understanding what success looks like for both people and trying to find a solution for that… He is seen as incredibly fair: he won't roll over but will always try to find a balance [between potentially conflicting interests] that won't jeopardise the vision.'*

Dave Rippon, Head of OD and Workforce Development, focuses on the impact of authenticity on trust:

'Authenticity requires courage… Without authenticity, there can never be trust – trust has to be "real"… I trust you if I believe that, in our interactions, you are being authentic, that I'm getting "reality".'

Finally, Sarah Reed, Assistant Chief Executive, takes a broader view of trust, extending the dynamics to those between the executive team and the elected councillors as well: *'the leadership of the city'*.

Outcomes and the future

So far all employee turnover has been by natural wastage, from retirement or departures to another job, rather than any form of redundancy – an extraordinary achievement given the circumstances facing the council. Around 80 staff are involved in the 'Be Your Own Boss' initiative, and 19 fledgling businesses are ready to go live soon.

Brown now feels that the process has been rather slow at times, with some people pleased about the internal jobs market and others more upset, and she has a sense that there is a need to *'pick the pace up again'*. Another senior manager agreed:

'There are still massive savings to do, and we can't sit on our laurels. The question is: how do you re-invigorate people? We've done all that, but now it's changing again, the boundaries have moved on again.' (Reed)

An imminent challenge will be to get SCC and its staff to think about embracing service delivery in a different way: 'public services delivered by public servants', with the option of forms of commissioning that contribute to the savings but do not violate SCC's three fundamental values. For Stanhope, the only option is *'to continue to be authentic.…'*

Hampshire County Council (HCC)

Context
HCC is the third largest county council in the country, employs 36,000 and has an annual £1.6 billion budget. Rated as a top-performing local authority, it has the aspiration to be a modern business providing effective public sector services.

In common with most public sector organisations, Hampshire County Council has been subject to significant budget cuts as part of the Government's Comprehensive Spending Review (CSR). The council, however, decided to control their response to the CSR as much as possible by front-loading many of the cuts in 2011–12 in an effort to get the upheaval, pain and inevitable disruption out of the way as early as possible.

The HR function within the council has been through a steep learning curve over the last few years and, by their own admission, have moved from a more reactive stance to playing a leading role within the organisation in difficult times and building an environment of trust.

The 'trust' story
Downsizing and redundancies inevitably result in uncertainty and a lack of trust on behalf of employees. As part of the CSR response, the council cut its senior management group by 25%, an indicator that everyone in the organisation is affected and sharing the reduction responsibility.

Several senior interviewees mentioned that often they were not given information in advance regarding the CSR from senior management, which was interpreted by some employees as them holding back or withholding information; this was simply not the case. As one senior manager said:

'We need employees to realise that we and the CEO are being as transparent as possible. Employees have to trust that people have the best interests of the organisation at heart.'

While it is difficult to assess trust across the council with its size and complexity, unsurprisingly interviewees feel that trust has been impacted by the economic climate and the CSR. For some it feels as though they are rolling from one reorganisation to the next, with the size of cuts leaving people feeling that trust would be difficult to rebuild. Interviewees also reflected on wider distrust and feel that the Government's language currently towards the public sector is not helping to improve their situation.

HRM and trust
A number of practices are currently being implemented by the council to help enhance and in some cases restore trust. These include learning and development interventions which focus on helping managers to lead change more effectively, identifying longer-term development needs, supporting teams and ensuring managers have the trust of their staff.

The council has 'upped the ante' around communication and the visibility of senior leaders, producing a weekly message from the CEO; greater exposure of senior managers to staff through road shows where staff are able to ask any questions they might have; a vehicle for employees to share good ideas on the intranet, and more face-to-face briefings for senior managers. Interestingly, there is now an explicit commitment to 'honesty': if the senior team doesn't know things, they are honest and clear about that.

The council is developing a new well-being service which it is hoped will also help build trust. This will provide a stronger focus on staff well-being, not merely in terms of physical health but also from a trust, empowerment and authenticity perspective. This service will be designed to address the spiritual and the mental health pressures increasingly being felt by employees.

Important trust relationships
All interviewees maintained that trust is fundamental for the council and is something which must be core to all relationships with stakeholders (employees, service users, partners, elected members). The senior managers interviewed pointed in particular to the importance of trust relationships between the CEO and the senior management team and their relationship with middle and line managers.

As an organisation, trust and the language of trust is not something that is overtly articulated but is part of the culture. It is seen as implicit and more emphasis is overtly placed on supportive and effective relations, standards, protocols and core values which support the work of the organisation.

However the HR director, Gavin Wright, believes the council should start to be more overt about trust and the language of trust, because the psychological contract for both parties is shifting as a result of the economic climate and the CSR. Employees who continue with the organisation will need to start working in a different and more empowered way.

Outcomes and the future
Asked about what success regarding their trust initiatives would look like, people talked about a well-led, clearly focused organisation that gives the maximum amount of freedom and delegated authority to staff. Success would also mean lower employee absence, stress levels and ultimately turnover. Interviewees also indicated it would be about a high-performing organisation which is prepared to test levels of trust and motivation on a regular basis and able to sustain its performance and the trust of its customers, the public.

The HR director talked specifically about recognition for employees other than the list of 'usual suspects' being seen as the council's high-performers. He emphasised the importance of regular, organisation-wide conversations around trust and authenticity and acknowledging and rewarding those types of behaviours. For him, success would mean allowing people to truly feel like they can be themselves at work:

'Authenticity is the new emotional engagement. If people aren't authentic or themselves it will take its toll on their health in the long run.'

Orvis Company Inc., UK

Context
Orvis is a private, family-owned, medium-sized business founded in Vermont in 1856. The company specialises in high-end apparel for men and women, fly-fishing, pet goods, gifts and hunting equipment. Under the leadership of its current owners, the Perkins family, Orvis expanded into clothing and gift items targeted at those who enjoy the outdoors, country-style living that the firm promotes.

It first established a presence in the UK market in 1982. The range of products is offered through 20 retail stores in the UK, a dealer network around Europe, and via mail-order from one of the 12 catalogues. The UK headquarters are located in Andover, where all the central support functions for the UK operations are based. Additional support is provided by the US operations, where activities such as buying are undertaken to ensure the advantage of economies of scale is achieved. A total of 1,500 and 260 people are employed to serve the US and UK markets respectively; out of the latter, 160 are permanent while the rest are on call and utilised when a need arises. Most employees in Orvis have a long service. Voluntary turnover is 16% and involuntary is about 5%; the former has increased in the last decade from 9%. It has risen due to many factors (for example career development is limited, salary levels).

The 'trust' story
Prior to the crisis, trust levels seemed to be high. The UK CEO had a *'fatherly role'* and was involved in helping employees when in need. However, the financial crisis disrupted the firm's close internal relationships. Trust between the UK and US headquarters was eroded due to a restructuring in which decision-making shifted to the US. This resulted in a perceived loss of status for the UK senior managers, and UK staff felt they had no influence on the matters concerning them. On top of this, when UK senior managers visited the US headquarters, many felt unwelcome even within their own divisions, and the very competitive US corporate culture meant that US staff were less willing to share information and co-operate with the UK teams. This too promoted distrust rather than trust.

By its own admission, Orvis handled the communications poorly, with very few exceptions. The absence of any reliable and regular information compounded the uncertainties created by the harsh economic environment. Employees saw the senior management's meetings behind closed doors as signalling a turn to the worse, although for its part, the senior managers were disappointed as they claimed that most of the times they were searching for ways to avoid redundancies. This lack of trust in them was becoming an issue. However, this situation made them realise that the communication and sharing of information needed to be improved.

As the company was slowly coming out of the storm the global financial crisis had caused, it got hit by another crisis: the CEO of the UK headquarters died suddenly in May 2011. His post has not been filled yet.

HRM and trust
Senior management from the US headquarters have taken action to correct the situation. They realised the imperative to create new relationships within Orvis, acknowledging that too much had been taken for granted before the crisis, and there has been significant work to maintain trusting relationships.

New employment brand values have been launched to repair the damage and make it clear to all employees what is expected of them and how they should treat each other. Orvis's new values include integrity and mutual respect, and the promotion of a *'giving back'* organisational culture, especially involvement in conservation projects. All associates are required to be active and environmentally conscious. In the US, employees are very much involved in their local community, that is, they go out on clean-up projects. In the UK, people are not as involved but the organisation is actively working to change this by initiatives such as clean-up activities. Employees have to act based on these values, as that's what it means to be an Orvis employee.

A formal 90-minute training session was personally delivered by the HR vice-president to managers in the UK, while managers are responsible for then training their teams. It is still too early in this process to know if the enforcement of these values will actually help to strengthen trust relationships. People appear wary but they seem to welcome the effort.

In addition, senior managers in the UK are trying to be more visible and spend more time with their teams. A new head of retail has won the trust and respect of his team, which appears to be very optimistic for the future because of him.

Greater communication of the firm's plans and performance, including quarterly targets for retail stores to help them stay on course, is providing valuable feedback for employees, especially as the current good results keep them motivated. More people have been included in strategy meetings and minutes are subsequently sent around to inform employees of what is going on in order to keep them updated and to avoid speculation. Senior management now shares financial data with all Orvis employees in a bid to improve transparency and trust.

The HR team is also looking at the rather functional appraisal exercise and is now in the second year of distributing a survey to check how employees feel. The firm has introduced a series of small incentive schemes that are mostly sales-oriented (for example phone customer sales and retail sales performances) and now asks customers for feedback to enable them to improve service and offerings. Finally, it has its own apprentice scheme.

Important trust relationships
Most people agreed that trust in the senior management is the most important trust of all, as these are the people who make the strategic decisions and are responsible for the firm's future. In addition, if the senior management is promoting a culture of trust, this filters down to the whole organisation, thus their role on instilling trust is perceived as crucial.

In general, trust in local line managers appears to be stable. In some teams this is due to employees feeling that their managers are as helpless as they are, while in others the line managers have been very open and kept their employees well informed.

Some interviewees noted how fragile this virtue of trust can be; several cited the truism that trust is hard to build, but easy to damage.

Outcomes
A few people expressed optimism that being forced to improve the communication and norms of sharing information within the company has led to enhancing trust after the crisis.

Most employees think that there's nothing the organisation is actively doing to restore or enhance trust apart from the new brand values.

Norton Rose

Context
Norton Rose sees itself as a people-based international legal practice where the client's trust in the organisation's expertise is essential. For clients to trust Norton Rose, Norton Rose believes that it must nurture trust relations inside the practice and its corporate values are paramount to this endeavour: 'quality, unity and integrity'.

The financial crisis tested these values. Norton Rose watched as many other law firms cut staff. However, there was a sense within the firm that the culling of jobs was incompatible with its values.

The 'trust' story
The chief executive took a decision to *dare to be different*, to uphold the firm's values. Together with HR, he asked staff whether they would agree to everyone taking a share of the pain and to commit to more flexible ways of working, in order to save people's jobs.

Norton Rose introduced an innovative HR policy response, 'Flex', whereby staff were asked whether they would take a voluntary cut to 80% of their job for 85% of their pay. The deal could be taken either as a four-day working week or as a sabbatical of up to 12 weeks at 30% of their salary. When this was put to a vote, 97% agreed to the idea.

Flex has proved very successful in maintaining trust because it provided demonstrable proof of the firm choosing to act according to its values (that is, quality, unity, integrity). Mergers have also taken place without redundancies and the promises to staff in the newly merged firms have been delivered.

Current levels of trust are generally regarded by our interviewees as high. The firm's response to the crisis, and Flex in particular, has reinforced the already existing positive relationships, although there have, inevitably, been small pockets of difficulties in some parts of the business. However, due to the strong ethos of collegiality throughout the business, overt conflict has not occurred.

HRM and trust
The 'Flex' initiative is clearly seen inside and outside the firm as a way of 'daring to be different' and sustaining productive trust levels within the firm. The strong leadership of the CEO has been felt in other respects, too. We heard compelling stories of the CEO communicating unambiguously that he would not stand managers treating the support staff with any less respect than legal staff (that is, benevolence and integrity).

In other HR policy domains, Norton Rose has continued its policy to 'recruit to the best' and then treat them as such, through giving praise and recognising achievement. HR has designed pay and a policy around performance and capability rather than post-qualification experience and the firm makes judicious use of bonus schemes to reward harder work.

The firm has a strong ethos of pastoral development for staff, as well as working on career progression. Examples include: the creation of a women's network which has recognised a need to retain women's talent within the firm, and an emphasis on diversity initiatives can be seen in corporate support for gay and lesbian initiatives, multi-faith rooms for prayer or meditation, and even a music room for staff wishing to practise music at lunchtime.

The firm carries out regular 'engagement' surveys and there is an employee forum, which is an open arena for discussion to encourage idea-sharing and to provide a sounding board for decisions. These are led by senior managers. There is a good mix of communication, using different types of media, including webcasts from the chief executive sharing his strategic plans with staff. However, interviewees warned against the dangers of overusing technology, which could breed cynicism.

Important trust relationships

Trust has been reinforced through the professional expertise at all levels of the firm, summarised by one interviewee as *'knowing your business and being on a journey to do things better'*. There is a sense that there is no need for tick-box type approaches to trust and that instead it has to be lived rather than forced through compliance. This is reinforced through three standards, or company values – 'quality, unity, integrity'. The culture is seen as being perpetuated on an informal and intangible basis, by osmosis, but people know what the culture is and feel trusting and respected.

While the senior partners regard trust as essential throughout the firm, they argued that trust from clients in the professional expertise and integrity of Norton Rose staff is the decisive relationship. At associate level, trust is more upward-focused: there is recognition of the importance of trust in the supervisor doing the right thing and overseeing their professional development.

There also seems to be a recognition that trust needs alter over a career cycle of a lawyer as they move up the firm, although maintaining client trust is always key. There is a sense of a virtuous circle of trust relationships with the client, trust in partners and trust in the firm.

For our interviewees, there is an acceptance that trust will go in waves, and as people have short-term memories, trust today would not be a reliable indicator of trust in the future. Trust is not seen as a linear relationship that can be taken for granted because of the historical success of Flex as a scheme. Norton Rose regards it as an important and persistent theme.

Trust is implicit in the culture as something people felt rather than was created through specific policies or procedures. It is inculcated through leadership by example, especially in terms of living the values in the times of crisis.

Outcomes

The Flex scheme and the 'daring to be different' approach to the crisis were heralded as distinctive leadership behaviour, and Norton Rose was named in *Legal Week's* Employee Satisfaction Report of 2011 as the firm where most lawyers would like to work.

Norfolk County Council

Context
Norfolk County Council employs around 24,000 people across the county, covering a range of local government services, including adult social care, children's services, libraries, environment, culture, highways, travel and transport. Many of its services are rated as high-performing. NCC has been implementing a major transformation programme (Norfolk Forward), which has been reshaped and accelerated to support the council's response to the Government's Comprehensive Spending Review (CSR) for local government. Through a major public consultation process, 'Norfolk's Big Conversation', council members invited residents and local organisations to help shape its strategic changes. They asked for views on how the public sees NCC's role, on the principles for planning services for the next three years and on the big decisions the council needs to make to meet the challenges set by the reduction in public spending. This led to what members referred to as a strategy of:

'…radically redesigning services and stripping out processes… to drive efficiencies and minimise, where possible, cuts to front-line services.'

The 'trust' story
The response to the CSR has meant *'cutting management overheads and driving the efficiency agenda even faster'*. The financial climate and budget reductions have resulted in significant redesign of the organisation accompanied by downsizing. There had to be reductions in staff and changes in the way services were delivered. Seventy-five per cent of jobs have been affected in some way, including the removal of the equivalent of 750 full-time posts over the past year. Further, NCC aims to make at least another £31 million of efficiency savings in the year ahead.

While NCC had been historically perceived as a reliable and trustworthy employer, its experience of undergoing considerable change has seen trust relationships challenged in different ways across distinct departments, depending on how much they have been affected by the changes and funding cuts.

In the chief executive's weekly blog, read by around 3,000 people, he expressed a genuine sense of loss at losing valued colleagues; this was cited by a number of respondents as a positive indication of trust in his leadership.

There are mixed perceptions as to where trust levels are currently with all the changes, although there is agreement that they had been higher in the past.

HRM and trust
The transformation programme, Norfolk Forward, has been supported by a range of organisational development interventions led by HR. A key priority has been to support shifts in ways of working and to foster a climate of high employee engagement and support throughout the process of significant change.

With reductions in numbers of managers and many managers in new roles, HR have provided a range of support for managers around leading through change – for example, coaching for leaders to support them in the maintenance of good relationships with employees during challenging times; change management workshops attended by some 500 managers; action learning sets and peer support networks; sessions to equip senior managers in leading culture change, which have been very successful; specific support for managers in building new teams; organisation design guidance; workshops on personal resilience; reviewing NCC's briefing system to improve engagement; continuing to commission a bi-annual council-wide employee survey and a smaller 'pulse check' manager survey in between in which trust in line managers remains high. For employees facing redundancy, HR has produced guidance notes, hosted job-seeking workshops and provided support or signposted to other sources of support, such as NCC's employee assistance programme.

There are strong relationships and high trust levels with the trade unions, which have been consulted and involved closely in the implementation of the reductions; and the changes seem to be accepted. During the peak of the changes, the unions and HR met weekly. Through collaborative working the trade unions provided input into communications to employees and to the assessment and selection processes for restructures.

Important trust relationships
The multiplicity of networked trust relationships in many modern organisations is readily apparent in our local government organisations. Indeed, if anything, it seems more intense in local government due to the tension between the national Coalition Government initiating the cuts in local expenditure and the need for a local political response to these changes.

The major concerns were the service redesign and a hope that staff could maintain trust relationships with the public by explaining these changes to services in a positive manner. However, the same staff are undergoing painful job losses and restructuring as part of a broader organisation redesign and move to a more commissioning-focused organisation.

For senior officers the central trust relationship is with the Chief Officer Group to the Cabinet [elected Council members], and their priority is repairing trust relationships at this interface. Staff spoke warmly and respectfully of the chief executive, but trust levels amongst leaders are tested in some areas with the scale of change.

For senior to middle managers the critical relationship appears to be with the staff in their directorate and teams. There is sadness that co-operation between colleagues seems to have diminished as many people are, understandably, focusing on protecting their own area. An important issue is that many feel as if trust has been eroded with the public in part because of the negative media and national government issues such as the MPs' expenses.

Finally, an important trust relationship is that between the members and the electorate. There seems to be considerable emphasis on public consultation and public plans in Norfolk's Big Conversation and Norfolk Forward. At a cultural and policy level, there seems to be a sense of a need to subtly shift to something that feels more business-like, but with the public taking more responsibility for deciding how services are to be delivered in the community. The use of Norfolk's Big Conversation and the web postings that followed indicate how important it is that the public are consulted on the efficiency savings and that changes in proposed spending cuts are made taking account of their concerns. Senior officers want staff to be able to present the changes positively to the public and so retain local trust.

Outcomes and the future
NCC claim to have achieved the third highest level of efficiency savings per household of any county council in the country.

At lower levels success is more internally focused, with staff wanting to be proud of working in the organisation, which is seen as a place where people want to work and that can attract talent in the future.

Department for Business, Innovation and Skills (BIS)

Context

The Department for Business, Innovation and Skills (BIS) is a ministerial department of the UK Government. It was formed in 2009 by the merger of the Department for Innovation, Universities and Skills and the Department for Business, Enterprise and Regulatory Reform. Consequently, BIS has a wide remit. While its main focus is on creating economic growth – something during the current financial crisis it is particularly keen to promote, especially private sector growth – the department's policy areas also include skills, regulation, higher education, innovation and science. It regards itself as bringing *'all the levers of the economy together in one place'*. The department's budget for 2011–12 is £17.6 billion, but this will be reduced to £14.6 billion by 2014–15 under the Government's Spending Review.

BIS employs 2,300 people directly and has a network of partner organisations, including eight executive agencies which employ a further 14,500 staff. It is split into eight management groups and has offices in many different locations. The HR department within BIS and its precursors has always been relatively small and will decrease further with these budget cuts. This has led to a general staff perception that HR is anonymous and has no *'real effect'*.

The department has been under fire from both the media and politicians in recent years. Staff members have commented that the department has felt *'defensive'* about its role. For examples of what caused this feeling, staff cited the loss of the energy portfolio to another department and a perception that, while they were in opposition, the Liberal Democrats wished to abolish the department.

It is generally felt by staff that *'responsibility and decision-making has moved upwards'*, so that, over the last decade, staff below the level of senior civil service have lost the ability to take decisions. Consequently, a sense of responsibility and pride in the work of their department has also been lost. It is thought that this issue arose from the department being overly averse to risk.

The 'trust' story

At the beginning of the department's budget cuts and restructuring process, senior managers realised that the next few years might reduce trust levels within BIS significantly. In response, a virtual team of people has been created within the department who are focused on delivering the cultural changes within BIS, while also ensuring that communications about the restructuring process are as transparent as possible.

The merger that created BIS forced a massive restructuring in order to combine both organisations. This restructuring was made particularly onerous through being initiated at the height of the global financial crisis in 2008, the consequences of which have imposed significant, long-term budget reductions on the department. The most damaging aspect of the restructuring with regard to trust issues was the necessity for redundancies and the process by which these were achieved. Despite the fact that many employees accepted voluntary redundancy, some compulsory redundancies were still required.

HRM and trust

A fundamental part of BIS's restructuring was a compulsory assessment completed by, and for, all members of staff. There were two forms: a self-assessment form and a leadership assessment form (completed by the line manager with some input from the employee). Together with previous performance appraisals, the forms were scored by an external company and members of staff who received the worst scores were considered first for compulsory redundancy. The use of the forms was felt to be *'harsh but fair'*, as well as necessary.

The assessments were also used for a job-matching process. During this process the remaining staff, based on the results of their assessment, were offered at least one role, and more often a variety of roles appropriate to them within the organisation. Obviously this selection process was potentially very difficult for the

department's staff and damaged trust within BIS as a whole. Trust was maintained as much as possible by assessing all members of staff regardless of seniority (higher grades were assessed first), through being as transparent as possible; and from engaging the staff in the process, rather than giving the impression that they were simply awaiting judgement from 'on high'.

To combat the perception that responsibility and decision-making is reserved solely for the most senior members of the department, BIS is aiming to achieve a culture change that encourages staff to use their initiative, including taking informed risks if necessary. It is intended that this will restore a responsibility to the department's workforce and lead to a dynamism and a progressive culture within the department. To promote the new culture, BIS's HR and communications departments have placed mainly visual prompts (such as cartoons of possible, relevant staff conversations) in regularly frequented areas of office space. These were intended to simply make staff more aware of the potential of using their initiative to establish a new culture within the department, but also to encourage conversations that will help embed these new behaviours within the culture, largely by facilitating the discussion of ideas which will progress the department.

Due to the relatively small, and still decreasing, size of the HR department within BIS, HR is hoping to make use of, and encourage, culture change by ensuring that managers do not come to them to resolve smaller issues. Instead, the managers are advised to use their own initiative and personal leadership styles to ensure that their 'HR'/people management decisions are, while in general accordance with BIS's HR policies, appropriate to the individuals within their teams. As an HR project manager noted:

'We rely on our managers, rather than monitor them.'

Transparency in communications is felt to be 'key' to BIS's HR policy, as the HR department believes that any ambiguity or unnecessary delay in providing staff with important information about the restructuring process would only *'store up'* and eventually increase any trust issues that may arise. HR does not think it is right to *'mollycoddle people too much'*. In a bid to further ensure transparency during the restructuring process, as well as maintain levels of trust for the board, individual board members have invited large numbers of staff, at varying levels in the department, to sessions at which they can ask that board member any questions. This has given insight for staff members that the board are *'concerned people'* and *'not an anonymous body'*.

Outcomes and the future

Success will involve the department meeting its reduced budget targets while maintaining trust and using its new structure and reduced workforce to facilitate a cultural change towards becoming a workforce that is willing to use its initiative and, thereby, become more dynamic and progressive.

Cable & Wireless Worldwide

Context
Cable & Wireless Worldwide was created in March 2010 from the demerger of Cable & Wireless Plc. Their research site, Cable & Wireless Worldwide (CWW), provides communications services globally, predominantly to large organisations. This transition has been described as a shift from a *'product sell to a solutions sell'*. Although it operates internationally, the bulk of CWW's business and 80% of its 6,000 staff are in the UK.

The 'trust' story
Their restructuring saw redundancies and a significant amount of change at the top of the organisation, with a new CEO and CFO arriving in the last 18 months. This has resulted in many colleagues adopting a 'wait and see' approach, as the senior leadership team starts developing the new strategic direction.

The economic crisis has had an impact on trust levels within Cable & Wireless Worldwide. On top of the upheaval and uncertainty, CWW colleagues have noticed that the current share price is not as healthy as expected, and this impacts on confidence in general. Another feature of work at CWW noted as potentially impacting on trust levels is the bonus freeze for the last two years and the requirement of people to find ways to *'do more work for less'.*

While CWW does not talk about trust overtly – a common approach for many of our case study organisations – it is widely understood to be the foundation for the business's core values. Interviewees talked about the noticeable number of colleagues who give discretionary effort based on this.

HRM and trust
A key value of the organisation is *'say it like it is'* (that is, integrity). There has been a strong focus on honest and consistent communications throughout the organisation. The focus of communications is on an overtly honest and personal style, with a number of communications being written by colleagues themselves. This is seen as a deliberate and big shift away from perceptions of 'spin'. The communications team talks about *'trying to effect a drum beat of change'* throughout the business and across different operational areas. The team works with the operations board for each area to distribute communications as quickly as possible about changes to these areas and identifying the steps that need to be taken to realise effective change. They have also created an online video magazine, *rewired*, which is distributed on a regular basis. It is intended to break down barriers and facilitate conversations between different colleagues, including those across geographical boundaries. There is no formal policing of this consultation/communication process; rather, peers and colleagues actively keep one another in check (for example, *'why would you post something so irresponsible?'; 'I don't agree with you'*). Employees are also encouraged to comment as themselves to encourage accountability.

Emphasis has been placed on facilitating employee voice and consultation at CWW. A monthly employee consultation forum has been set up where 25 colleagues from across the business are brought together to meet with the CEO to listen to the business plans and strategy, plus have the opportunity to put questions directly to members of the leadership team. One person described this as *'providing a touch point at any point in time'*, and providing a *'barometer'* for senior leaders of the temperature of the organisation.

Listening sessions are also being held with colleagues across all areas of the business to *'help shape plans going forward'*. Interviewees said they had noticed greater rigour and openness around the organisation's investment intentions. This provides them with confidence for the long term and sustainability of the business.

At a local level, some department heads, such as the head of utilities, hold roundtables within their divisions and teams. In utilities these are run on a quarterly basis; sometimes with colleagues and other times with managers. Again, the emphasis here is on open communications, opportunities for consultation and managing expectations.

The organisation is also focusing on developing a culture of responsibility whereby every colleague understands their responsibility and the role they play. This includes developing managers as coaches and role models and encouraging colleagues to take more responsibility for their own development and career opportunities.

There have also been changes made to the performance management system, placing a greater emphasis on demonstrating organisational values and behaviours and on ensuring that performance conversations take place no matter how challenging. The process has also been redefined to make it clearer to all. An intriguing innovation from the IT department uses a home-grown 'trust equation' as a way of measuring performance and service and developing responsibility:

$$\frac{\text{Credibility + reliability + intimacy}}{\text{Self-orientation}} = \text{Trust}$$

A monthly score card has been developed which measures individuals around these four key areas.

CWW's staff survey results highlight the pivotal role of line managers in the business and show consistently that trust in line managers is higher than trust in leaders. Therefore, there has been a strong focus from the leadership development team on line managers' development and strengthening the management community. This has included: the introduction of monthly management webinars, training in soft skills and *'more supportive mechanisms in place with better foundations'*. High-potentials have also been set stretching opportunities, secondments and given internal recognition.

Another HR intervention aimed at enhancing, or restoring, trust – depending on one's point of view – is ensuring that all processes are as transparent as possible. The people team is placing a strong focus on internal talent and greater internal mobility where managers are encouraged to recruit internally. It is developing *'a clearer view of capability today and what is needed for tomorrow'*, focusing on colleagues' strengths and personal insight. As one interviewee described:

'Eighteen months ago there was a "high-potential scheme" which was run behind closed doors – but this has been deliberately turned around. It is now a very open and transparent process which speaks for itself.'

Important trust relationships

Trust relationships are important throughout CWW, but leadership behaviours are seen to be very important to all. Interviewees highlighted the importance of having a strong trust relationship with the CEO and this then being cascaded down throughout the organisation.

Perhaps unsurprisingly, there are lower scores for trust in senior leaders, but higher scores for trust in line managers and colleagues at this time. However, the commitment of colleagues is viewed as 'second to none'.

Although CWW has experienced substantial turnover at the very top in recent years, interviewees felt that their new leader had already made steps to increase internal trust. This has been achieved by focusing from the start of his appointment on increasing his visibility, and honest and open communications about his ethos and the organisational strategy. He has actively made use of different media, including videos and podcasts, to *'say it like it is'*. The CEO and senior management team have also embarked on a series of road shows to increase visibility and transparency.

Outcomes and the future

The company had a tough year post-demerger. It issued two profits warnings in 2010–11, experienced significant changes to its senior leadership team and saw its share price tumble more than 40%. But the year-end results, announced in May, revealed pre-tax profits up 23%.

Interviewees were asked to think about what success regarding their trust initiatives would look like. People talked about *'being able to deliver difficult messages openly and transparently'* and *'delivering what you say you are going to deliver – short, sharp wins with colleagues'.*

Some interviewees referred to achieving performance standards across the board, with everyone being aligned and motivated together, resulting in great survey scores. Another key factor would be recognising colleagues' achievements and those who have stayed loyal to the organisation. Currently colleagues give a great deal of discretionary effort, but interviewees are worried that if that were to go, the organisation would be in a bad place:

'This does not always need to be about money, sometimes a single phone call saying thanks can make all the difference.'

Others talked about less tangible signs around how colleagues feel and suggested that the *'senior management team need to be aware of colleagues' struggles'*. Lower attrition rates in general would be a reliable indicator of renewed trust.

Clarity of systems was again referred to particularly around performance, banding, career development frameworks and salary transparency. Finally, people talked about the industry picking up in general and a *'comprehensive strategy and stability in the operations and leadership team'.*

Royal Mail

Context
The Royal Mail has a history of delivering the nation's post spanning 370 years. It delivers around 62 million items to 28.8 million addresses in the UK *every day*, dwarfing its commercial competitors. Currently a state-owned enterprise, its days as a public sector organisation are numbered.

On 1 October 2011, the Postal Services Act 2011 came into force, designed to pave the way for Royal Mail's privatisation. The Coalition Government sees this as necessary to secure the long-term future of Royal Mail. The deal resulted in 90% of Royal Mail shares being offered to private buyers and 10% offered to the 176,000 employees that make up the organisation. Senior managers say they are now focusing on its future and reinventing the brand to represent a more commercially impressive company.

In line with this ambition, the organisation has developed a modernisation programme to transform the way they work, introducing new techniques to meet a goal of delivering £500 million of new revenue within the next five years. This is an ambitious turnaround from the steady decline of profits, which have dropped year on year since 2006.

Yet, a great many of the long-service employees are sceptical about the changes taking place. Over the last few years, Royal Mail employees have experienced a significant amount of change to the way they do their work. A lack of trust permeates the organisation as a result of decisions being made at a national level, which long-service staff feel do not work at a local level. The Communication Workers Union, which organises and represents a significant proportion of the full-time workforce, opposed privatisation.

The 'trust' story
There have been internal issues with trust within Royal Mail going back a number of years, borne of a persistent cycle of perceived management aggression and union counteractions.

But the recent economic crisis has clearly had a further damaging impact on trust levels. The imminent privatisation of 90% of the company and consequent change in ownership, with all the upheaval and uncertainty that will ensue, has been especially damaging for Royal Mail's long-service employees. Additionally, a new CEO arrived 18 months ago. This, together with the change to the modernisation programme, means that many employees are waiting to see whether senior management deliver on their promises, which would help build trust.

Another factor noted as potentially impacting on trust levels is the marked local differences in line manager capability, such as their ability to communicate effectively with employees.

HRM and trust
While there is no explicit policy for trust at Royal Mail, the primary driver for building trust is through employee engagement and performance management. At the heart of Royal Mail's ethos and operations is the relationship with the customer. This forms the basis of much of the engagement programmes within the organisation.

The modernisation programme is seen as a means of providing greater clarity around the organisation's purpose, job roles and tasks, and around health and safety, which is of significant importance among those working in operations. Senior management are working hard to build good relationships with the sceptical unions and to try to change the culture of the organisation through this programme.

A number of measures have been implemented, which include:

- At an operational level, new equipment and uniforms are being rolled out to align with the new modernisation programme strategy and to facilitate a feeling of pride among employees.
- An anonymous 'Have Your Say' survey is conducted within each region. Depending on the outcome of the survey, any issues are addressed by HR, who come and listen to the employees about their concerns.
- An employee engagement survey is due to be initiated in March 2012.
- Long-service awards recognise dedication and commitment to the work and organisation by those that have stayed loyal.
- Apprenticeship programmes and learning and development interventions for managers are aimed at building leadership capability, managing change more effectively and supporting the development of all staff.

Important trust relationships
It is clear that trust relationships are hugely important throughout the organisation and central to what all employees do. The reputation and brand of the organisation is built around trust – the reliability and honesty of the deliveries – and it is therefore a significant motivator among employees. The CEO has given Royal Mail's engagement strategy prominence as a driver for the trust agenda.

The trust relationship between employees and senior management can be complicated by the tendency for middle managers to take credit for ideas when they work, but blame senior management for the decision-making that has a negative impact on employees. Furthermore, the unions play a significant role for many employees, which can fuel a perception of tension between senior management and employees.

Outcomes and the future
When asked what a high-trust environment would look like, employees talked about every regional office or delivery centre having *'a buzz about the place'*. Every workplace would be clean and tidy with notice boards on the walls covered with league table results and a community feel. The atmosphere of the working environment would be fun and friendly, with a general vibe of positivity in conversations. When a manager walks into a breakout area, conversations among colleagues would not stop, and there would be more engagement with performance across the organisation.

Another key factor would be for senior management to deliver on what they say they will. While employees recognise the opportunity to 'have their say' in surveys and interactive sessions, they are waiting to see whether any action is taken from the results of these surveys, which will have a huge impact on trust in senior management.

Day Lewis Pharmacy Group

Context

Day Lewis is the UK and Europe's largest independently owned pharmacy chain. The company was founded in 1975 by Kirit Patel when he acquired two pharmacies in Southborough. By 1986, he had added 30 more pharmacies with a team of people, many of whom are still part of the business today. Over the last 30 years the company has grown into a group with 187 pharmacies across the country and a central distribution network. The group of pharmacies has annual sales in excess of £180 million and employs more than 1,300 people. In 2005, its founder was awarded an MBE for services to pharmacy. The firm remains family-owned, run by the first and second generation of the Patel family.

Just before the economic crisis hit the financial markets, the pharmacy market had its own mini-crisis. In 2006, the Government took away £0.5 billion related to procurement profits, which required Day Lewis to give back to the Government about £0.5 million per month. Day Lewis had just acquired 41 new stores and borrowed £40 million. Then came the credit crunch and recession and obtaining capital from the banks became difficult.

The Government's decision to reduce the funding from dispensing drugs to promote new services (for example smoking cessation, medication reviews, hormonal contraception, and attention to drug abuse) was problematic for the firm. Their business model had to alter, as profits would now come through a different route. Whereas the dispensing can be done by any member of the staff, only the pharmacists could provide these new services, and in many cases additional training was required.

The 'trust' story

The recession in the 1980s had been a crisis point for Day Lewis. In those days the firm had a very autocratic structure and communication style; empowerment and development of people was strictly confined within the headquarters, resulting in a badly damaged company characterised by distrust among the employees toward the organisation and its senior management. The company struggled to survive that recession, but lessons were learned (not least from Mr Patel's MBA in 1986–88, which brought home to him the value of employees and HRM).

In response to the disruption caused by the 2006 government changes to the pharmacy sector, two episodes embodied the new approach to people management, and HRM, in Day Lewis. First, the CEO wrote two letters to employees at their home address in 2006. The first letter, addressing all staff except the pharmacists, explained the problem the company was facing and the need to work collectively to get through these difficult times. The second letter, addressed to pharmacists only, explained how they were the only ones that could provide the new services funded by the Government, and hence could play a significant role in realising successful change. The reason for the changes was not to bring in more profits but to protect the jobs of the people who support them.

The second decisive moment for trust came with the recent economic crisis when the firm announced a pay freeze and the withdrawal of bonuses. Senior management promised that if performance proved better than predicted, the company would be willing to overrule this decision. Naturally, not many employees believed that this was possible or even true. The senior management then asked all employees to look into any cost cuttings available that could save people's jobs. The CEO set an example by not excluding himself from the cost cuts that affected everyone else within the organisation. During visits to the stores he stayed in cheap hotels as any other employee was required to do. This was very much appreciated by employees who worked hard to identify areas of savings.

Cost savings were mainly focused on this kind of 'non-people' decision, as far as possible. Considerable effort was made to move employees around when possible to save jobs. But, inevitably, some people had to go so that the rest could survive. The company tried to minimise these job losses.

Decentralisation of decision-making and authority has bestowed greater empowerment at the store level. Pharmacists have a budget to take care of everyday needs within their stores without going through senior management. In this way, the head office workforce has been reduced, rather than growing with the business, and its role has shifted to a more supportive one.

Despite the crisis and cuts, there were some new additions among senior managers and departmental heads. These people brought a lot of experience into the organisation. Bridging the two cultures within the senior management team is the main project of the CEO.

During the difficult times management have had to say 'no' to inquiries and investments more often than usual. However, by providing an explanation when possible, this did not hurt trust levels within the organisation.

Thus, even though tough decisions had to be made throughout the financial crisis, trust within the organisation shows signs of enhancement rather than deterioration. This is mainly due to the CEO and senior management being open and honest in their communication with employees, exhibiting sincere concern and delivering on their promises.

When the company did deliver good financial results, senior management kept their word and awarded back-dated pay rises and bonuses, to the astonishment of many employees.

HRM and trust

Day Lewis has core values that are practised every day, in every transaction. The values include 'empowering' the people: pharmacists, for example, are empowered to run their stores on a day-to-day basis as their own business – within certain parameters. This gives them a sense of ownership and responsibility. People in the pharmacies know best their local community needs, they've grown up there and have in most cases gone to the same schools as the customers; this is of immense value and it cannot be replaced or copied. Day Lewis sees this as their competitive advantage and everything is designed to make the lives of these people easier so they can do their job even better.

Maintaining a 'caring family culture' is also one of the values. Their strong sense of 'family' and ethos is reflected in the business. There is a conscious effort to promote a 'blame-free' culture where people are not afraid to take risks, as this is the only way to innovate and grow. The company promotes a culture where employees learn from mistakes and move on. Employees are not punished when they make a mistake. These core values are promoted through regular meetings and an annual conference.

In order to achieve this delicate balance, the following measures have been put in place:

- Any new senior management hire two levels down has to be approved by the CEO; this is solely to ensure that the new hires understand his people ethos and the core values of the business.

- Every time a major issue arises (for example relocation of a store), a cross-functional team is put together to work on a solution. This process has promoted trust through collaboration, resulted in innovative solutions and given people an idea of how an issue affects divisions in different ways.

- Every quarter all heads of departments gather in the CEO's house for dinner. This provides an opportunity for them to relate to each other in a friendly environment and relate to the family. The dinner aims to emphasise the difference between working for a family business and working in the corporate world. Once a year, the board and senior management teams go away overseas for a team-building 'strategy weekend'.

Among the core lessons learned from previous failures, the CEO knows that he must never lose touch with his employees. Throughout the year he visits all stores around the UK at least once and spends some time talking with employees. The purpose is not to inspect the stores – that's the area manager's job – but to be more visible so that people can relate to him. He meets and talks with them, he listens and makes sure they know that the communication channel upwards is open. Any employee can go to him if they have a concern.

The firm has invested in staff and equipment to meet its strategic needs. For example, to respond to the government strategy for health delivery in the pharmacy sector, Day Lewis invested £70,000 on pharmacist development to deliver the services. It is investing in technology to share information with employees in ways that are easily understandable. Field managers now have a new way of sharing information through the creation and use of a scorecard; this is a visual way of providing important information related to productivity, efficiency and sales in a quick and easy way to understand for people at the stores. An intranet dedicated to the warehouse staff was created; email addresses were provided and computers with Internet access were placed in the canteen. Personal development plans are based on each employee's needs. The firm acquired Investors in People accreditation in 2000.

Small gestures – such as the company buying ice cream for all employees on a hot summer day or paying for a lavish meal after employees had to work for two consecutive weekends for the royal wedding – have shown employees that they matter to the organisation. As a way to promote relationships between the warehouse and headquarters staff – all located in the same building – a Friday lunch is funded once a month by the company where warehouse staff get to spend time with senior management. Birthdays and special occasions are also celebrated.

All levels of employees seem very appreciative of the new measures. They recognise that the organisation is investing in its people and, despite the recession, efficiency has gone up.

Important trust relationships

Trust in people is paramount in every part of this organisation. The focus of the business is on the people; the belief is that motivated and happy employees will lead to happy customers and then, as a result, profits will increase. The firm's structure is described as an 'inverted pyramid', where the customer-facing people, at the tip, have the power to stabilise or destroy the business. Pharmacists are responsible for the everyday business and run the stores as their own; they open and close them, handling the money, and so on. Therefore, senior management trust the pharmacists to do a good job and pharmacists trust the senior managers to make good strategic decisions and grow the business.

Mr Patel, the CEO, is the face of the organisation and since employees trust him, they also trust the organisation. The employees look up to him as the main custodian of trust within Day Lewis, while Mr Patel, for his part, believes that the most important people in his organisation are the customer-facing staff who gain customers' trust and make the company grow.

Senior management is working on building a relationship with employees at the stores; once a year they spend one full day in a store, back on the shop floor. This provides the management with a better understanding of the issues the employees encounter in their everyday jobs and an appreciation for the day-to-day work of employees. In addition, it builds a better work environment as people of different levels work in harmony together.

The relationship of the pharmacy managers in the stores and employees is very strong and the relationship between the area managers and the pharmacy managers is also very strong. These are teams that work closely together and their relationship is based on trust.

Outcomes and the future

Throughout the recent crisis, profit grew 10% per annum. The challenge for the business is to maintain its family values while realising a healthy growth.

The outcome of a recent employee satisfaction survey was 91% are satisfied, but management is constantly looking for ways to improve and its next goal is to reach 95%. The company greatly values the people and it is loyal to them; if they lack the skills that would allow them to perform their job to high standards, the company will invest in their training and development. Early results show a score of 98% for customer satisfaction.

Last year, the company was named 'Best UK Family Business in London and Greater London Region' in the £25 million+ turnover category of the Coutts Prize for Family Business 2009/2010. It went on to compete in the same category at the national finals but lost due to stiff competition.

Day Lewis Plc achieved the ranking of 218 on the annual league table of Britain's leading mid-market private companies in the *Sunday Times* Top Track 250 in 2011 and winner of Pharmacy Chain of the Year 2011.

Day Lewis is a great organisation where trust was not just maintained during the economic crisis but was enhanced. This organisation has a proven ability to cope with crisis, survive through turbulent times, perform financially and gain its employees' support through this effort. This success is possible by demonstrating genuine concern for the people in all levels within the organisation, commitment to people's needs and the business core values despite the economic turmoil.

The face of the organisation, the CEO, makes sure he is highly visible and approachable so people relate to him. He provides an example by operating according to ethical standards and demanding the same by everyone else within the company. Loyalty is of paramount importance to him and he considers it to be a two-way street; the organisation is loyal to its employees and the employees need to be loyal to the organisation. The company has gained its employees' loyalty by keeping its promises.

The strong values of this organisation and their constant enforcement have created a strong culture and strong trust relationships between employees and senior management. The organisation is continuously working on improving relationships and promoting a work environment of high standards. Open and honest communication and information-sharing are everyday practices. The focus on people is apparent and the investment in training, development and team-building workshops is considerable.

GKN

Context

The GKN story is of a long-established manufacturing firm hit hard, and suddenly, by a huge decline in orders within their sector, and the attempt by local managers, corporate headquarters and the well-organised unions at the plant to manage three downsizing programmes simultaneously in a manner that protected the generally good trust levels throughout the firm. GKN's Driveline division operates in 31 countries with 52 plants and employs 22,000 people worldwide in that division alone. GKN overall employs 42,000 worldwide.

GKN, including its Driveline division where the research took place, is designed as a matrix, so that *'on a day-to-day basis, the plants run themselves'* (senior manager). Responsibility for HR is also largely conducted at plant level, rather than being centrally co-ordinated. This devolved structure seems to have been instrumental in the effectiveness of the downsizing. A senior manager made the interesting point that, because local managers have considerable discretion over how to run their plant, this increases the employees' bond of trust with them, not only from the sense of all being in the same situation but also that the local managers can influence the fate of the plant. However, as we shall see, not all employees may share this optimistic view of devolved responsibility, especially for HR.

GKN's three sites in and around Birmingham (Erdington, Walsall and Hampstead) had long enjoyed *'very high'* trust between managers, workers and the trade unions. Senior managers attributed this to the stability of its workforce: very few leave such a noteworthy employer, renowned in the area for collaborative workplace relations, upper quartile pay and conditions, and an excellent safety record. Just prior to the economic crisis, the company had been fixing staff gripes and improving the working environment.

When the sharp decline in sales hit the sector in August 2008 – a union official likened it to GKN *'dropping off a cliff'* – the company's examination of the figures came to only one conclusion: there would have to be plant closures. Around 60% of its Driveline workforce would either lose their jobs or be transferred to another location.

The 'trust' story

The company had been through redundancy programmes before and had an established procedure in place, as well as collaborative relations with its trade unions characterised by '*a productive dialogue*' and what the union official described as *'responsible shop stewarding'*. This proved crucial.

The first move was to stop all agency hires and then to review and let go of any temporary staff, and then to stop overtime. But when the firm still had too many people, the management negotiated with the unions an agreement to move onto short-time working. Everyone, including the MD, would take part, and incur what amounted to a 25% cut in salary. This was, of course, a major risk-taking act on the part of everyone, and the senior managers knew that it:

'wouldn't have worked if it wasn't everyone doing it… we could say to the staff, we're doing it too, we are all in this together, if it happens to you it will happen to us. They [sceptical or angry employees] can't take that away from us.' (senior manager)

This can be interpreted as an act of solidarity (benevolence) from the managers, although the plant managing director declined to see it as such, perhaps for modesty. Interestingly, the unions declined to take this to a vote, sensing that it would not be endorsed; after all, who voluntarily signs up to such a cut in income? Such a change in terms and conditions also requires, by law, a 12-week notice period, yet all but one employee agreed to a waiver to begin with immediate effect – an indicator, for one senior manager, of the workforce's trust in their employer. The arrangement lasted 18 months, and *'probably saved 150 jobs'*. Other GKN plants facing the same problems did not adopt this approach, and that may have created resentment among the Driveline workforce, but as one manager explained, staff had open forums to ask questions, the decision was supported by the unions and *'it was necessary for the plant'*.

Consultation began on the likely closures with the unions, who put forward counter-proposals to try and keep more than one plant open. The company had to consult by law, but *'management knew what we were like [as a union] so they couldn't try anything because they knew we'd challenge them'*, and the consultations were productive and collaborative.

Employees were asking for the rationale behind the closures, and for the managers, *'we had to create an understanding from the employees [of the situation] to gain their trust'*. To which, the senior managers prepared a set of anticipated concerns from the unions and a communications strategy designed to be honest and transparent about the predicament, but also optimistic about the future agenda of significant investment that would create a 'centre of excellence' at the one remaining plant, Erdington in Birmingham. This forward-looking vision was *'important for trust… a sustainable vision of a future with high skills and employment'*.

The communications sought *'consistency around the messages, hearing the same thing from different people'* (plant manager); *'it was not perfectly scripted, but this helped to build trust'* (senior manager). The company's top managers visited each site to make the announcements in person, in part to reflect the gravity of the situation and their awareness of the impact it would have on staff – 'the more senior, the better' for such announcements; *'it also protects the local management teams from any employee anger against the decisions.'* This latter point is an interesting angle to GKN's story; the multiple trust relations and the recognition of the primacy of positive local relations for delivering change, and the consequent need for the centre to initiate the process, take the responsibility and brickbats, and then step back to leave the local management and unions to resolve their own issues, rather than bring in an unfamiliar project team (read: 'hit squad'). A senior manager reflected on the essential trust dynamic:

'If you bring in outsiders, with staff having no idea about their ability, benevolence and integrity – they don't know the facilities, they don't know the employees and the unions – you break [the trust cycle] straight away.'

The consultations were exhaustive, with more than 40 official meetings and well over 300 questions raised and given detailed written responses. The redundancy criteria focused on skill levels, performance and potential for progression, as well as discipline and attendance, and then tenure, with weightings agreed with the unions.

The negotiations were able to conclude a good deal on severance and performance-related bonuses for the employees as an incentive to maintain production and quality levels until the final day. (This was achieved; indeed, productivity went up, not a single hour was lost to industrial action and health and safety excellence was maintained.) The systems that GKN already had in place – the regular consultations, the monthly 'temperature check' (known as the Positive Climate Index), the career progression paths laid out in every employee's personal development plan, and so on – supported the firm's culture of support for its staff and served as 'enabling structures' for trust during the difficult period of downsizing:

'Without them it would have been more difficult. It would have been very hard to set them up during a crisis [as staff would be asking themselves] "why are they setting all this up?"' (senior manager)

A plant manager agreed, seeing these structures as supportive of positive interpersonal relations. The company also provided a comprehensive outplacement service, with a support function on-site throughout, a job centre and advice clinics on CVs and interviews. This was not negotiated; it was all offered up front by the managers, as that level of support for staff is *'in our collective consciousness'* (senior manager) and could be seen as a further indicator of benevolence.

Reflecting on the experience, the senior manager interviewee acknowledged there was:

'some scepticism, clearly… but the way we managed it, with an open and focused approach, and the constant answering of questions and not delaying in answering questions, [was key to] restoring relations and

trust very quickly… Trust remained good, it remained high in all three plants, but the impact of the decisions was different due to local dynamics [that is, the different fates of the three locations]. Trust locally probably didn't change a great deal, but with GKN the plc it has probably been hit hard.'

Indeed, the 'PCI temperature check' data, including trust, remained constant throughout: *'it didn't change significantly, it didn't go up but it didn't go backwards, it was almost neutral.'* The union agreed: *'I'd say before the restructuring [trust] was 7 out of 10 and after the restructuring it was 7… I wouldn't say trust is any worse now than it was before.'* This data is, arguably, a striking indicator of enduring trust, given what would have been a traumatic and agonising time for the employees losing their livelihoods and the anxious survivors. Indeed, rumours of imminent closure had undermined trust levels within Erdington, but when the senior leaders communicated their 'centre of excellence' vision, GKN staff could see a more positive future and *'looked at the parent company differently because we had never been thought of in that way [as a 'centre of excellence'] before'*. There were also different reactions, and different trust dynamics, for different employee groups, depending on the particular repercussions of the decisions. The plants closing down – the 'losers' in terms of investment and survival – will have been more distrustful than Erdington, which 'won'.

Senior managers interpret GKN employees' concerns during the downsizing like this:

'People actually have a resilience that is far greater than we tend to give them credit for, frankly. People move on quite quickly. People wanted to get a view of "getting through this". There is a desire for business to return to normality as soon as possible. They want the plc and the division to show them they are still supporting and engaging in the plant. Is business still being won? It's actually more. Is capital investment higher or lower than depreciation…? We've been able to show them [that it is higher – there has been investment in a better working environment and in new kit but also office refurbishment]. Is employment growing again? It is. We have re-engaged people made redundant….' (Plant Managing Director)

HRM and trust

The HR function at a local plant level is a fairly traditional function typical of most of the manufacturing sector. At a corporate and divisional level it is a sophisticated business-focused function dealing with the complexities of strategy implementation within 31 different countries.

Important trust relationships

The most significant relationship would appear to be with people's immediate line manager, such as the shift leader in production. The union official explained why:

'You can trust them but they don't make the decisions about keeping your job… People don't trust the senior managers [as much]. We do, as a union, because we have access to privileged information, and the senior managers are quite open with correct information…'

One plant manager identified the *'most important is the person directly above you in the business. But if you were to ask the shop floor, I think the one they'd most moan about would be the ones a few levels higher than that… The further away you are from a person, the worse the communication is always going to be.'* He noted, at the same time, that the Erdington workforce had not received a presentation from senior managers for more than a year:

'So they'll argue, "we don't know what's going on, nobody talks to us." They would moan that that's the weakest relationship from a trust point of view.'

This discrepancy in trust at different levels of the hierarchy seems to be a manifestation of a perennial tension between GKN's model of local autonomy and its plc's corporate strategy. The union colleagues' frustration with it was explained thus:

'The company [GKN plc] says we're a "stand-alone" [that is, autonomous unit], but we're also "global" when it suits them. They can't keep saying, [Erdington is] "stand-alone" but we've got Global [that is, corporate HQ] telling you how to run your business… If the plant director says, "that [decision] is from division", that puts our relationship under strain.'

A plant manager also seemed to endorse the impression that some local managers are not always consistent with the company's values and objectives, failing to *'toe the party line'*. The manager sees this primarily in technical departments such as engineering, where the teams are smaller and the work-unit culture is more cliquey and less hierarchical. He put the proportion of 'dissenters' in the Erdington plant at *'10–15%…. The problem is, they're the ones people most listen to!'* For him, managers' first trust obligation is to the company:

'Whether you believe it or not, you've got to say it as though it's your idea and you believe in it. So if a manager is moaning about his manager, or the manager above, saying "it's been forced on us," obviously the people below that manager are not going to trust the managers above….'

He speculated that if these managers' bosses said:

'"Your job is to sell this to your people and if I find out you haven't been doing that, we're going to have issues," I don't think it'd happen.'

The union is in a position to be disruptive or collaborative as the convenor deems fit. Although his *'personal preference is for consultation, not confrontation'*, he would not shy away from the latter, and the local managers are aware of this. For him, trust maintains the productive dialogue:

'I say to managers, you don't have to tell me nothing, but the minute I find out [about a problem] I'm going to nail you. I can understand business needs, if you're dealing with me correctly…. If management think they can ignore the union, I'll come with all guns blazing. I'll say, "you've created the mistrust there." We trust management because they're showing us hard cold facts.'

Thus we see in both sets of remarks a mixed trust–distrust dynamic, with the managers' trustworthiness monitored and, to an extent, policed by the prospect of confrontation or recrimination. The union leader's preference is clear; he seeks trust:

'The more you moan, the less people listen. If you only moan now and again, you get a better response. When I do actually moan, people listen because they know it's serious.'

Indeed, he related a trust violation incident from the previous management regime, which he challenged and won an apology. This echoes the old Russian maxim: 'trust but verify.' For the trade union convenor, the central quality of trustworthiness is integrity: the honesty to exchange information openly, and to treat people *'correctly'*.

This, then, seems to be an interesting aspect to the GKN case, that the multiple trust relations should reinforce each other, and typically do – one respondent above seems to be implying that more than eight out of ten managers do 'toe the party line' – but the local discretion enjoyed by GKN's management seems to have a knock-on effect on trust relations with more senior decision-makers.

For the MD, he evaluates his cadre of local managers in this way, in trust terms. He hopes that staff believe in the technical competence of their managers; he sees 'benevolence' as *'about treating people fairly. We do have a respect for our employees. We don't always get it right, we're not above reproach, but we do have a set of inner processes that support our employees,'* citing the regular consultation with the unions, the PCI, the open forums, and so on, and he refers to the managers' full involvement, alongside the staff, in the short-time working as an indicator of integrity.

Finally, the MD had interesting reflections on trust repair and, in particular, the merits of an official apology from the plc:

'There's no apology you can make, because the people that have been affected have left, so what are you apologising for? … I'm not sure people do feel that "corporate" need to do anything else. They see it very much now, "business as usual"… "Are we still being supported?" I think it would probably be wrong if we were to overtly apologise, because I think those things were addressed at the time, and it would probably open up old wounds… "Re-engagement" is too strong a word; it's just to make sure things we're doing are consistent with what we were doing before, it's not like going backwards, it's about ensuring people see familiar things happening around them. So it is repair work locally rather than at a plc level.'

Outcomes and the future

The unions feel that the company did *'cut too deep and too fast'* – some employees, with hindsight, did not need to lose their jobs and the company had to make use of agency workers at times – but the figures at the time pointed to that level of job losses, and the trade union convenor acknowledged this. The integration was also not as effective as it could have been, for some. The 'mirror teams', set up at each plant to select and disseminate best practice from the different sites, didn't work well in some locations. Additionally, the consultations have not been as *'proactive'* as his union would like on issues such as investment in staff training – *'management said they'd do it but it's not happening'* – and improvements in processes. This remains a sticking point, it seems.

In summary, GKN is a 250-year-old engineering company that has survived through war and peace and boom and bust. Since the recession of 2008, which impacted most of the company, levels of employee engagement actually bucked the trend and improved by over 8%. Success was reflected at a business level when, in 2010 after a six-year absence, GKN re-entered the FTSE 100. GKN was recognised for its achievement in engaging employees by the Chartered Management Institute in 2010 by winning the Engagement Strategy of the Year Award. In 2011 it won the Confederation of British Industry's International Engagement Award and the Grand Prix People Award in 2011.

HMRC

Context
Her Majesty's Revenue & Customs was formed by the merger of the Inland Revenue and Customs & Excise in 2005. At the time, the merged department employed 100,000 staff, but the chairman of HMRC announced with the integration agenda that the new organisational structure would necessitate a headcount reduction of nearly 20,000 over a few years. The CEO said that there would also be the introduction of lean processing and a cultural change to transform the department. All of this was to be achieved with increased targets for tax revenue and with no extra investment in change management.

This huge change agenda, determined prior to the financial crisis, has proved to be extremely demanding in terms of capacity, capability and readiness for change. For one, the cultures and mechanisms for tax collection were very different for the two departments. For another, the new structure entailed breaking down the regional set-up and moving to national business processes reporting into the centre at 100 Parliament Street, London. Lean processing was a shock for many lower-level civil servants who had not experienced such a depth of change over their years of service. On top of this there was a rapid changeover of chairman, with two people leaving in quick succession.

All of this bred high levels of uncertainty and job insecurity across the organisation. Having announced the job cuts, people were left for long periods of time with no idea whether it was their area office which would be closed. Trade unions were outraged at the depth and volume of change. Local managers felt they were not consulted by the centre on how to implement the various changes and so 'jumped into the trenches with the troops' by refusing to endorse many of the centre-driven changes. Unsurprisingly, trust levels in senior managers plummeted whereas trust levels in direct and local managers remained constant. In particular, people did not like the abandonment of local reporting lines in favour of national process lines:

'It's all very well to say we're one production team but it's another thing to feel it…when we were in areas we had a mini version of HMRC in our region.' (HMRC middle manager)

The 'trust' story
Climbing out of such a situation is no easy task, especially for a large public sector department, and yet that is just what HMRC has started to do:

'If we're going to be a very different organisation, a smaller organisation, you know, we're not going to be able to continue to deliver and continue to improve unless we start establishing and building the trust. I think there was a view in the past we've got targets, we've always delivered, "command and control"… We will just keep meeting the requirements within the business plan and ministers. But you reach a point, and that's where I suppose we've tried to help senior leaders understand, it's just going to fall over. You cannot continue in that way. And I think that's why trust is vitally important.' (HR director)

New leadership helpfully arrived at the very top of the organisation to support this aim. In seeking to repair trust levels within the organisation, HR and senior managers realised that, rather than restore the old employment relationship, they would need to create a new one:

'HMRC almost was guaranteeing its employees a job for life [before the cuts]. In the current world that's not really the case and we need to help people understand that. So our role is also trying to help people understand what the future will look like in that respect.'

HRM and trust
The HR department felt that they:

'Needed to re-establish the psychological contract: what were people expecting from HMRC and what were we expecting from the people?'

From the outset, they conducted exhaustive research, both quantitative and qualitative, looking into:

'The vision, the Charter, leadership behaviours, all those sorts of things, in place, the business plan, the government requirements around the Spending Review. We asked people for their views. We also had individual leadership interviews, so we had the leadership perspective and the people's perspective. Because you always have that disconnect between the leadership and the organisation, we created two models and overlapped them, because you're never going to please all the people all the time. So we looked for those "sweet spots" in the middle, what were the sort of common things that mattered, really mattered to both groups.'

The resulting new deal was encompassed under the label 'One HMRC One Deal' proposition. The new deal set out to emphasise six principles:

1 straight talking

2 valuing people

3 organisational purpose

4 people development

5 continuous improvement

6 work–life balance.

A senior HR manager explained the implications of just a few of these when translated into practice:

'Things like flexible working were seen as most important other than pay, to a lot of people, whereas to leaders it was probably getting in the way of doing business. So our role [in HR] is also establishing, in terms of flexible working, what that now looks like. It's not about "come in when you want and go home when you feel like it," it's balancing the need. HR also develops continuous improvement at HMRC. It's really trying to get people to see that change, improving how we do things, is what the business is about. So it's really changing their mindset that it's about continually trying to improve, because we are going to have to reduce in size, we are going to have to get smaller [but] we are going to have to continue to deliver.'

The new HMRC Values have been published and a joint message was published with the trade unions on the importance of trust.

HR also realised that a different approach to leadership is needed and that every leader would need to understand the imperative to behave differently:

'What we're trying to say to them is think about the people, think about the engagement, the involvement. If you went out and asked them, what would they think your priorities would be and it would very much be more around – I think one of them is "the power of the collective". So, in other words, as a leader you can't deliver on your own, you know, you need the sort of people and teams with you to do that. Keep people

appropriately challenged, you know, we've got some very bright people, allow them to get involved, allow them to be involved in the decisions. Think, align and act. Those are sort of the three that are very much about the people.'

A senior director at HMRC agreed that he felt the following activities had allowed the beginning of a shift towards recreating trust relations:

- leaders being more visible
- leaders talking more with staff
- leaders admitting to mistakes
- leaders listening to middle and lower levels
- leaders thanking people.

He talked about the need to involve front-line staff more with proposals for local process change, and that seniors had exacerbated low trust by being too slow in gaining certainty over the actual details of headcount reduction.

A middle manager vouched for the change in senior management behaviour:

'What's been better is we feel that senior managers are now listening. That's what irritated staff the most.'

One manager commented that he now feels more trusted by his leadership, which allows him to trust downwards.

A new 360-degree tool has been introduced and the leadership behaviours are incorporated into the performance management system.

There has been a huge investment in a different kind of communications strategy, with far more emphasis on dialogue rather than announcements. Phone-ins are held; out of a pool of 60 senior staff, two senior managers are held responsible for ensuring local and relevant communications per area called 'site-based communications'. Communication initiatives called 'talking points' are facilitated by senior leaders.

As for the engagement strategy, instead of trying to engage all staff at HMRC with one blanket engagement approach, they now recognise the diversity within the department and seek to engage different staff groups in different ways that are more appealing to their identities, their motivations and their experiences.

The end result of all of these efforts is that the HMRC engagement and trust scores are rising at last. HR and senior management would say that this is the start of a long journey back to restoring high-trust relationships and it is a difficult climb.

Outcomes and the future

Middle and lower levels said that their managers should visit them, should *'make the effort'* more and should work more at building relationships by *'sharing what you are with people'*. While much remains to be done, trust and engagement scores are beginning to rise and there is a more positive work climate in the organisation.

John Lewis

Context

The John Lewis Partnership (JLP) comprises two main trading brands: John Lewis (its national chain of 28 large department stores, plus a thriving online division) and Waitrose (its supermarket/groceries chain: 228 stores). They also have a financial services company, John Lewis Insurance. Together the business employs around 70,000 people. It is employee-owned, one of the largest such commercial enterprises in the world. Its extraordinary mission statement (known as 'Principle #1') is:

'The Partnership's ultimate purpose is the happiness of all its members, through their worthwhile and satisfying employment in a successful business. Because the Partnership is owned in trust for its members, they share the responsibilities of ownership as well as its rewards – profit, knowledge and power.'

For John Lewis the recent economic crisis has proved a dramatic time. Work had already started on a major strategic review before Lehmann Brothers collapsed. The review showed that if the company continued with the existing business model in retail, they would face major difficulties in the longer term. A new strategy was launched in 2009 as they introduced the idea of the 'branch of the future', or BOF as it familiarly became known within the partnership. The aim was to improve efficiency of processes, flexibility and cost efficiency, but in order to achieve this several jobs in the branches would be made redundant.

In the whole of its illustrious long history, the partnership has never had to restructure jobs nor face the possibility of people taking voluntary redundancy on this scale out of the partnership. Such a crisis was always going to be a direct challenge to the viability of 'Principle #1'. How HR handled it was going to be decisive.

The 'trust' story

John Lewis took measures to ensure that the way this was communicated and implemented was done with 100% respect for partners. Every senior manager was very well informed and had thought about who should be at the meetings and what support was necessary. They were told to tell the whole story – the why, the when, the timelines and to take as much time in their briefings as people needed to make sense of it all. Any questions could be asked, any comments could be made and at no time was a senior manager allowed to 'squash any comment'.

One branch managing director said that while the communications briefings could demonstrate to people the intellectual side of the business plan, the emotional side was a different matter and was left to local managers. The emotional side to the change was *'filled up by listening and demonstrating you're listening'*. People were immediately allowed time off from the shop floor to get coffee, go for a walk and every senior manager was expected to be always available immediately to talk to people, even into the evenings. They were expected to never turn anyone away who needed to talk things through. In one branch, we were told that every manager was expected to clear their diary for two solid weeks and make that time available only for talking to staff about what BOF meant or might mean for them.

Every single person whose job was made redundant was offered redeployment elsewhere in the partnership. For those who chose not to take redeployment, a manager described the process the organisation and the senior leaders took would be to *'love them over the line'*. Managers talked about never underestimating the impact of small gestures to people and, as a series of senior managers said:

'We will make time for people.'

'We face into the difficulty.'

'I feel really responsible for them.'

'You're here on behalf of the people you lead.'

'This job requires a huge amount of investment of yourself.'

A middle manager in John Lewis described watching senior leaders in that organisation:

'Senior leaders don't do it without feeling for the individuals. I watch them when they talk. I have an instinctive gut feeling from everything I hear and see that there is that empathy.'

Outcomes and the future

One HR director said that the lessons they learned are several. First is for the partnership to ask itself whether the actions being taken are for the right reasons, in terms of the long-term needs of the business. BOF is about the future of John Lewis, not a knee-jerk reaction to the recession. Second is to always consider the decisions and the implementation of those decisions in terms of what it means for individuals. Third is to always emphasise that it is about jobs that are going, not people, and to emphasise that work and the business is a two-way relationship – the senior managers have responsibilities, but so do the workforce.

As a result of this careful people-oriented implementation of the restructuring and redundancy programme, trust in John Lewis as an employer actually rose. As one sales assistant said:

'I've been here 19 years…and in the time I've been here I trust the company more now than I did when I first started because I think we're a more streetwise business.'

Appendix 2: CIPD *Employee Outlook* survey results

Why does trust matter for organisations? What are the factors that can promote organisational trust and also distrust?

There are two key factors which have a relatively far larger impact on organisational trust than others:

- line managers' behaviour
- feeling trusted by management.

Figure 16: Trust in senior management, by sector (%)

This survey revealed that trust in organisation is a combination of perceptions about the organisation as a whole, but particularly about its leaders and those with direct line responsibility. Trust is a component which, if reciprocated back to employees, not only enhances their trust in the organisation, but also influences their willingness to recommend the organisation to others and in their job satisfaction.

More critically, the current results indicate that people who work within the public sector are less likely to have high trust in their employers. There is little difference between the sectors regarding direct manager behaviour, but as Figure 16 shows, it is trust in senior managers that is being eroded in the public sector.

We analysed the data by sector to identify further differences.

Figure 17: Organisational trust, by sector (%)

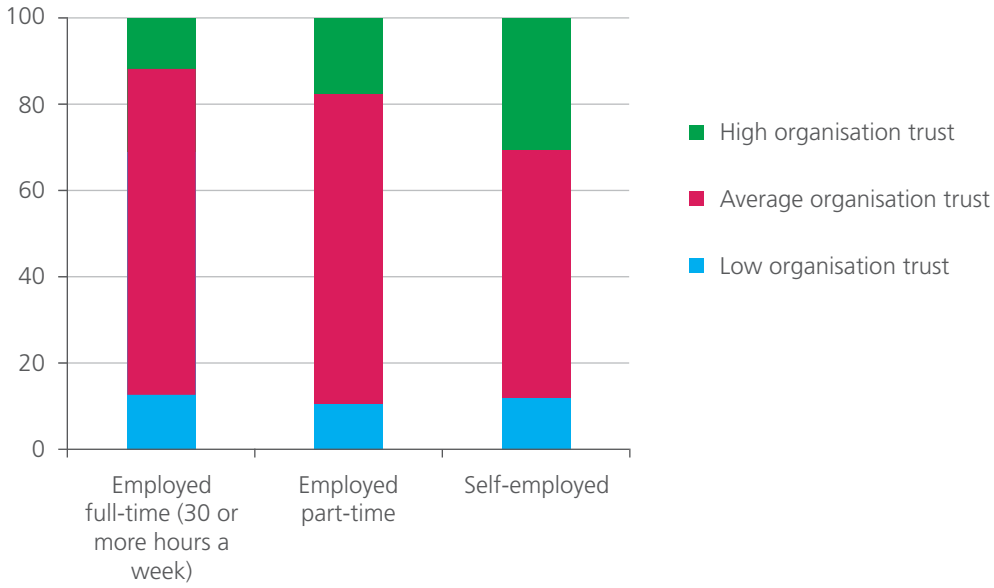
In analysing these three sectors more closely, we were able to discern three distinct groups: those employed in either high, average or low organisational trust organisations (Figure 17). We discovered that employees of public sector organisations are more likely to report their organisation as low trust (25% of employees) compared with a less frequent 15% of those in the private sector and 5% of employees in the voluntary sector.

Employees in public sector organisations are also more likely to report higher job insecurity (22%) compared with the others (14–15%). They indicate more frequently climates characterised by high political activity and conflict (17%), compared with those employed in private firms (10%) or for third-sector (7%) organisations. Interestingly, in response to these less trusting public sector contexts, there is no corresponding decline in reported citizenship levels; there are no significant differences between any of these sectors and positive citizenship behaviours. All of the sectors report similar levels of squeezing on positive opportunities, such as for promotion and personal development.

Those in the voluntary sector are more likely to indicate their organisations have high-quality communications (18.6%), which contrasts with a minority of public sector employees (5%) and private sector (12%). Public sector employees are more likely to identify slightly more poor-quality communications (15.4%) compared with the experiences of those in the private sector (12%).

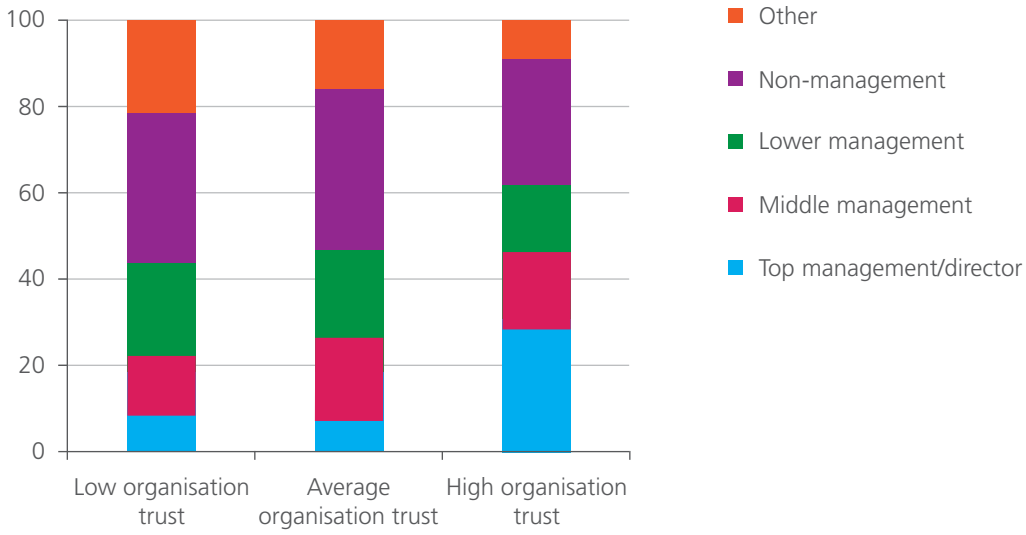
In terms of organisational-level trust and gender, there is no difference; however, some differences emerge in terms of employment type (see Figure 18). Those who work part-time are slightly more likely to rate their employer as having higher trust. This is interesting as we would expect this employment category to feel slightly more isolated from their employer and so rate trust less highly. Instead, this finding suggests the types of organisation which offer part-time employment are more trusted.

Figure18: Organisational trust, by employment status (%)



As with other studies in this field, we found that those at the top of the organisation are far more likely to report high levels of organisational trust (see Figure 19).

Figure 19: Organisational trust, by employment level (%)



Appendix 3: Additional information about data collection and analysis

CIPD *Employee Outlook* survey

The profile of the sample used was derived from census data or, if not available from the census, from industry-accepted data. Panellists who matched the sample profile were then selected randomly from YouGov Plc's UK panel and contacted by email to take part in this online survey. The sample includes respondents from public, private and voluntary organisations, of different sizes of organisation and from a range of different organisational level, from clerical grades all the way to owners and director level.

Measures used
The respondents were asked to complete a series of scales, which measured: organisational trust, organisational distrust, senior manager trust, behaviour of line managers and reciprocated trust from managers towards employees. They were also asked to indicate how their organisation has responded to the economic downturn, with a range of answers from pay freezes to redundancy. In addition, we included questions about changes in their organisation climate over this period, including feeling less secure about their employment to increases in conflict and office politics. From these data a number of scales were produced. Where a published scale was being used, confirmatory factor analysis ensured that the items clustered as expected; alternatively we used factor analysis to create statistically derived composite measures, particularly for the HR practices and climate assessment. In each scale reliabilities were obtained using Cronbach's alphas to ensure a high internal consistency.

The focus of this survey was on trust in organisation and its repair. As there is still some debate as to what constitutes organisation-level trust, we wanted to examine a range of distinct influences on employees' trust. We measured **organisation-level trust** using four items derived from Robinson's (1996) measure, and also used a three-item measure derived from Robinson's aforementioned measure, but focused on assessing **organisational distrust**. We measured **trust in senior leaders** and managers using a five-items scale. We examined **line managers' behaviour** using a 13-items scale that looked at a broad range of direct managers' activities, from clarifying job role to informing staff about their performance and organisational matters, through to coaching them to improve. In addition, we used an item taken from Deutsch-Salamon and Robinson's (2008) **collective-felt trust scale**, which captures how far employees believe that managers trust them. We also included employees' perceptions of whether their employer would take **steps to actively resolve breach** should one occur.

HRM practices were assessed using items derived from Tekleab and Taylor's (2003) scale that looked at organisation obligations to the employee, such as training opportunities, salary cuts, increases to working hours, job insecurity, and so on. In addition, we included four items measuring **negative organisational climate**, such as increases in bullying, stress levels, mental health strain or, more physical health symposiums, and three items looking at more **positive organisational climate**, including opportunities to progress, for skills development and general confidence. We included two items looking at the adequacy of **organisational communication**, including bottom–up communication.

We looked at a range of different outcomes, including items measuring: job satisfaction (Trevor 2001); intention to leave the current job role (Landau and Hammer 1986); recommending their employer to others and two items measuring organisational citizenship focusing on support for colleagues through taking on additional roles.

Qualitative data
The qualitative data collection took four forms:

1 face-to-face interviews

2 face-to-face focus groups

3 practitioner workshop

4 documentary evidence from companies.

In 14 organisations we conducted face-to-face interviews lasting one hour with at least:

- a senior HR practitioner as gatekeeper to negotiate access
- senior HR manager or director operating at a strategic level
- senior business manager or director – included either the CEO, MD or COO, commercial director or operations director, or senior strategist
- another HR manager with specific responsibility for trust or employee engagement
- two middle managers.

In addition to the above, in 5 of the 14 organisations we also conducted face-to-face interviews lasting one hour and face-to-face focus groups lasting 90 minutes with:

- two additional middle/senior managers
- two groups of 10–15 lower-level employees who directly reported into the middle managers above.

All interviews and focus groups were taped and downloaded into a database. A selection of these 90 hours of 220 people's views and observations were transcribed professionally and then coded by a researcher using established code from previous trust repair and trust research.

Appendix 4: Learning from other reconciliation activities

For some HR practitioners challenges around trust are new to them as individuals. Some of the learning from trust-building, conflict mediation and reconciliation processes introduced after major internal conflicts, or political traumas, may be helpful. This is a huge topic with a range of literature, and consequently this section draws on a specific and limited literature – that concerned with aspects of reconciliation in post-Apartheid South Africa.

Much of this literature suggests that repairing and building trust was a key element in much of the conflict mediation and community reconciliation work that was undertaken in South Africa in the post-Apartheid era.

Nelson Mandela saw such mediation and reconciliation work as crucial. He argued that you can only transform a society or community by encouraging reconciliation, promoting understanding, even love, between all the different constituents. He highlights the connectedness and interdependence of all the different people in any community – whether they are good or bad, the alienated or the oppressor. Most memorably he wrote that *'the oppressor must be liberated just as surely as the oppressed…. When I walked out of prison, that was my mission to liberate the oppressed and the oppressor both…'* (Mandela 1994, p544). This sentiment is echoed in the words of Desmond Tutu, who contends that those in power are *'diminished when others are humiliated, diminished when others are oppressed, diminished when others are treated as if they were less than who they are'* (Tutu 2004).

Archbishop Tutu similarly writes that *'true reconciliation is a deeply personal matter. It can happen only between persons who assert their own personhood and who acknowledge and respect that of others… to forgive is not just to be altruistic. It is the best form of self-interest. What dehumanises you, inexorably dehumanises me. Forgiveness gives people resilience'* (Tutu 1999, p34).

Certain African notions, such as *ubuntu*, can also be seen as part of the process of community healing, reconciliation and bridge-building. *Ubuntu* is an ethos, a philosophy that emphasises the relationship between the individual and the community and the importance of mutuality and trust in this relationship. The logic of *ubuntu* suggests that each member of a community is in some way linked to every other – in other words, to other disputants in the community. If everyone is willing to acknowledge this (that is, accept the principles of *ubuntu*) then people may feel a sense of having been wronged, or a sense of responsibility for the wrong they may have committed. There is therefore a link between the victim and perpetrator that exists, which is tangible, and on which trust can be built and developed. *Ubuntu* encourages consensus-based mediation as distinct from the more confrontational litigious processes commonly found in the American legal system.

In conclusion, it is known that any conflict-damaged community in which there is no trust is ultimately not viable and gradually begins to tear itself apart – unfortunately this is something that UN peacekeepers around the world are all too aware of.

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sustainable organisation performance

Stewardship, leadership and governance is one of the three themes in our Sustainable Organisation Performance research programme. The other two themes are future-fit organisations and building HR capability. Within each of these themes we will research a range of topics and draw on a variety of perspectives to enable us to provide insight-led thought leadership that can be used to drive organisation performance for the long term.

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