The Trust Coach Vol. 1: The Value of Integrity

January 2016

The Value of Trust

Trust is one of the central variables that determines success or failure for many organizations and individuals. Higher trust levels for organizations lead to higher productivity, efficiency, profitability and customer loyalty. Leaders and executives only achieve their objectives through the work of those that report to them. Trust is critical for these individuals to inspire those that labour in their service to go beyond what is absolutely required and strive for excellence.

My name is Darryl Stickel and I founded Trust Unlimited (TU) in 2003. My life's work has been focused on understanding trust and helping others understand how to build trust and resolve trust based problems. These quarterly newsletters are intended to give my perspective on trust and provide insights on what it is and how it works. I will focus on a variety of topics related to trust including items from the news, personal experience or questions raised by readers of this newsletter.

What Does Darryl Know About Trust?

I completed my Doctoral Thesis, (Building Trust in the Face of Hostility) at Duke's Business School in 1999. I then worked as a consultant at Mckinsey & Company (one of the world's leading management consulting firms) prior to founding TU. I have helped organizations, leaders and parents struggle with and resolve trust based problems for the last 15 years. I have a rare combination of deep theoretical knowledge and practical applied experience.

In 2002 the Canadian division of a large global asset management firm asked me to speak about sustainable competitive advantage. After a careful review of the organization and their business lines it was my opinion that there was nothing the firm did that was not replicable and that the only source of sustainable competitive advantage available to them would be to focus on building deep, long term, trust-based relationships with their clients.

In response to my recommendation, senior management made the decision to implement a client focused strategy and dedicate time and considerable effort towards building deeper client relationships. As part of this strategy I was tasked with creating workshops based on my doctoral thesis. All members of the sales team went through the workshops and we engaged in problem solving around specific trust based issues.

The goal of this workshop was to inculcate trust and relationship management skills to allow this firm to differentiate itself from its competitors, the ultimate goal being the addition of new clients and a larger share of existing clients' wallet.

The level of success experienced after 18 months of training and problem solving was remarkable. A survey firm was hired to measure the results of our work and confirmed that trust was the primary driver for the purchasing decisions of clients. It also revealed that the organization dramatically outperformed not only their Canadian competitors but also all other regions of the global financial services organization. My client generated over 75% of every new dollar that came into the market over a two year period. The global organization began sending in teams from all over the world to try to figure out what the Canadians were doing to make them so successful.

The success we experienced suggested that our model worked – building trust drove sales growth and resulted in positive financial results. For the next decade we worked with a wide range of clients on a diverse array of issues from helping companies understand how to build deeper relationships, both internally and externally, to helping the Canadian military attempt to rebuild trust with the locals in Afghanistan. The practical applied experiences gained from helping organizations solve actual trust problems profoundly deepened the theoretical knowledge I had developed as an academic.

Integrity: What it is and why it Matters

The work done by Roger Mayer and his colleagues in 1995 proposed that perceived trustworthiness could be measured through three variables: Benevolence, Integrity, and Ability. I will focus on Integrity in this issue.

Dr. Tony Simons teaches at the Cornell Hotel School and has done some remarkable work on what he calls Behavioural Integrity (BI). I consider Tony one of, if not the, world's leading experts on the topic of integrity. Tony has written both a Harvard Business Review article and a book about the integrity dividend. He demonstrated that even small increases in perceived BI led to significant increases in productivity, efficiency and profitability for organizations. Tony defines integrity as both following through on our commitments and acting in a way that is consistent with the values we express.

Much as there is a clear dividend associated with higher levels of integrity there are also significant penalties for failures to demonstrate it. Companies that fail to show integrity face the challenge of being perceived as having no credibility despite what they might say. This is an almost insurmountable hurdle for investors, customers and employees. Based on Tony's work, companies who make statements that don't align with their actions can expect not only an external shock which can manifest as a decline in stock price and purchasing decisions but also an internal one which could appear as reduced levels of productivity, efficiency, and profitability.

Seemingly Good Companies Behaving Badly

We've recently seen some spectacular violations of integrity for organizations. Volkswagen and Turing Pharmaceuticals have both recently been in the news for dishonest actions. Both companies presented themselves as ethical prior to being outed for misdeeds. Their choices were a clear violation of integrity and led to the dismissal of the CEO for Volkswagen and some hard questions by the media and by members of congress for the CEO of Turing.

Volkswagen's 2014 Annual Report proclaimed that they practice "Sustainable Value Enhancement". According to Volkswagen this approach would ensure value through the entire chain which should benefit the company, customers, the environment and society in general. Of course Volkswagen was recently caught falsifying the emissions tests for their line of diesel vehicles.

Turing's website proclaims that they are "dedicated to helping patients, who often have limited or no effective treatment options." Despite this bold articulation of their values, Turing purchased the rights to the drug Daraprim, which is commonly used by those suffering from AIDS and cancer. Upon their purchase of the rights to the drug they immediately increased the price from $13.50 per pill to $750 per pill. It is not difficult to determine who the company was really dedicated to helping.

Both of these companies recognized the value of comporting themselves as trustworthy corporate citizens. Their actual actions, however, completely contradicted their stated beliefs. These integrity violations were actually far more harmful than if they would have made no promises at all. By pretending to be corporate citizens in good standing these companies attracted investors and customers who fundamentally care about such things. Their stakeholders experience anger and a violation of trust. They have been duped. A growing number of investors and consumers care increasingly more about the values of the companies they invest in or, purchase from, as well as the value they generate. Perhaps this is what prompted the misleading messaging on the part of both of these organizations.

Unfortunately these are not the only companies we have observed whose marketing and sales departments appear to be completely untethered from the reality of the rest of the organization. There is an absolute misalignment of incentives. Sales and marketing are often concerned with an immediate sale. Their incentive structures are usually closely tied to short term performance of the product or service being sold. This can lead to sales and marketing saying and doing whatever it takes to move product, often knowing that they won't have to answer for it when promises fail to materialize. Organizations should be developing strategies that span longer than the quarterly sales numbers. If they actually intend to promote sustainable business practices then their focus has to be longer term.

We are seeing more and more companies use the language of trust to entice both investors and customers. It can be difficult to separate the authentic from the inauthentic. How do we know who we can trust and who we cannot? As the old saying goes, “*actions speak louder than words*.”

Trust Tip

Perceived integrity matters a lot. Be extremely clear about what you’re promising. I’ve often seen situations where one party thinks they’ve followed through on a promise and the other is profoundly disappointed.

Sincerely,

Darryl Stickel, PhD