

2011 Leadership, Collaboration, and Trust Research Report

by Andy Atkins
Director, Research and Development

SAN FRANCISCO
Phone 415.343.2600
Fax 415.343.2608
88 Kearny, 12th floor
San Francisco, CA 94108

BOSTON
Phone 617.535.7000
Fax 617.535.7099
70 Fargo Street, Suite 908
Boston, MA 02210

EXECUTIVE SUMMARY

The results of the Interaction Associates 2011 Building Trust in Business Survey provide a warning for business leaders navigating a still-difficult economy: Employee trust in leaders is lagging and has not rebounded over the past year. Even as employees express trust in peers by saying they share and collaborate more easily with colleagues, employees remain wary and distrustful of their leaders. Employees want more transparency into decisions and more involvement in the decisions that affect them.

Our 2011 survey of more than 150 business leaders yielded the following key insights:

- Employees fault leaders for not linking employee goals to overall corporate performance – people are not clear about how their work impacts the organization's success. This can be a key demotivator for top performers.
- Power sharing through delegation is weak: This implies leaders are working one or two levels below where they should, and employees are not empowered to solve problems independently.
- Risk-taking generally is not supported, resulting in environments where innovation could be impeded.
- Feedback to employees is lacking – and for high performers, this has been proven to be a key area of frustration.

Over the past three years, Interaction Associates has conducted research on the interrelationship between leadership, collaboration, and trust. The initial 2009 survey established the connections between these dimensions, noted variations based on a business's strategy, and measured the business impact of aligned performance across the three dimensions. Successive administrations of the study have coincided with the course of the recession, and the changes in results year by year provide perspective on shifts in leadership, collaboration, and trust over the past three years.

THE 2009 STUDY: ESTABLISHING THE FORMULA FOR SUCCESS

In 2009, Interaction Associates celebrated 40 years as a leading innovator of methods that help clients develop stronger leaders, foster collaboration, and achieve important business goals. As part of the company's 40th Anniversary celebration, IA commissioned IDG Research Services to kick off an extensive research project into the relationship between leadership, collaboration, and trust in driving business results. Over 200 respondents participated in the initial survey from more than 150 companies representing varied industries and functions.

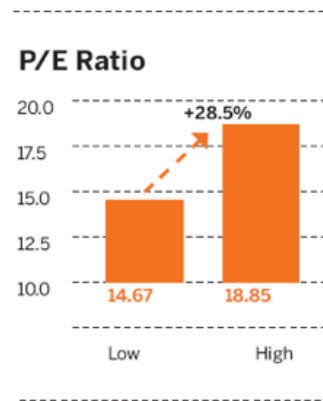
The companies with the strongest responses across all three dimensions tended to share a few characteristics.

- They are not “top down” organizations.
- They have a strong sense of shared purpose.
- Employees work together to support that purpose.
- Tolerance and cooperation are highly valued.
- Leaders often coach, versus just manage employees.
- Many people participate in making decisions.



Analysis of the survey data allowed a ranking of the companies from those with the strongest results across all three dimensions to those with the weakest results. To assess the business impact of a focus on leadership, collaboration, and trust, IA compared the trailing year’s financial performance for the companies in the top decile of the survey population with the performance of the bottom decile.

The contrast between the two populations was striking. Simple portfolios containing one share of stock from each of the publicly traded companies in each of the two decile groups yielded very different results. Earnings for the bottom decile were a loss of \$0.21 contrasted with the gain for the top decile of \$2.72. The price/earnings ratios between the two groups differed by 28.5%. The combination of leadership, collaboration, and trust was a powerful driver of business results. In a 2009 article, T&D Magazine referred to the results of our research as “The Formula for Performance.”



ALIGNING TO STRATEGY

In addition to exploring practices in collaboration, leadership, and trust, the 2009 study asked respondents about which among a list of 16 key business drivers represented the strategy of their company. A statistical analysis of the responses revealed three strategic clusters: productivity and innovation, employee and customer retention, and operational efficiency. These statistically derived clusters align neatly with the widely accepted strategic differentiators of competing on the basis of technological innovation, customer intimacy, or low cost production.

In addition to our overall analysis of the survey findings, we analyzed the responses independently for the three strategic clusters to identify leadership, collaboration, and trust practices specific to driving success for each of the strategies. The tables below list the activities most strongly associated with each of the strategies. The activities show both significant overlaps and meaningful differences. Businesses typically pursue some combination of these strategies with an emphasis on one of the three dimensions. Consequently, the practices in all three tables are relevant in all businesses to varying degrees.

PRODUCTIVITY AND INNOVATION

Trust	Leadership	Collaboration
<ul style="list-style-type: none"> • People and teams can take risks (allowed to fail and learn from mistakes.) • My peers are consistent and predictable in their efforts and actions. 	<ul style="list-style-type: none"> • Leaders demonstrate an ability to learn from their mistakes and change behavior. • Leaders make sound decisions even when the situation is ambiguous or complex. • Leaders support people who think outside the norm, experiment, and take risks. 	<ul style="list-style-type: none"> • Meetings achieve outcomes and are time-efficient. • People are open and receptive to suggestions of others.

The emphasis on risk taking, the need to manage through ambiguity, and the climate of collaborative openness all align with our expectations for innovative companies.

EMPLOYEE AND CUSTOMER RETENTION

Trust	Leadership	Collaboration
<ul style="list-style-type: none"> • Everyone is treated fairly regardless of position or rank. • Leadership is consistent, predictable, and transparent. • People have a sense of shared commitment and responsibility. 	<ul style="list-style-type: none"> • Leaders reflect the organization's values. • Leaders demonstrate a commitment to the development of employees. • Leaders reflect realistic optimism and confidence in the future. • Leaders draw on lots of points in setting direction and implementation. • Leaders acknowledge individual and team performance and contributions. 	<ul style="list-style-type: none"> • People are aware of and involved in decisions that affect them. • People have the interpersonal and group skills needed to collaborate. • Employees understand how their objectives are linked to others.

It's notable that in pursuing an employee and customer retention strategy, providing opportunities for meaningful involvement in decisions and direction setting is a key feature. Autonomy and the ability to influence outcomes are crucial to employee engagement.

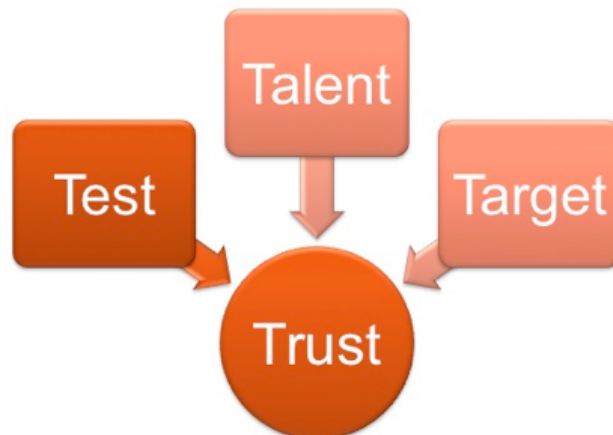
OPERATIONAL EFFICIENCY

Trust	Leadership	Collaboration
<ul style="list-style-type: none"> • Leadership is consistent, predictable, and transparent. • People feel safe communicating their ideas and opinions with colleagues and peers. 	<ul style="list-style-type: none"> • Leaders provide clear direction and context for necessary action. • Leaders model and reflect the organization's values. 	<ul style="list-style-type: none"> • People within my team, department, or workgroup share responsibility for our success and hold each other accountable for following through.

Efficiency requires both an early identification and remediation of variances and strong shared responsibility and accountability for driving to outcomes.

THE DYNAMICS OF TRUST

A review of past research on the dynamics of trust reveals three drivers of trust. First, people trust others based on their past experience with that person. In our survey, 71% of respondents indicated that they trust others based on the consistency, predictability, and quality of their work and believe that trust is based on evidence of past accomplishments and demonstrated capability. These individuals are trusted because they have passed the “test.”



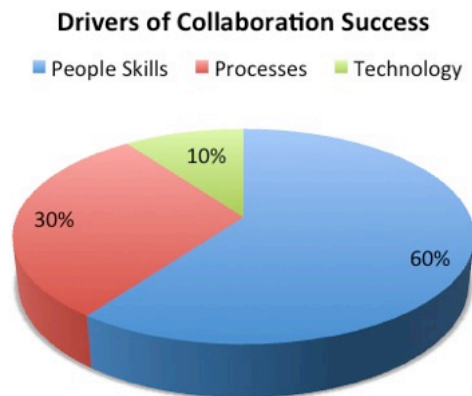
Second, people assess the skills they know others to have and place their trust in those they view as able to execute the actions they are being trusted to perform. Over half of our respondents (53%) indicated that individuals are not assigned “impossible” tasks that are outside the scope of their knowledge and training. This reflects a tendency to trust individuals because they have the “**talent.**”

Finally, people trust based on a shared commitment and responsibility for outcomes. Of our respondents, 62% trust others based on shared commitment, but among organizations that scored strongly across multiple trust questions, 93% of these high-trust organizations base their trust level on other’s contribution to shared commitment and responsibility. These individuals are trusted because they are pursuing the same “**target.**”

LEADING FOR COLLABORATION

Two-thirds of respondents (67%) indicated that “collaboration” can be defined extremely or very well as “the ability to build positive working relationships that enable people to work together to accomplish their goals.”

Recognizing the significant investments organizations make in technology to support collaboration, we examined what drove successful collaboration.



Sixty percent of respondents indicate the most important aspect of successful collaboration is interpersonal or people skills. Another 30% feel having disciplined and replicable processes for coming to conclusions, building agreements, and taking action is the most important driver. Finally, only 10% viewed having access to technology tools as the aspect most central to their organization’s collaboration success. Even more significantly, when asked why collaboration fails, respondents cited inefficient communication between team members (40%), changing goals in the middle of projects (39%), and uneven contribution from team members (36%) – all factors within the influence of leaders.

KEY FINDINGS FROM 2010

Approximately 150 leaders responded to our 2010 survey. This survey was administered early in 2010 as companies were struggling to survive the economic downturn and employees worried about their job security.

In comparing the results of the 2009 and 2010 surveys, we found that some responses were essentially unchanged, a number took a downward dip, and in no case were any of the responses more positive in 2010. Looking across the dimensions of leadership, collaboration and trust, a bleak picture emerges.

Trust	Leadership	Collaboration
<ul style="list-style-type: none"> • Employees feel safe communicating with their leaders. • Risk taking is encouraged in predictable environments. 	<ul style="list-style-type: none"> • Leaders effectively communicate changes. • Leaders encourage new approaches (out of the box thinking, learning from mistakes). 	<ul style="list-style-type: none"> • Formal process capabilities remain (decision making, meeting discipline, involvement).
However...		
<ul style="list-style-type: none"> • Employees feel less safe communicating with peers. • Work environments are more secretive and less transparent. • Managers are perceived to be playing favorites. 	<ul style="list-style-type: none"> • Leaders less clearly communicate a clear purpose. • Leaders' decisions are increasingly suspect. • Leaders more rarely acknowledge shared efforts. 	<ul style="list-style-type: none"> • Informal linkages are breaking down (information sharing, expertise sharing). • Management is less supportive and provides fewer tools.

Employees were becoming very conservative in their actions to try to maintain their own positions. They were managing up more aggressively while collaborating less with their peers. Leaders were becoming much more tactically focused.

SUMMARY OF FINDINGS FROM 2011

Our most recent survey was also completed by approximately 150 leaders and the timing in early 2011 allowed us to capture a view of businesses emerging from the recession.

Business Outlook is Improving

In contrast to the concern expressed last year coming through the throes of the recession, employees view their companies as in good shape to survive. They report their companies to be doing better financially. They say their personal morale is improving, but they are not sure about the overall morale of their peers.

Employees describe their organizations as being highly collaborative and having effective leadership that was able to guide the organization to survive the downturn, but they DO NOT have a high degree of trust in management.

Employees Trust Each Other, but Not Management

Employees do not feel safe communicating with their managers, but do report feeling safe communicating with their peers. This is a contrast with last year's survey where employees focused much of their attention on their managers and were less prone to sharing with their peers. Employees sense no significant support for learning from mistakes. They also do not view management as consistent or predictable in decision making. They report that managers do not involve them in decisions that affect them, nor do their managers employ transparent decision processes. On the other hand, they experience a positive climate of trust with their peers.

Leader Actions During Recession Have Repercussions

Leaders are generally rated positively along several dimensions:

- Communicating mission, vision, and values
- Modeling the values
- Setting and communicating clear goals
- Promoting cooperation between groups and functions
- Acknowledging performance
- Making sound decisions (but not in providing clear context)
- Reflecting optimism and confidence
- Supporting employee development

However, employees give their managers lukewarm marks in a number of areas:

- Managing change
- Listening to employee feedback
- Supporting risk taking
- Sharing power through effective delegation
- Providing timely and effective feedback
- Learning from their own mistakes
- Drawing on multiple points of view in decision making
- Providing clear direction and context for changes

Even within these results, however, there are cautionary notes. Regarding communicating mission, vision, and values; 52% of 2011 respondents rated their leaders in the top two boxes compared with 62% in 2010. The leaders are even more tactically focused in their direction, which is reflected in only 47% of 2011 respondents agreeing strongly that their leaders set and communicate clear goals, a downward shift from the 53% response to the same question in 2010.

Employees Collaborate, but Leaders Could Help More

Collaborative practices are a mixed bag, as well. On the plus side, employees share information with each other and share responsibility for outcomes. This is a turnaround from last year. They believe they have good collaboration skills, access to tools, and management support for collaboration. On the other hand, decision processes are not transparent, there's little significant involvement in decisions that affect employees, managers haven't clearly linked employee goals to overall corporate performance, and meetings are ineffective.

Coming out of the recession, some leadership behaviors are still low but have improved since 2010. Support for risk taking is up to 42% from 34% last year. Similarly, leaders are viewed marginally better at learning from their mistakes with a top two box rating of 42% that is up from 36% in 2010. Leaders have increased their support for employee development from a 46% to a 51% top two box rating. However, leaders are still chastened by their experience as shown by a decline in their reflecting optimism and confidence from a 63% top two box rating in 2010 to 56% this year. This decline may partially reflect their having improved in learning from their experience.

A STORY IN THREE ACTS

Our Story Begins

The results of the 2009 survey were compelling, including:

- Demonstrating a strong positive relationship between leadership, collaboration, and trust
- Validating the prevalence of the three strategic approaches outlined in *The Discipline of Market Leaders*
- Confirming that strong alignment around goals is a stronger driver of trust than either past experience or perceived competence, and strikingly
- Linking success across the combined dimensions of leadership, collaboration, and trust to superior financial performance

These results were so compelling that they were described in the press as the formula for success.

The Plot Thickens

By the end of 2009, the bottom had fallen out of the US economy and we were in the throes of the Great Recession. We repeated the survey and saw significant shifts in the findings.

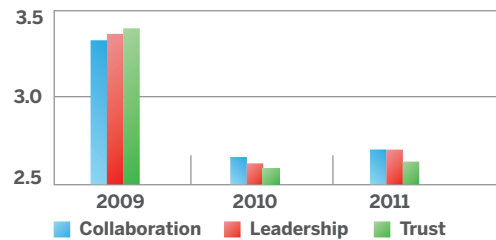
- Companies had pulled away from the practices of collaboration and intelligent risk taking that had fueled their success, ironically doing less of the very actions that would have lifted their businesses.
- Leaders became more directive and less inclined to draw on multiple viewpoints or practice transparency in their decisions.
- Employees focused more of their attention on managing up and were less likely to share information with their peers.

In effect, employees were fearful of following their colleagues who had been laid off out the door and tried to protect their relationships with their managers at the expense of working with their colleagues.

The Damage was Done

With the economy strengthening in 2011, the picture brightens. Most survey respondents viewed their companies as being strong financially and having solid prospects for continued survival.

- Employees report that both leadership and collaboration in their organizations is strong.
- Employees have returned to sharing information more freely with each other.



But, we're not out of the woods.

- While leadership and collaboration have improved, trust is still an issue.
- Leadership behaviors during the recession may be credited with having helped the organizations survive, but the lack of transparency and involvement has damaged employee connections to their leaders.
- Employees don't believe their leaders have learned the lessons of the past.

The Moral of Our Story

Collaborative Leadership practices are the foundation of building trust in organizations and of driving strong performance. In good times, adhering to these practices is relatively easy. But when the going gets tough, managers are all too prone to reverting to behaviors that damage the connection of trust with their employees. Rebuilding that trust will take diligent and consistent demonstration of the behaviors the leaders abandoned during the recession. Fortunately, these same actions will put the companies back in line with the formula for performance.

ABOUT INTERACTION ASSOCIATES

Interaction Associates (IA) is a 40-year innovator of advanced leadership development through consulting, training, and coaching services. IA's methods empower leaders to build trust, engage employees, and foster collaboration to drive strong business results to more than 1/3 of the Fortune 500. IA's proprietary research shows that the "Return on Involvement" of employees yields measurable business results. In 2011, IA was named to Training Industry's Leadership Companies Watchlist of top innovators in the leadership field. IA has global delivery capability with corporate offices in Boston and San Francisco. More information is available at: <http://www.interactionassociates.com>.