

First-of-the-Year Issue: *Regaining Trust*

NEW COMPACT WITH EMPLOYEES CAN IMPACT ALL STAKEHOLDERS

1996 showed there's no quick fix, no glitzy magic that can undo damage from downsizing, reengineering & similar organizational trauma. It requires putting programs in place that **demonstrate behaviorally -- not rhetorically -- the organization's concern for**

- (a) **the double bottom line** (i.e. social responsibility equated with profit, such as family responsive policies internally)
- (b) **communicating authentically** (face-to-face with team leaders & frontliners internally, with all stakeholders externally).

MS&L's Warner study (*below*) details the loss of trust/honesty; Fukuyama (*p.2*) talks about the cultural aspects of this. It's a BIG problem that pervades everything. But org'ns can change this pervasive cynicism -- by making conscious choices to grow trust. It's good for business, as J&J and FelPro studies show (*pp 4-5*). Without internal trust & external permission, no biz strategy is going to be as effective as it otherwise could.

Regaining trust also requires focusing on leadership in changed (& continually changing) org'ns, as Center for Creative Leadership explains (*p.6*). Most important, **org'ns can manage for loyalty** (*p.3*).

THE PROBLEM: PERCEPTIONS OF HONESTY ARE "WAY DOWN"

Especially for business, media & public officials, according to *A Study of Honesty in the Workplace* by Roper Starch Worldwide, sponsored by Manning Selvage & Lee in the annual Warner Ethics Series (see also prr 11/18/96):

- 61% say **politicians** make false promises (compared to 52% in '88)
- 31% say **gov't officials** take payoffs (18% in '88)
- 20% believe **corp'ns** make illegal political contributions (15% in '88)
- 20% say **employees** take company supplies (up from 17%)
- 52% say they are "not at all confident" they can depend on what the **press** reports (up from 40% in '76)

MOTIVATIONS FOR DISHONESTY

What drives people to be untruthful? 28+ million say "there are circumstances" where being dishonest is ok:

- | | |
|-----------------------------------|---|
| a) to prevent embarrassment (53%) | e) negotiate higher wages (17%) |
| b) prevent losing your job (31%) | f) when you know you won't get caught (15%) |
| c) for good of org'n (24%) | g) give yourself an edge (10%) |
| d) negotiate better deal (18%) | |



NORTHEAST WORST Is the Northeast more dishonest? Or just more honest about lying? Compare these stats of Northeasterners who believe it's acceptable to lie -- which do fit popular perceptions of New Yorkers & Washingtonians if not also Philadelphians & Bostonians:

- to prevent embarrassment, 67% vs. about half the people elsewhere
- to prevent losing your job, 46% vs 22% Midwest, 29% South, 34% West
- to negotiate higher wages for self, 34% vs. 17% in other areas
- when you know you won't get caught, 29% vs. 15% elsewhere
- to give yourself an edge over others, 20% vs. 10% elsewhere

Honesty is also a victim in big cities:

- Metropolitan area residents are 20% more likely than small towners to lie to save embarrassment (58% vs. 38%)
- To lie to prevent losing your job (38% vs. 18%)
- For good of the organization (28% vs. 18%)
- To negotiate higher wages (25% vs. 6%)

CONCLUSIONS & IMPLICATIONS Communicating credibly is tough & getting tougher. "The public will discount what is said in almost any venue, by almost any medium, by a considerable amount -- 30-50% of the message will be immediately discounted. That means it is harder & harder to communicate forcefully & convincingly to a much more skeptical America," notes Roper's Tom Miller. His implications for pr:

- As employees in the Northeast are more likely to justify dishonesty, management & counselors there have to work smarter to be believed.
- **Management credibility is most suspect on issues that threaten the org'n, i.e., gov't regs.** Severe doubts exist that mgmt will be honest with regulators & other officials about regulatory violations. Thus crisis management will become a more important discipline for pr to focus on. Extra efforts will be necessary to gain public trust.
- **Internal credibility gap is partly due to mgmt's remoteness.** Thus management should 1) make themselves more accessible -- mgmt by walking around; 2) keep employees in the loop, keep them more informed, creating an atmosphere of inclusion & openness.

ERA OF CYNICISM DAMAGES EVERYONE

(% saying are misinformed or overcharged "quite often" or "almost always")

	1996	% change since '79
Auto mechanic	51%	+16
Auto dealer	50	+14
Lawyer	35	+18
Real estate salesperson	28	NA
Insurance agent	28	+15
Plumber	28	+11
Electrician	26	+10
Doctor	23	+8
Dentist	18	+5

(More info from Lou Capozzi, MS&L, 212/213-0909)

IRONY: "SOCIETY OF JOINERS" LOSING SENSE OF COMMUNITY

The US residents perceive themselves as individualistic (like China & Italy), the reality is we are highly conformist & group oriented (like Japan & Germany), notes Francis Fukuyama, sr social scientist at Rand Corp. Especially in the corporate world -- we are "a society of joiners."

- In the last 30-40 yrs, however, there has been a dramatic change in American attitude & willingness to trust one another. This, in turn, **affects our ability to associate with one another in groups & org'ns** (see MS&L research on previous page). This is also reflected in the diminishing membership of many groups -- labor unions, service org'ns like Shriners & Masons, PTA, Red Cross, Boy Scouts, as well as in church attendance & volunteer work.
- Add to this an equally serious decline of the family, e.g. 32% of children are born out of wedlock. Social science research indicates the **"decline in trustworthiness & association with groups is related to the decline in family life** because fundamental values like truth telling, honesty & reliability are formed less in the school system than in the family itself. Chaotic family situations make it much harder for a society to transmit those values from one generation to another."

"We have lost a sense of community. We don't have the same degree of moral connection as a generation or two ago." Technology plays a role, making people slaves to tv, computers, even air conditioning -- once people had to be out on the stoop at night because it was too hot to be inside.
- Tho we are richer than ever before, inflation is down, unemployment relatively low, life is not as competitive as in the 80s, still **people have a sense of unease.** (See NYTimes data, box on p.4)
- While economics & technology play a role in the decline of social trust, they are not the fundamental problem. **Culture is the root** -- the idea that individual "rights" come with little corresponding community responsibility. Entitlement as opposed to citizenship.

DOLLARS-&-CENTS CASE FOR SPENDING ON LOYALTY "POWERFUL"

Short-term thinking, quarterly-report mania, are losers, reports Fred Reicheld of consulting firm Bain & Co in *The Loyalty Effect* (Harvard Business School Press). What creates profits & longterm value is customer loyalty. That is impossible without employee loyalty. And investors are loyal to companies that create these loyalties.

- It begins with a **set of principles** to which the org'n is loyal. Vision & values lead to a solid bottomline, whatever the naysayers think.
- "Loyalty-based mgmt is a rational, viable strategy for generating cash flow, profits & growth" ... but it is **mainly "about people."** Whatever the conventional wisdom about the death of loyalty, data here show a compact of loyalty with workers & customers is eminently possible.

Case histories of State Farm, Leo Burnett, A.G. Edwards, Lexus & others show eye-popping payoffs from investing in & working for loyalty. Book interprets in actual settings much of the research pr has carried, e.g. a small improvement in customer retention (i.e. stopping customer defection) can double profits (see pr 9/12/95, 6/10/96 & 8/26/96).

¶ This is one of the few biz books in years your editor could not give the famous 5-minute read & glean its contents. And -- one more time -- a mgmt book that touts the philosophy & strategy pr has long espoused.

A LOOK AT ONE SOLUTION: FAMILY-RESPONSIVE PROGRAMS

Johnson & Johnson began its *Balancing Work & Family Program* in 1989. Its components include:

- Childcare resource & referral
- On-site child development centers
- Dependent care assistance plans
- Family care leave
- Family care absence
- Flexible work schedules
- Adoption benefits
- School Match (resource & referral service)
- Elder care resource & referral
- Relocation planning
- Employed spouse relocation services

Managers & supervisors are given work-family training to help them understand the business case for work-family policies; & to help them implement the policies. To assess the Program's impact, employees at four J&J locations were surveyed in '90 & again in '92. Some highlights:

- Employees who "strongly agree" they feel comfortable bringing up personal or family issues with their supervisor rose from 18% in '90 to 38% in '92.

- For employees who have used J&J's flexible time & leave policies, the importance of family-supportive policies in deciding to stay at J&J are "very important" for 71%, "somewhat important" for 27%, "not at all important" for a mere 2%.

- **Having a supportive supervisor & a family-friendly work culture** are far more powerful than the effects of using specific work-family programs.

Study shows employees who feel their immediate supervisors are more supportive of their personal & family needs: 1) are less stressed; 2) experience less negative spillover from jobs to family life; 3) feel more successful in balancing work & family responsibilities; 4) are more loyal to the company; 5) are more likely to recommend J&J as a place to work; 6) are more satisfied with their jobs.

Fear of job loss is a huge drain on morale. And low morale equates to accidents, errors, lowered productivity. NYTimes yearend review article 12/29/96 finds 67% feel economy is good -- but *half of all workers are still worried about layoffs*, same as a year ago when economy was dicier.

Two years after introduction of the Program, employees report their jobs interfere less with their family lives. This decrease in negative spillover from work to family has occurred despite the fact that the average employee worked longer hours & harder in '92 than in '90.

FOR \$700/YEAR FEL-PRO GETS EMPLOYEE PERFORMANCE & LOYALTY

U Chicago studied effects of employee loyalty program at Fel-Pro, a Skokie-based manufacturer of automotive sealing products. Study shows that

"...while family responsive policies make a positive contribution to both traditional & non-traditional job performance, they are more strongly related to the latter. This finding is particularly meaningful because non-traditional job performance involves voluntary behaviors that are conducive to organizational change. Put another way, when workers are supported by their employer, they in turn are supportive of their employer. They exhibit the flexibility & adaptability needed to adopt quality improvement initiatives."

FINDINGS

- The greater employees' use of benefits, **the greater their citizenship behavior at work**, i.e., the more they help out co-workers & their supervisor, volunteer for tasks & show initiative.
- Researchers also found the more challenging workers' jobs are, **the greater their participation in & support for organizational change**. Workers with less challenging jobs have a hard time supporting changes.
- However, regardless how many benefits workers use, the more they **appreciate the benefits the more they support the organization's efforts toward change**. This link held up regardless of race, gender, marital status, job characteristics or length of employment.
- High benefit users (those using 5-16/yr) have **the highest performance evaluations** & lowest intentions of leaving. Also few have received disciplinary actions. On flip side, workers using few benefits have lower performance ratings, greater intentions to leave & a larger proportion have been subject to disciplinary actions.
- 66% disagreed or strongly disagreed with the statement, "I'd rather have more profit-sharing & fewer benefits."
- 92% say benefits make it easier to balance their work & personal lives.
- **To be effective, benefits must be communicated & supported at the supervisory level**. Also, one program or policy doesn't make a company supportive. Key is offering a range of benefits across the lifecycle. This supports good work performance & employee well being. However, benefits cannot compensate for unchallenging stressful jobs, insensitive supervisors or unsupportive colleagues.

Fel-Pro's benefits include:

on-site child care; elder care resource & referral service; sick-child care & adult emergency care service; subsidized tutoring; college scholarships for employees' children; summer day camp for employees' children; income tax preparation assistance; counseling services; a health/fitness program & center; smoke-cessation program; weight loss program; drug & alcohol treatment programs; legal info service. Fel-Pro's cost is about \$700 per employee each year.

"FUNDAMENTAL CHANGE IN THE WAY PEOPLE CONNECT WITH ORG'NS"

"That's what we're experiencing. Whatever we call it, it is clear that our basic beliefs about such things as loyalty, motivation & commitment, which were honed under the old reality, now require some redefinition in order to be relevant," writes David Noer, sr fellow at Center for Creative Leadership, in its newsletter *Issues & Observations*. He offers these thoughts:

Organizations of the new reality are not orderly, rational places where logic, analysis & cool contemplation are the underpinnings of management action. They are chaotic, confusing & filled with conflicting values, choices & demands.

Cultivation of leaders with the ability to facilitate transitions is what will make the difference between those organizations that make it in the new reality & those that don't: their own, those of their fellow employees & the organization's.

- **Self-transition:** needed is self-awareness; primary tool is valid feedback (authenticity again).
- **Workgroup transition:** Help the people within your sphere of influence to let go of the past, refocus their self-esteem from where they work to what they do, & move their attention from internal politics & relationships to helping serve customers. Skills needed are empathetic listening, giving & receiving feedback in a nondefensive manner, reflecting feelings & emotions, and coaching & counseling.
- **Organization transition:** Needed is the ability to stimulate & engage in a true collective dialogue. Requires courage & discipline to go against old-reality expectations. Have the patience to refrain from taking individual action until the community reformats & redirects the issues.

Communications: Top managers send far too often & receive far too seldom. It is a 2-pronged problem.

- 1) Top managers get hooked because employees keep asking for "communication" when what they are really seeking is hope & assurance.
- 2) They control the internal media & what better way to get all their own "oughts" & "shoulds" off their chests. Resist. When parts of the organization are 2 or 3 transitions behind you, they are not interested in your current vision or where you are on your current transition effort. Instead, receive information, listen, discover where other people are in their transitions. If you don't do that & only send, you are not only flying blind, you are preaching to the deaf.

(More from Center for Creative Leadership, P.O. Box 26300, Greensboro, NC 27438-6300; 910/545-2805)

