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Trust

The Best Way to Manage

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INTRODUCTION

"I will now put down my weapons.
Then we can talk to each other."

Chief Inspector Stephan Derrick from the popular German detective series *Derrick*

Do you trust your staff? Do your staff trust you? How do you know? (My trust is limited, you see.) Do you trust your boss? In what way? Does he keep you informed? Does he refrain from looking over your shoulder all the time? Or is it just that he hasn't fired you? Or were you thinking of all these things at the same time?

In this book, I advocate trust. I argue for more trust between superiors and staff and between colleagues and partners. I make the case for trusting trust and mistrusting mistrust. I can see the difficulties inherent in trusting people, but I also know that the advantages of a culture of trust outweigh the disadvantages. Trust is safer than any safety measure. Trust is a more effective control than any control system. Trust creates more value than any value-creation initiative.

Before I begin to explain my case, I'd like to give a brief explanation of the background to this book. In a way, it represents the culmination of a train of thought and writing.

In my 1991 book *Mythos Motivation* [The Motivation Myth], I described the mechanism of bonus systems and incentives as institutionalized mistrust. "I don't believe you are willing to work!" "I don't regard you as a partner capable of entering into an agreement!" These messages take people's motivation and throw it back in their faces. This is why so many management systems fail; they are really saying "I don't trust you!"

Later, in *Das Prinzip Selbstverantwortung* [The Self-Confidence Principle], published in 1995, I introduced a constructive alternative. The focus here was the member of staff himself: the quality of his state of mind as he goes to work in the morning, his self-motivation and commitment. What do people need in order to work in a committed way on their own initiative? I looked at self-management as an inner attitude that facilitates a high level of performance on a long-term basis. The final chapter of the book outlined the concept of credibility, thereby describing an aspect of trust but without making it the central theme.

Then, in 2000, came *Aufstand des Individuums* [Revolt of the Individual]. Here I highlighted the major structural shortcomings in companies that hinder the success factors for the future: commitment, innovation and entrepreneurial spirit. In the second part of the book, under the heading "The individualizing company," I presented a management concept in which I repeatedly touched on the issue of trust as the basis for effective co-operation, although I never treated it directly as a subject.

After the book was published, I couldn't let go of trust. I sensed that something of great importance hadn't yet been said, and that new territory was waiting for me. You may find this irritating; after all, the term "trust" has been bandied around in management for a long time. Indeed, I don't know any business manager who doesn't consider trust to be the most important factor in staff management. I don't know any speaker who doesn't preach trust as the key to a value-oriented corporate culture. I don't know of any serious book on management that doesn't look at the potential economic benefits of trust. And yet I have never met anyone who has explained to me what trust is.

It was Alan Fox in 1974 who proclaimed the "high-trust culture" to be a competitive advantage. Not much has happened since then, not least because although Fox mentions trust as an explanation for co-operative behaviour, he doesn't treat it as a *phenomenon that itself needs to be explained*. It is used as *explanans* (the thing that gives an explanation) but not as *explanandum* (the thing to be explained). And these two have about as much in common as pecans and canned peas.

In companies, trust remains a word that puts the person to whom it is said (who evidently does not trust) in a very bad light: vain, smug and fishing for compliments. Trust is most frequently invoked when something important isn't working in the company. It is usually senior managers who broach the subject from on high in a demanding way: people ought to and they should, and if they don't, then….

This apart, it is only the new idealistic literature that deals with trust. We find material about trust everywhere. It can no longer be heard, read and taken seriously in the traditional sense; instead it surrounds us like a fog of exhaust fumes. This material doesn't try to bring about agreement by means of an argument. Instead it presumes agreement by using the term "trust" as a formula for consensus. People consign all their hopes and longings to this linguistic passe-partout. Open your mouth and swallow! *We* have understood, it's just the spoilsports who don't really want to do it. Such optimistic appeals are not wrong, just meaningless. Few books and articles that mention trust in the title get beyond moralistic murmurings, demands for transparency and a pointless "It would be great if…" In short, a lot of hot air printed on paper.

So what *is* trust? Is it a feeling? A moral stance? A quaint idea from the good old days? A trendy term from corporate phraseology? A problem-solving cliché? A rhetorical trick that clever people use as a smokescreen for their power plays? An article of faith?

A weasel word that follows us around in our working life like flies following a cow?

Not even the academic disciplines offer us a reliable shoulder to lean on. There hasn't yet been any agreement on a common definition of trust. And yet I have been helped by other people's works, which I mention in the bibliography. Without Tanja Ripperger's excellent dissertation, I wouldn't have been able to write this book in the way I did. The anthology published by Martin Hartmann and Claus Offe, as well as Niklas Luhmann's monograph – for a long time the only one that existed – have left unmistakable traces.

We can see the yawning gulf between the need for trust and the rhetoric about it on the one hand, and real action on the other. Putting conviction into practice just doesn't happen. Is this because management only pays lip service to trust? Or are the inherent difficulties to blame? Can nothing be done? Is trust always to be the unattainable holy grail?

If you are a manager from the old school, you might reply "Trust? It's a load of hot air. Facts and data, that's what I need. Don't talk to me about gut feelings. It doesn't get us anywhere." Trust stands there like a chapel between two skyscrapers. It lacks rationality. It has overtones of home, closeness and co-operation, and promises security and something beyond the present, but offers no tangible economic benefit. It defies common sense: too naïve, too mysterious, too nostalgic.

But what if it turned out that some goods that are necessary in business could be won only through trust? What if future economic survival depended on these goods? What if trust could be proved to be a hard factor, one that pays off? Not an entry on the balance sheet or a financial performance figure, but something that plays an important role in the whole company and affects its operating result? Wouldn't we be stupid to ignore it?

Trust is fascinating because it is linked to so many aspects of commercial life: agreement, reciprocity, co-operation, contracts, management, speed, innovation, reliability and commitment. And it is one of the main management tools in a company, alongside power and money. This is precisely where my reflections begin. In real life, trust starts where there is no substitute for it. Let's take a closer look. Everyone can see that power and money no longer work in the way they did for decades. The economic framework has changed. Structural changes have weakened power and money as management instruments of flexible organizations with a decentralized structure. In any case, they were only the result of failed trust. We didn't resort to these methods until we were let down.

So I am going to explain why trust is the subject of the future. Globalized fast markets, flexible working patterns, virtual forms of organization – this is the way the economy seems to be going. For many companies, it is already a reality. That's why the need for trust has increased dramatically. On the other hand, it is these very conditions that pose a massive threat to trust in business life. The old and commonly held view of trust, which is based on the assumption that the circumstances of life will remain constant, must inevitably be invalidated by modern business conditions. We are now seeing a difference whose consequences we haven't even begun to understand. The philosopher Peter Sloterdijk says that tomorrow's society is condemned to trust.

There is another factor: the most important distinction in modern business is no longer between labour and capital, or between entrepreneur and consumer, or between state and market – that's all nineteenth-century stuff. No, the most important distinction is between creditors and debtors: what a creditor believes of a debtor and what this belief costs. The taker asks himself: "Am I prepared to get into debt because I trust my productivity?" The giver asks: "Do I trust that the money will come back?" Trust is thus at the core of the modern economy. You don't need any great powers of prediction to see this: trust will be the dominant management theme in the decades to come. I shall therefore be enthusiastic in putting forward the theory that there is only one approach to explaining economic success: the degree of lived trust.

Only after making such an assessment shall I deal with the term "trust" itself. What is trust? What lies behind it? Is trust something irrational, something fundamentally good? Is it a moral concept, or, perhaps better, a term that has moral resonance for many people? This is where we enter a minefield of half-truths, misunderstandings and intellectual dead-ends. I will try to resolve these issues.

My second section is intended for those readers who are not just interested in trust in the everyday practical sense, but also keen to understand the power and limits of the concept. The practical people among you can safely skip it; I hope the theoreticians will excuse the brevity.

The third section is devoted to the practice of trust. How does the trust mechanism operate? What can you do as a manager to create trust? Which institutional conditions promote the development of trust? Which hinder it? In defiance to popular opinion, I will demonstrate that trust is not something to be built up slowly and indirectly as though it were an unintended by-product, but can be secured quickly and directly.

The title *Trust: The best way to manage* has a threefold message: trust is the first thing (and in a sense the only thing) that is truly decisive in a company; second, it is the basis of staff management; and third, it leads to values that are only revealed when it comes into operation.

You may have noticed that I have been treating trust as an *instrumental* value. I don't doubt that trust is valuable for its own sake. However, my concern is to remove trust from the romantic sphere and place it at the centre of a rational corporate policy that convinces as many people as possible. I advocate a trust that is calculable, that calculates, and that is worth while. A trust that is profitable – and by now the subject will be settled for some of you. A well-meaning person jumps up and says "Calculated trust? Engineering trust? How is that going to work? Trust doesn't thrive in the cold-store of economic profit maximization! How can you apprehend trust without making it disappear? And anyway, trust might sound cosy, but it's also naïve. It's nice to be a trustworthy person, but it's also very risky. As a philosophy of life, it leads to the morgue. You trust some people more, and some less. The reason why is not so important. Either trust is there or it isn't. What more is there to be said?"

That's as may be, but my intention here is to establish trust in a reasonable way. In particular, I want to deal with the *economic mechanism* behind the façade of trust. This is no easy task. The subject is full of paradoxes and ambiguities. There are no easy answers, no how-to checklists. Then again, if the subject hadn't been so elusive, I wouldn't have had to go to such trouble to investigate it. And beware: trust is a serious matter. The amused smile about the follies of internal company machinations seems to me to be out of place here. That's why I've resisted the temptation to engage in pointless provocation.

In the first part, my account makes some issues appear clearer and simpler than they really are on closer examination. The reasons for this are methodological: when I compare trust and mistrust, I am outlining the concept against a background that makes the contours recognizable. Taken to the extreme, any argument or stance becomes dangerous. This might apply especially to the subject of trust. The issue is one of degree. That's all I am concerned with.

When you read this book, many of you may find questions arising in your mind again and again: "Yes, but if ...." (I've had the same experience myself.) You may run scenarios through your mind and counter arguments with your own personal experiences. I can only ask you to bear with me, especially if you are a manager. After all, I have written this book primarily for you. In the end it is up to you whether you have the determination to tackle what is unfamiliar.

WHY TRUST?

An airport lounge in Vienna. I'm waiting for a return flight to Düsseldorf. Outside it's getting dark. That ineffable end-of-the-day atmosphere is seeping through the huge windows into the neon-lit room. A man is sitting opposite me. At about 7 p.m., he starts making telephone calls. The conversations all seem to go the same way. They are the usual calls checking the state of affairs. How are things going with that customer? What's happening with that project? Why has so-and-so not replied yet? What's happening tomorrow?

When he had gone through the whole list of calls, we started talking. I expressed my amazement that he was still making business calls so late. He said it was early, and he sometimes phoned people much later. He explained he made a point of having a brief chat with his staff every evening to see how his various projects were going. He wanted to be sure that everything was OK, especially with people who were working on difficult jobs.

At first I was impressed by his dedication to the job and loyalty to the company. Even after a long and hard day, he was still prepared to talk to his staff. And apparently they were also prepared to talk to their boss at 7 p.m. Amazing! But then doubts crept in. Could it be that he only made these telephone calls because he didn't trust his staff? Could it be that he brought his mistrust into their living rooms because he didn't trust *them* to ring *him* if they needed to talk to someone?

Because it is missing: An assessment

A CEO whose company publicly has identified trust as one of its five key values addresses the person leading the discussion in a determined way and says “It is a matter of urgent necessity that we do more to address the subject of trust. It is lacking everywhere.” There are nods of agreement among the other members of the board. The presenter waits a moment. Then he asks “And you? Do you trust each other?”

At the 55th Annual Conference of German Business Managers (Deutscher Betriebswirtschaftertag) in September 2001 in Berlin, people agreed: in the long run it is intangibles that increase corporate value. These intangibles include knowledge, talent, brand and (relevant to all three) trust. It was said that trust has never been as valuable as it is today.

Trust is now a very high priority. Financial markets demand it because trust in management is reflected in a company’s share price. Newspapers tell us that trust is the only thing that can help build confidence in economic development. A journalist questions whether we can trust politicians. Opinion researchers want to know which politicians inspire the most confidence.

Trust is invoked, desired and demanded everywhere. Why?

Because it is lacking. People talk about trust when it is missing. It is conspicuous by its absence. People aren’t exaggerating when they say that the more talk there is about trust, the worse the situation. When the subject of trust breaks the surface, it’s an unmistakable sign of crisis.

Something is not quite right when a board of directors appeals for trust from the staff: “…and that is why I am asking for your trust, especially in these difficult times.” Or a bank uses the advertising slogan “Trust is the key to everything.” There is something dubious about discussing trust. It can evidently only be experienced as something lost or broken. That's why it is easier to explain why we mistrust someone than to say why we trust them.

In companies, trust is ostensibly the most important factor in co-operation. Yet it is frequently the rarest thing too. When asked about their management qualities, managers like to reply "I trust my staff." At the same time, they wish they enjoyed more trust from their superiors. One level further up the hierarchy, the story is the same: people believe in their own ability to trust, but complain about a lack of trust from higher up. What's going on? Is this merely a difference of perception?

The answer starts to emerge when one asks managers about their weak points. They often mention their perfectionism. They smile and admit they tend to intervene and declare issues to be matters for management. The idea is deeply internalized: "You always have to keep an eye on them!" These managers keep a constant eye on their staff and keep asking "Are they going to fulfil their role? Are they up to the job? Do they have enough experience to do what needs to be done?" One step lower down the hierarchy, such an attitude is interpreted as mistrust. The desire for more trust is born.

It is true that the division of tasks between staff in a company is inconceivable without a certain degree of trust in the continuity of other people's actions and in their predictability, honesty and willingness to co-operate. To delegate, a manager has to trust a member of staff to carry out a task. But trust in a subordinate's competence seems not to extend beyond the manager's current field of monitoring. This is demonstrated by the obsession with controlling external workers. Information technology has made it possible to introduce new control mechanisms that operate over long distances, even where it has quickly become apparent that they don't really allow effective control. We now have all the technical means to work in a relaxed way wherever we are. Flexible, connected, supported, integrating all areas of competence – even if someone has a cold or is heavily pregnant. And remote management meets with resistance in most companies, with their old-fashioned work organization cloaked in a modern disguise: duty to attend, control systems, meeting rituals. Remote management becomes a cynical means of hidden control (H. Rust). The key problem is mistrust.

Even though people may seem proactive and decisive during discussions in the company corridors, they also seem inhibited and hesitant. The views they express, with their "synergies" and "learning organizations," sound like exam answers that have been learnt by heart. It isn't difficult to identify entire departments of mistrust that spend their time checking and monitoring people to see whether they are doing what they are supposed to be doing. Their managers are skilled in creating false alarms and putting their victims under constant nervous stress with forms and regulations. Staff, it would seem, are a hostile species who should be suspected, investigated and reduced to the lowest common denominator, for all their diversity.

Mistrust dominates both sides of the relationship: managers' with staff, and staff's with managers. Management doesn't trust staff to make decisions in the company's best interests. Staff greet management's actions with cynicism because they don't believe management is competent to take responsibility for long-term workable solutions to problems. They suspect that managers won't keep to agreements, that they are less interested in the company's interests than their own and that they are generally untrustworthy. For their part, managers suspect that staff dislike working and need to be pushed before they will work at all. Underneath all this lies a fundamental belief that you can't trust unfettered human nature. There is also *horizontal* mistrust, which is understandable under competitive conditions. Colleagues become opponents, and anything that depends on staff co-operating with each other doesn't happen.

Ornaments of mistrust include: anonymity in inquiries; secretiveness about salaries; the flood of endorsements and memorandums ("Can you put that in writing for me?"); the institutionalized practice of returning delegated tasks to the person who delegates them; the narrow-minded obsession with measuring ("You can't manage what you can't measure"); and the boss who always says "Remember to copy me in on your e-mails." And there are many more: the security measures people take before they make decisions; the habit of always playing it safe; the meetings that get bigger and bigger; the mounting productivity checks; the attendance time clock (now a time-monitoring computer program that cries out "I don't trust you!" to a member of staff in the morning, but is disdainfully ignored by the heads of department); the pressure toward total control of communication.

Managers tell their staff they are only allowed to speak positively about the company in the outside world. They draw up function charts that specify in minute detail who can say what outside the company. They compel their staff always to use the same words at the beginning of a telephone conversation; they specify that the same content must always be presented in the same way. And then there is the secretary who despite repeated requests is refused permission to use a master key for the coffee machine. Instead of being able to fill whole jugs using the key, she has to press the button 120 times for 120 cups. In this age of genetic engineering, we won't have long to wait before we see people having control chips implanted in them.