

Executive Summary

Building Trust in Business

Best Practices in Trust, Leadership,
and Collaboration

Trust in business is in short supply these days and has fast emerged as a primary focus just about everywhere. *Building Trust in Business* details the results top performing companies are achieving in the combined areas of trust, leadership, and collaboration.

From the halls of power in the Obama administration to the front lines of business in nearly every industry, leaders are challenged to establish or increase trust to accomplish important goals.

What does it take to build trust? Strong, proactive leadership comes first — and the methods leaders employ to fuel trust are more important than ever. They’ve become the critical make-or-break factors for whether a company succeeds at achieving essential business goals in today’s hyper-competitive business environment.

What behaviors and management practices deepen trust to create lasting impact, greater confidence, and sustained success? Collaboration is emerging more and more as a critical skill. Yet collaboration itself is often misunderstood or mislabeled as a soft practice viewed as “nice to have” in an organization.

But leaders at a rapidly growing number of companies are embracing collaboration skills and tools strategically — to help them drive the organization forward, build trust, and achieve lasting value for customers.

Building Trust

This study focuses on the vital characteristics shared by top performing companies that excel at manifesting trust, strong leadership, and collaboration. Its intent is to examine the relationship among these factors and how they impact company performance.

This executive summary highlights the timely research results and best practices identified from 211 business leaders across more than a dozen industries surveyed in Spring 2009. This research was conducted by IDG Research Services in collaboration with Interaction Associates.

At the outset, participants were asked to rate their organizations' success in achieving a variety of business goals, including customer retention, employee retention, innovation and creativity, and maintaining a competitive market position. Then, participants rated their organizations along the dimensions of trust, leadership, and collaboration. A sampling of some of the statements used to assess companies' performance in practices that support these three dimensions follows:

Trust

- People are acknowledged and rewarded for their work
- People within the organization have a sense of shared commitment and responsibility
- People feel safe communicating their ideas and opinions with colleagues/peers

Leadership

- Leaders effectively communicate the mission, vision, and strategy of the organization
- They make sound decisions even when the situation is ambiguous or complex
- They provide focused, balanced, and timely feedback to individuals and teams

Collaboration

- People are aware of and appropriately involved in decisions that affect them
- Individuals willingly share information and resources with each other
- People, by and large, have the interpersonal and group skills needed to collaborate

The analysis of the study correlated each of the identified important business goals with company practices in each of the three categories: trust, leadership, and collaboration.

Key questions addressed in the study:

1. How do trust, leadership, and collaboration contribute to success in achieving key business goals?

2. How do high performing companies achieve strong results in each area?

Definition: High Performing Companies

High performing companies in the *Building Trust* study are companies that report high levels of trust, effective leadership, and collaboration. They also have important characteristics in common that are viewed as vital to their success at achieving their business goals, including:

- 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 vs. just manage employees
- Many people participate in making decisions

In addition to these characteristics revealed in the research, we looked at the seven publicly traded companies in the top 10% and bottom 10% of the surveyed companies. In an analysis using Yahoo! Finance, data drawn from portfolios of these publicly traded companies showed sharp differences in the earnings and P/E ratios over the past year. On average, high performing companies had superior earning and P/E ratios than those in the bottom 10%.

Earnings

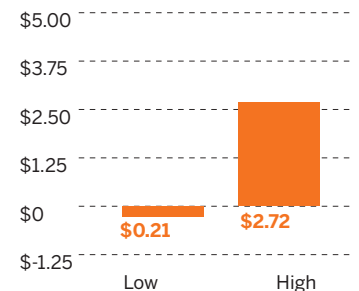
Low performers - \$0.21 High performers +\$2.72

Price/Earnings Ratio

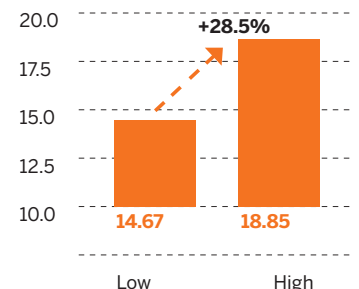
Low performers 14.67 High performers 18.85

That amounts to a 28.5% premium for our seven high-performing companies.

Earnings



P/E Ratio



Key Findings: High Performing Companies and Key Business Goals

The study considered 15 key business goals that are clustered in the model into several discrete business goal categories. The data shows top performing companies are most effective at achieving important business goals in these three strategic clusters:

“Productivity & Innovation”

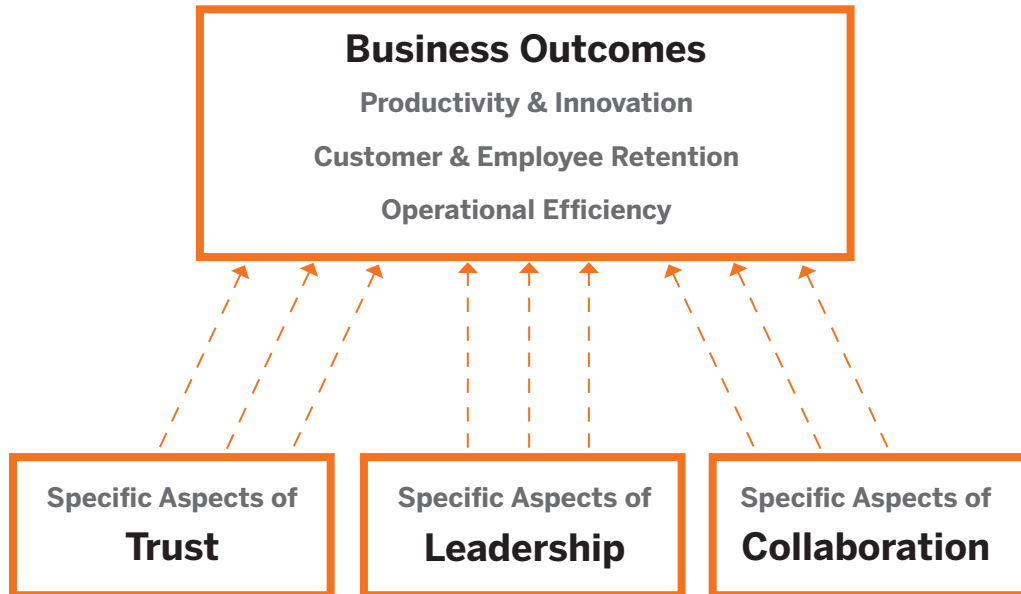
- Business Agility
- Innovation, Creativity, Entrepreneur
- Improve Productivity
- Rapid-cycle, Time-to-market

“Customer & Employee Retention”

- Retention of Key Employees
- Attract, Develop, Deploy Talent
- Behavior Consistent with Company Values
- Customer Loyalty and Retention

“Operational Efficiency”

- Cost cutting



A Model of the Impact of Trust, Leadership, and Collaboration on Business Success

High-Performing Organizations in Each Category

The study looked at companies that performed well in each of the categories of trust, leadership, and collaboration, and isolated their distinguishing characteristics.

Insights about each of the high-performance areas:

1. About high-trust companies today

The #1 business goal of high-trust organizations is customer loyalty/retention (vs. cost reduction). These companies seem to be forward thinking, even in this time of belt-tightening and short-term, survival focus. High-trust companies practice what they preach, and excel in the areas of talent and innovation. The study shows that these companies embrace flexible organizational structures, and are highly effective at the people and processes aspects of collaboration.

Critical areas where high trust organizations are very effective:

- Exhibiting organizational behavior that is consistent with company values/ethics (**85% vs. 46%** others)
- Retention of key employees (**80% vs. 42%** others)
- Attraction, deployment, development of talent (**76% vs. 24%** others)

2. About companies exhibiting effective leadership

Like high-trust organizations, these organizations' top goal is customer loyalty/retention. They are highly effective at exhibiting organizational behavior that is consistent with company values and ethics and consistent execution of strategy; they foster loyalty among employees and customers; and they excel in attracting and developing talent and creating a climate to foster innovation and entrepreneurship.

More about companies with strong leadership:

- They are highly collaborative organizations that also foster a high level of trust in management and the organization
- They demonstrate a high level of confidence in their organizations' abilities to manage through the current economic crisis

3. About highly collaborative companies today

The top business goals of highly-collaborative organizations are top-line revenue growth and customer loyalty/retention. (Cost reduction was the number one business goal reported by study participants overall.)

Highly collaborative companies have greater success in these areas than less collaborative firms:

- Innovation, creativity, and entrepreneurship (**74% highly collaborative organizations vs. 22%** all others)
- Attraction, deployment, and development of talent (**74% vs. 28% others**)
- Business agility (**59% vs. 20%** others)

The complete research report details a variety of other points of comparison for companies that perform highly in the categories of trust, leadership, or collaboration.

Applying These Research Results

Companies aspiring to succeed at the levels of the high performing companies in this study will be interested in the distinct, specific practices that correlate with high performance in each business goal category.

Specific practices to improve:

1. Productivity & Innovation

- People are encouraged to take risks and think “out-of-the-box” despite sometimes unclear situations (trust)
- Leaders make sound decisions even when the situation is ambiguous or complex (leadership)
- Meetings achieve outcomes and are time-efficient (collaboration)

2. Customer & Employee Retention

- Management is consistent, predictable, and transparent (trust)
- Leaders draw on lots of points of view in setting direction and implementation (leadership)
- People have the interpersonal and group skills needed to collaborate (collaboration)

3. Operational Efficiency

- People feel safe communicating their ideas/opinions with colleagues/peers (trust)
 - Leaders provide clear direction and context for necessary action (leadership)
 - People within my team, department, or workgroup share responsibility for our success and hold each other accountable for following through (collaboration)
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Building Trust: Complete Research Report and Toolkit

Get the full report featuring additional and highly topical findings, including:

- **Company confidence:** How confident companies are in managing the current economic downturn and what contributes to higher confidence among those that claim it
- **Role of technology:** The view of technology's role in fostering true collaboration – findings that will surprise most technology companies
- **Collaboration and failure:** An assessment of the factors that contribute to the failure of collaboration in companies today
- **Current priorities:** A rating of business priorities in the current economy from top performing companies
- **Tools to Use Now:** A selection of tools to go beyond mere research findings and aim for top performance

To receive a complete report, please visit interactionassociates.com/trust.

Interaction Associates

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