

The High Cost of Lost Trust

When employees doubt a manager's integrity, the problem can show up on the bottom line.

By Tony Simons

Everyone knows that leaders have to "walk the talk," right? Think of the manager who hangs "Customers Come First" placards in every department and a month later cuts the customer service staff. He may have a good reason for the layoffs – indeed, he may have had no choice – but he's sabotaged his staff's trust, and there will be a price to pay.

But what's the real cost? Clearly it will be extracted in hard-to-measure ways: Staffers may be less engaged in their work, less receptive to new ideas, less willing to follow the leader on the next offensive. Surprisingly, though, no one has directly measured the impact of walking the talk on the bottom line. A colleague, Judi McLean Parks, and I set out to do just that.

We hypothesized that when employees sense an inconsistency between what their bosses say and do, it triggers a cascade of effects, depressing employees' trust, commitment, and willingness to go the extra mile. These effects, we reasoned, would reduce customer satisfaction and increase employee turnover, harming profitability.

To measure this expected chain reaction in a competitive service market, we surveyed more than 6,500 employees at 76 U.S. and Canadian Holiday Inn hotels. We provided questionnaires in English, Spanish, Chinese, Creole French, and Vietnamese, and administered oral surveys to roughly 500 illiterate employees. We asked workers to rank, on a five-point scale, how closely their managers' words and actions were aligned – what we call the managers' "behavioral integrity" – by evaluating statements such as "My manager delivers on promises" and "My manager practices what he preaches."

We queried the employees about their commitment and the service environment at their hotels with statements such as "I am proud to tell others I am part of this hotel" and "My coworkers go out of their way to accommodate guests' special requests." Finally, we correlated the responses with customer satisfaction surveys, personnel records, and the hotels' financial records.

The ripple effect we saw was stunning. Hotels where employees strongly believed their managers followed through on promises and demonstrated the values they preached were substantially more profitable than those whose managers scored average or lower. So strong was the link, in fact, that a one-eighth point improvement in a hotel's score on the five-point scale could be expected to increase the hotel's profitability by 2.5% of revenues – in this study, that translates to a profit increase of more than \$250,000 per year per hotel. No other single aspect of manager behavior that we measured had as large an impact on profits.

The Integrity Test

The notion that behavioral integrity is important should be common sense: Align your words and actions in a way employees see. Keep your promises. Don't "spin." It seems simple. But if it's so simple, why is it so rarely observed? Management theorists and other social scientists have identified several reasons why maintaining integrity is hard:

Sticky Labels. The label of "hypocrite" is stickier than its opposite. It takes evidence of only a single lie to earn a manager the label of "liar." In contrast, a person has to tell a whole lot of truth to qualify as a "straight shooter." Credibility, as we have all seen, is slow to build and quick to dissipate. A generally straightforward manager who is caught breaking an important promise will likely have trouble recovering.

Competing Stakeholders. Managers, like politicians, juggle diverse stakeholder groups, each with its preferred language and distinct interests. Because managers have such an array of constituents and roles, a clash of words and actions is almost inevitable, especially when people in one group receive a message intended for another. Recall the executive who cut his customer service staff: While he was rallying the team with "customers first" pronouncements, he was also promising shareholders that he'd cut department budgets by 15%. The priorities he expressed to the two groups differed, but they're not necessarily incompatible. Is this hypocrisy or astute management of different stakeholders? It depends on whom you ask.

Shifting Policies. Periods of organizational change are particularly threatening to behavioral integrity. Departments change at different speeds, managers can become confused or ambivalent about a new approach, policies may seem inconsistent. In an executive reshuffling, experienced managers might understand that Jack does things differently from the way Jim used to and might excuse Jack from Jim's promises – but the line employees are likely to hear only an inconsistent management voice and will blame the inconsistency on their managers' character.

Changing Fashions. The world is awash in management ideas, and new ones appear with ever-increasing frequency. A 1994 study revealed that the average U.S. company had committed itself to 11.8 of 25 currently popular management tools and techniques. That's in part because managers use new techniques to show that they're on the cutting edge. But often such ideas fail, are phased out, or, worse, are quickly replaced with new ones. Consider "quality circles," a tool adopted by 90% of *Fortune* 500 companies between 1980 and 1982 and abandoned by 80% of them within five years. This rapid cycling through management fads generates cynical employees who have learned to be skeptical of managers touting new techniques. It is good for managers to explore and experiment, but there is a cost to dabbling.

Blind Spots. Of all the factors that can undermine behavioral integrity, among the most dangerous is managers' inability to see an integrity problem in themselves. The problem often arises because of our natural desire to see ourselves as consistent. In many companies, for example, a manager's path to success seems to lie in verbal endorsements of espoused values, while his actual behavior is expected to align with more widely accepted, implicit norms and standards. For example, managers often talk about empowerment without actually yielding any power. When this happens, psychological defense mechanisms activate to divert the manager's attention from the contradiction so he can feel better about himself. The resulting self-deception tends to perpetuate the problem.

Confusion about Priorities. A manager who is unclear about her personal priorities and those of the company is more likely to shift her management approach with each persuasive new speaker or magazine article. Most managers have some level of confusion about priorities, and, as a result, often send inconsistent messages. Employees interpret the inconsistency as a reflection of integrity.

It isn't easy to identify behavioral integrity problems or to manage them, but it is pivotal for good leadership. We used surveys to examine the issue at a large hotel company. Other companies might start their own self-examinations with frank employee surveys to see just how well their managers are walking the talk. Given the likelihood – and high cost – of missteps, it's simply good business to make behavioral integrity an ongoing priority.

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