



WHITE PAPER



More Trust = More Profitability

How to dramatically improve bottom-line results by increasing employees' trust in management

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Driving Profitability Through Behavior that Builds Trust

Many business executives are facing increasing competition and disruptive innovation that is putting greater pressure on profit margins every year. Management teams need to find ways to boost margins without damaging the quality of their customers' experience in the process.

So what if you could improve both profitability and the customer experience at the same time? What if you could boost annual profits without significant capital expenditure?

Two academics who specialize in hospitality management, Tony Simons of Cornell University's School of Hotel Administration and Judy McLean Parks of Washington University, are the first to have demonstrated that this can actually be done by developing a trust-based culture. Their findings were stunning.

They tested the idea that when employees believe that their managers do not keep their commitments and fail to act in a way that engenders trust with employees, profits will suffer. They discovered that such behavior reduces employees' passion for their job and for the company itself, thereby damaging customer satisfaction, employee retention and ultimately, profitability.

For those willing to invest in change, however, there is a silver lining: in their study, hotels where employees found their managers to be highly trustworthy were significantly more profitable than the average. So much so that an incremental improvement in trustworthiness (a 2.5% improvement on the academics' five-point scale) increased annual profits by an average of \$250,000 per hotel (see side bar for how this works).

From The Integrity Dividend by Tony Simons:

Many of the hotels with high management integrity converted over ten cents more of each dollar of revenue into profits than others (at an average revenue of \$10 million this would translate into \$1 million more profit in these hotels). Does behavioral integrity make a difference to the bottom line? The evidence said emphatically – and hugely – yes. We had detected the integrity dividend.

Here are the details of the chain of impact that we saw:

- Where employees feel their managers keep promises and live by the values they describe, they trust their managers more.
- Where they trust their managers more, they become more emotionally committed to the company – caring more deeply about its mission and taking pride in working for it.
- Where they feel greater emotional commitment to the company they are more willing to stay in their jobs and go beyond their formal job descriptions by providing discretionary service to satisfy customers requests.
- Customers who experience discretionary service from hotel employees like it and feel more satisfied.
- Satisfied customers translate to repeat business, which boosts profits.
- Employee retention boosts profits as well.

Understanding What Makes the Best Employees Tick

The results for the successful hotels are impressive, but what does it say for the rest? What practical steps can you take to develop a trust-based culture in your business? How can you turn an average team or department into a top-performing one? Intégro's research has helped define how.

Our research involving more than 6,000 employees over the past 4 years has clearly demonstrated how trust impacts organizational performance. The research revealed that there are two key skills that leaders must demonstrate in order to build trust: consistency and communication.

Many leaders invest significant time and energy on consistency – making commitments and sticking to them. But consistency is only one piece of the puzzle. Many leaders don't understand the importance employees place on the kind of communication that builds trust.

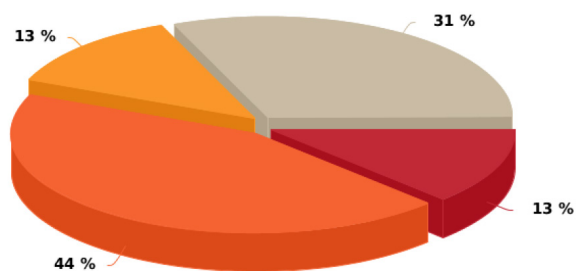
What Kind of Communication Builds Trust?

The key and perhaps unsurprising insight from our research, is that employees place a significant emphasis on the communication they receive from their leaders. Employees first and foremost trust leaders who trust them and treat them with respect.

They also trust leaders who are receptive to their thoughts, ideas and opinions and demonstrate that by asking them for their input. That means they listen to their employees. They also trust leaders who are transparent with them about what's going on and disclose why decisions are made so that employees feel informed and included.

How Can You Measure Trust?

Intégro has developed a tool to measure each of the eight individual drivers that underpin consistency and communication and that ultimately contribute to a trust-based culture. The level of trust can then be compared against organizational performance factors such as profitability, staff retention, productivity, employee engagement, customer satisfaction and absenteeism.

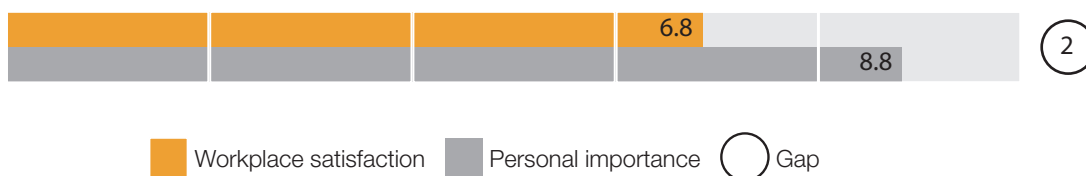


Designing a Trust-Based Culture

We know from our research that almost all employees want to perform at their best and they want your organization to be successful.

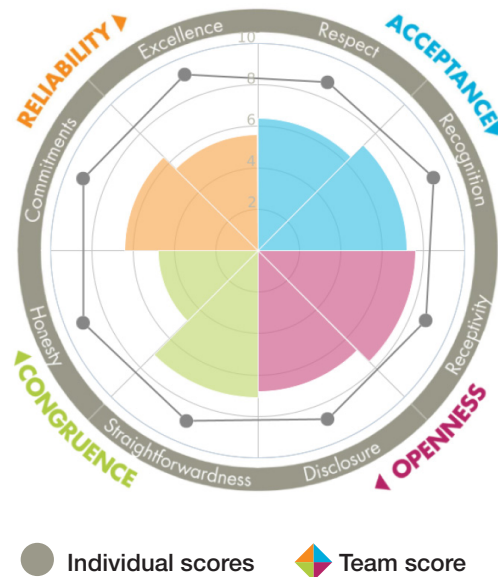
Armed with an understanding of how trust drives profitability, and the underlying factors that contribute to a trust-based culture, we have created the **More Trust = More Profitability** program. This will help you and your management team to create a trust-based culture where all employees are focused on building trust-based relationships with each other and with your customers.

This program is most effective for businesses that depend on repeat business where high levels of customer loyalty are vital. Customers have high expectations and will critically assess their experience with you against other like businesses. How will you measure up?



Intégro can work with you closely to customize the **More Trust = More Profitability** program to meet your specific needs. We will do the following:

1. Survey team members to measure the level of trust employees have for management in all areas of your organization.
 - Break reports down to show results for all departments and business units.
 - Analyze against significant organizational performance factors: employee turnover, absenteeism, productivity, employee engagement, customer satisfaction and profitability.
2. Provide an Executive Briefing on survey results and key areas for improvement, initially for the CEO General Manager and Human Resource Manager, then for the management team.
3. Provide training for the managers on understanding people and building trust with employees, resulting in getting the best out of all team members.
4. Provide training for all employees on how to work more effectively with each other and how to translate that into better customer relationships.
5. Repeat the measurement of employee trust for management and review against organizational performance factors to demonstrate the impact of increased trust on performance.



Intégro Leadership Institute is a research-based consulting firm, providing assessment-driven solutions for leaders who aspire to creating a workplace culture based on trust and personal responsibility. We have an international array of clients ranging from Fortune Global 500 companies to government institutions and not-for-profits.

Our offerings range from individual, team and organization-wide assessments backed up with leader's guides, workbooks and PowerPoint decks for debriefing results and developing action plans.

Underpinning our work is a constantly evolving body of research and analysis focusing on the impact of trust on employee performance, leadership behaviors that build trust, and the key contributing factors to high levels of employee passion.

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