

LEADERSHIP

# The Connection Between Employee Trust and Financial Performance

by Stephen M. R. Covey and Douglas R. Conant

JULY 18, 2016



A building surrounded by razor wire. A guard tower looming over the perimeter. Weeds and overgrowth flanking the grim exterior. Inside – drab colors, peeling paint, and dead plants decaying in the common areas. Was this a prison? No. This was the headquarters of Campbell Soup Company when one of us, Doug Conant, took the reins as CEO in 2001.

Was this a deliberate attempt to imprison employees and stifle their energy? No again. It was a vivid example of organizational leaders neglecting the importance of building trust.

Contrary to popular belief, cultivating a high-trust culture is not a “soft” skill – it’s a hard necessity. Put another way, it’s the foundational element of high-performing organizations.

Doug identified “Inspiring Trust” as his number one mission in his 10-year turnaround of Campbell Soup Company, where his efforts resulted in cumulative shareholder returns in the top tier of the global food industry, and among the highest measured employee engagement levels in the Fortune 500, particularly with his leadership team. While few leaders would argue against the idea that trust is necessary for building elite performance, not nearly enough realize the height of its importance and far too many disregard trust-building as a “soft” or “secondary” competency.

But in our joint experience, we’ve learned that trust is the one thing that changes everything. It’s not a nice-to-have; it’s a must-have. Without it, every part of your organization can fall, literally, into disrepair. With trust, all things are possible - most importantly: continuous improvement and sustainable, measurable, tangible results in the marketplace.

## **The Business Case for Trust**

As Stephen argues in his books *The Speed of Trust* and *Smart Trust*, trust is not a soft, social virtue – it’s truly a hard, economic driver for every organization.

There is plenty of evidence to support this. The Great Place to Work Institute partners with *Fortune* to produce the “100 Best Companies to Work For” in which trust comprises two-thirds of the criteria, since their research shows that “trust between managers and employees is the primary defining characteristic of the very best workplaces.” These companies beat “the average annualized returns of the S&P 500 by a factor of three.”

Similarly, an advocacy group, *Trust Across America*, tracks the performance of America’s most trustworthy public companies and has found that the most trustworthy companies have outperformed the S&P 500. Furthermore, a 2015 study by *Interaction Associates* shows that high-trust companies “are more than 2½ times more likely to be high performing revenue organizations” than low-trust companies.

Your ability to build trust has a profound effect on business results because trust affects two measurable outcomes: speed and cost. When trust goes down (in a relationship, on a team, in an organization, or with a partner or customer), speed goes down and cost goes up. This is what Stephen calls a “low-trust tax.” The inverse is equally true: when trust goes up, cost goes down, and speed goes up resulting in a “high-trust dividend.” These trust taxes and dividends are real and essential for leaders to understand as they develop their trust-building competence.

## **How to Develop the Trust-Building Skill**

We can use practices from Doug’s approach to the trust-building competency over his 40-year leadership career as a case study for the behaviors leaders should develop as they work to build and sustain trust. Three keys to activating the virtuous circle of continuously improved performance and confidence are: Declaring Intent, Demonstrating Respect, and Delivering Results.

**Declaring intent.** Our *intent* is our fundamental motive or agenda – why we’re doing what we’re doing. The most effective declared intentions are genuine and anchored in a clearly defined mutual benefit. Effective declarations also foster credibility; by making a statement

of intent on the record, you provide stakeholders with words to measure your actions against. The more you keep your word, the more the overall confidence in your ability to contribute increases. In Stephen's work for *Speed of Trust*, he found that declaring intent reduces resistance while enhancing commitment – especially in situations where there's new leaders in charge, massive change under way, or in which employees assume leaders' motives are mixed.

One compelling example of effectively Declaring Intent is found in a practice that Doug developed as president of Nabisco Foods and continued as CEO of Campbell. This practice is called "Declaring Yourself." With new direct reports, Doug found that there was often a period of low-productivity limbo when both parties were trying to figure the other one out. He found that he could speed things up dramatically, and set the tone for their work, by taking steps to immediately remove the mystery from their relationship. He began spending an hour or two with direct reports, on their very first day, to spell out exactly what is important to him, what he believes, why he works the way he does - and most importantly, what the other person can expect from him as a leader. He would always make it clear that he would be honored to hear some things about the other person.

Oftentimes people would reciprocate and respond to his invitation by coming to him with their own personal declarations which added depth, accountability, and confidence to the relationship. And in every case, his reports now had a specific and observable measure for gauging his trustworthiness.

This practice has proven so effective to earning confidence and speeding up performance results, that it's become integral to the way Doug leads. Doug saw how this spread trust as people were able to hit the ground running armed with all the information needed to work smoothly and sustainably with their new leader. It was an authentic, easy to replicate practice that jumpstarted the high-trust, high-performance virtuous cycle in the organizations he led.

**Demonstrating respect.** The second element that is essential to the trust-building competency is demonstrating respect for all stakeholders. Seems simple, even obvious. But it's startling how often this practice is neglected or abandoned altogether. It is seldom tended to, with purpose, as a skill. But it should be. And to do it right, it's not enough to say you respect people's feedback or contributions. You've got to show it. Repeatedly.

When he began his work at Campbell, Doug found that employee retention was at risk because many employees reported feeling imprisoned in the dismal workplace environment described at the beginning of this article. Some leaders might dismiss this as a surface-level complaint or petty gripe. But he listened to them. He saw that the corporate campus in Camden, NJ did resemble a prison. Doug knew he would have to show that he was committed to upgrading the work environment if employees were to ever trust that their perceptions were valued. Quickly, he began making physical changes: razor wire was removed, overgrowth was cleared, walls were re-painted. These helped lead to engagement changes. Performance and retention began to improve. As he listened, he earned confidence - which led to better outcomes - which led to even more confidence.

At first, Doug's commitment to improving the offices began with something as miniscule as a fresh coat of paint. But it activated a cycle of continuous improvement and paved the way for more and better facility improvements in an ongoing fashion. Over the ten-year journey of his tenure, these renovations and upgrades became tangible manifestations of Doug's promise to care for the organization and to listen to input from the people who worked there. This devotion to bettering the work environment, and treating people with respect, culminated in a sleekly reimagined new world headquarters in Camden - which became a visible symbol for the deeper and wide-ranging performance and culture improvements that had transpired during his time as CEO. Seemingly small actions like pulling up some weeds or removing some wire are often the "walk" that demonstrate the "talk" or language of trust.

Similarly, Doug knew that it was right and necessary to personally celebrate people for their contributions. So he made a practice of sending handwritten thank-you notes to exceptional people at all levels of the companies he led. He made sure each note celebrated a specific, noteworthy contribution and conveyed his heartfelt gratitude. He wrote over 10,000 such notes while he was President of Nabisco, and over 30,000 while he was CEO of Campbell Soup. It may seem like a trivial practice - but how many leaders devote this much time and demonstrate this much respect in their trust-building work?

Doug made a tangible commitment to recognition efforts – and it is the gesture most remembered by his former colleagues; people still reach out to him to tell him how much it meant to them that a senior leader within a large organization paid personal attention to them. They report it energized them to work tirelessly for the company during his leadership tenure. When you earn a trustworthy reputation, it becomes a significant currency that holds real value. Since people trust you to take care of their needs - they will repay you by taking care of the needs of the enterprise. This clear manifestation of respect powers huge inflections in organizational culture.

**Delivering results.** A third key component to the trust-building skill is to deliver the results you declare – consistently and confidently. Delivering results in a way that builds trust is more than just accomplishing tasks—it’s doing the right thing, in the right way, for the right reasons, in the way that you said you would. Only when this much attention is paid to the passion and purpose behind the results does it earn the necessary confidence from stakeholders.

Doug observed this when he moved into a Vice President of Marketing position at Nabisco in the \$3.5 billion cookies, crackers, and biscuits division. This division was far outside his area of expertise—and his peers in supply chain, sales, and R&D knew it. It was a difficult situation; key stakeholders did not trust him to get the job done. This lack of trust prevented

him from attacking challenges with speed and agility because his peers constantly questioned his decisions. Without a change, key initiatives were poised to take twice as long as they should.

He knew that in order to cultivate trust he would have to prove his capacity to perform. He made an ambitious promise (Declaration of Intent): “We will deliver record sales growth over the next three years” and committed to specific targets. The goals were spread across twelve manageable quarters, and they were authentic goals, anchored in mutual benefit (not rooted in showboating or chest puffery). As each target was met, trust went up, and costs went down. Simultaneously, he led a deep dive to drive employee engagement which also contributed to the confidence-building effort. Two years in, they had already delivered record growth, lifted employee engagement, and had gained the confidence of their peers. This paid high-trust dividends as they were able to work at a higher-functioning, faster level to continually deliver strong economic value.

You can see all three components of the trust-building skill in this example: Instead of reacting defensively or with resentment, Doug demonstrated respect for his colleague’s concern that he was inexperienced, declared his authentic intent and plan to earn their confidence the right way, and delivered the promised results – which earned him the necessary confidence to continue to perform.

## **Trust-Building Is a Learnable Skill**

In his long career studying workplace trust, Stephen has observed that most organizational performance issues are actually trust issues in disguise.

Often, in poor-performing cultures, the virus that is infecting the organization is low trust and the symptoms are wide-ranging dysfunction, redundancy, turnover, bureaucracy, disengagement, and fraud. It’s not that leaders aren’t smart or don’t care; they’re just focused on the wrong cause and they mistakenly underplay trust-building as “soft” or secondary - when it should actually be the primary focus.

The really good news is that developing trust is a learnable skill. Too many leaders are woefully unaware that trust is an asset that can be consciously increased and developed.

All leaders should consider the trust-building competency as the central focus of their leadership work. Declare Intent, Demonstrate Respect, Deliver Results. Embody behaviors that enable people to trust you. When you stop underestimating the crucial skill of trust, you are poised to activate the virtuous circle that comes with a high-trust, high-performance culture - and all things become possible.

---

Stephen M. R. Covey is co-founder and Global Practice Leader of FranklinCovey's Global Speed of Trust Practice. He is the New York Times-bestselling author of *The Speed of Trust*, and the former CEO of Covey Leadership Center. He is also on Twitter.

---

Douglas R. Conant is Founder & CEO, ConantLeadership; Chairman, CECP; Chairman, Kellogg Executive Leadership Institute; Member, Board of Directors, AmerisourceBergen; Former CEO, Campbell Soup Company; Former Chairman, Avon; and NYT Bestselling Author of *Touchpoints: Creating Powerful Leadership Connections in the Smallest of Moments*. He's on Twitter @DougConant and on Facebook.

---

**This article is about LEADERSHIP**

 FOLLOWING

Related Topics: ORGANIZATIONAL CULTURE

Comments

Leave a Comment

POST

9 COMMENTS

---

**Marc Westeneng** a day ago

I Agree! To complement: Think about the power of trust in the relation between a customer and the company! Read the book 'Extreme Trust' by Don Peppers en Martha Rogers.

REPLY



▼ [JOIN THE CONVERSATION](#)

---

#### POSTING GUIDELINES

We hope the conversations that take place on HBR.org will be energetic, constructive, and thought-provoking. To comment, readers must sign in or register. And to ensure the quality of the discussion, our moderating team will review all comments and may edit them for clarity, length, and relevance. Comments that are overly promotional, mean-spirited, or off-topic may be deleted per the moderators' judgment. All postings become the property of Harvard Business Publishing.