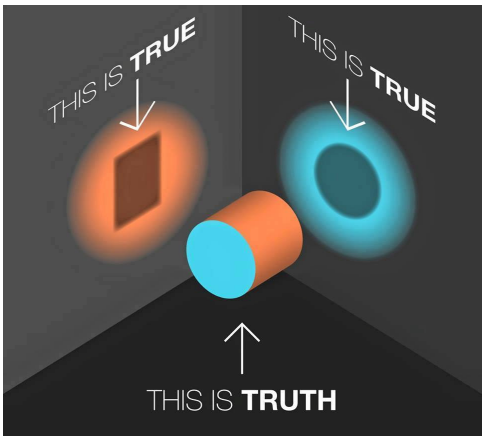
The Value of Trust



Trust is a key element in the effective management of project teams and contracts. High levels of trust speeds up decisions and business processes and consequently lowers costs. As the level of trust goes down, the speed of doing business goes down and costs go up. When distrust exists, relationships and communications are ineffective and everything has to be proved or validated[1].

Most of the cost associated with measuring and checking performance, writing complex and detailed contracts and meeting with people is associated with the lack of trust. Where trust exists, where you can rely on the other person to be truthful, all that is needed to manage most work is a brief communication to ensure understanding and a 'hand shake'; real or virtual.

In traditional situations, trust is built over time and is based on observation and actual performance. Gaining trust takes time and then you have to continuously demonstrate you are completely trustworthy or people will quickly lose confidence in you. Importantly, people will not follow a leader they do not trust.

Interestingly, it would appear trust is not a fundamental element of most relationships; relationships can work with remarkably low levels of trust as long as both people have a common objective. However, the effectiveness of the relationship will definitely improve as trust builds. Certainly within projects and business, trust tends to build after relationships are established. The challenge is to create enough trust quickly to allow teams to function in the early stages of a project.

The Theory of Trust

Trust is ephemeral, it is a psychological state that incorporates *'positive or confident expectations about another party'* and *'a disposition and attitude concerning the willingness to rely upon the actions of, or be venerable towards, another party'*. The development of trust in strongly influenced by prior experience, in a new situation it is easier to trust (or not trust) someone you know a bit about or have had some experience of working with in the past either directly or by association (the last consultant from *ABC* was good so we can probably trust this person……) - reputation really does matter! There are two sides to a trusting relationship:

- The trustworthiness of the person being trusted, do they demonstrate behaviours that engender trust?
- The trustfulness of both parties, their willingness to believe in the honesty and reliability of others.

You can demonstrate your trustworthiness through appropriate behaviours over time; how trustful the other person is depends on their life experiences, some people have learned to be trustful, others have learned to avoid trusting anyone. In any commercial relationship, both of these factors are influenced by the environment the parties are working within, perceptions of past behaviours and expectations for the future.

Trust is needed in most contractual and social situations where there are obligations to fulfil and/or collaboration is needed to achieve an objective. Trust is not a rational judgement, it is based on cogitative feelings and the disposition of the people involved and is to an extent a learned social behaviour[2]. This lack

[1] The value of trust and the cost of distrust apply equally to transactions between individuals, between organisations and to countries. ***Why Nations Fail*** (Acemoglu & Robinson) highlights the importance of political rights, property rights and the presence of open, transparent and trusted institutions in the creation of economic growth and prosperity.

[2] For more on ***Social and Emotional Intelligence*** see: http://www.mosaicprojects.com.au/WhitePapers/WP1008_Emotional_Intellegence.pdf

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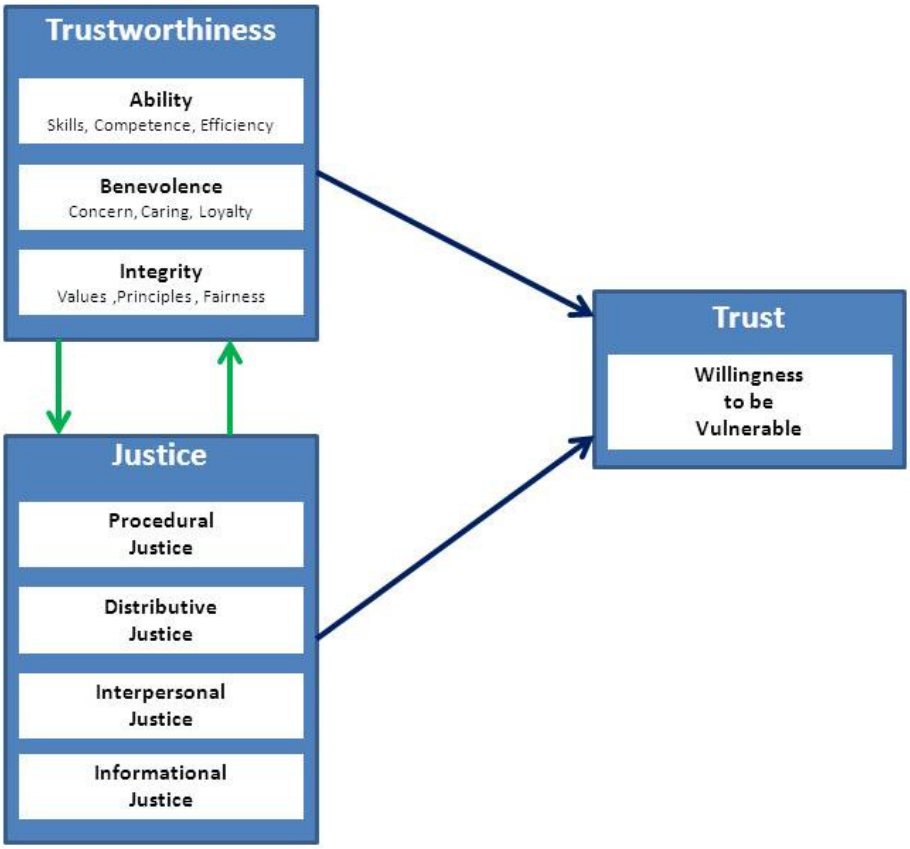
of calculable precision on the value of trust however does not reduce its value[3].

The two elements that foster trust are the need to feel the other person is trustworthy and the system you are both operating within is just[4]. The interaction between these different elements is outlined in the diagram below.



The perceptions of a just system and the trustworthiness of the system managers are closely interlinked. If the people in power are not perceived to be trustworthy, the system they manage will not be perceived as just. And if the system is perceived to be unjust, it is unlikely the people managing will perceived as trustworthy.

The most important element of trustworthiness required to allow trust to develop is benevolence. If the other person is seen to be loyal and caring trust is more likely to develop.

From the justice perspective, informational justice is critical. Equal and reasonable access to relevant and necessary information builds the foundations for trust. Unnecessary secrets damages trust.

The perceptions of a person giving their trust need to be nurtured and maintained; from the perspective of the person seeking to be trusted, honest justifications and explanations of situations matter, as does maintaining a genuine interest in the welfare of the trust giver. And, both people need to feel the system they are operating within is fair and reasonable; this includes:

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[3] For more on research into the value of trust see: *The value of trust in project business*. Smyth H, Gustafsson M, Ganskau E. International Journal or Project Management: 28 (2010) 117-129.

[4] ***Process and procedural fairness*** are crucial elements in building and maintaining trust, see: http://www.mosaicprojects.com.au/Mag_Articles/SA1029_Process_Fairness.pdf

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- Fair, open and accountable processes (procedural justice).
- Accessible to all (distributive justice)
- Where each individual is respected by the system and other people in the system (diversity & interpersonal justice)
- And information is a facilitating tool to help everyone, not a means to power (informational justice).

Within organisations, the ethical framework[5] that fosters trust and teamwork is created by the executive leadership; they need to 'walk the talk'. Within a culture that encourages trust, management training can help develop and maintain just systems at all levels of the organisation and management reviews can consider personal characteristics such as benevolence that create trustworthiness.

Swift Trust

Temporary organisations such as project teams (particularly virtual teams), where people are brought together to complete a given task that requires a high degree of collaboration, within tight timescales and with a high cost of failure create a different challenge. Most people do not have the time to allow trust to develop naturally. They have to work out their differences on the fly and 'blindly' trust one another to do their jobs. This is called 'swift trust'.

'Swift trust' can be a powerful force but is also fragile and easily broken. Aligned activity within the team contributing to a common goal, supported by appropriately professional behaviours and an effective team leader allows 'swift trust' to develop but it will only last as long as everyone behaves in a trustworthy way.

The Key factors that make for swift trust include:

- **Aligned activity:**
  - Linked overall goals, rewards and penalties. By putting people in the same boat, such that they share the glories of reaching the shore and sink or swim together, they are forced to develop a system of trust.
  - Interdependence. If they are independent, no trust is needed. If some are more dependent on others, then power positions are created with a much less trusting environment.
- **Constrained environment:**
  - Time. If there is no time to develop trust slowly, the pace is forced. Slack time also give space in which idle hands can be turned to selfish or non-productive activities.
  - Just-enough resources. There should be sufficient resources to do the job, otherwise battles for resource will erode trust. Too much resource is simply wasteful.
- **Non-person focus:**
  - Professional role focus. A focus on acting as and treating others as professionals leads to trust in their professional capabilities.
  - Task/process focus. Focusing on the task or process removes focus on the people. If there seems to be a personal problem, refocusing on the process and context that caused the problem is more productive and supports trust.
- **Trust broker:**
  - A central person who recruits everyone is responsible for ensuring everyone is professional and can perform as above. If they are the project manager, they are a single point where issues of difference are clearly resolved.

[5] For more on Ethics see: http://www.mosaicprojects.com.au/WhitePapers/WP1001_Ethics.pdf

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Pragmatic Trust

The challenge facing project teams and their stakeholders is to identify a pragmatic level of trust that will allow the work of the project to proceed effectively but to also have sufficient checks and balances in place to insure against untrustworthy behaviours.

Scientific management and traditional project management are based on the assumption work can be measured and controlled[6]. This assumption fails for most knowledge work (eg, software development) where the only time progress can be really measured is on completion of a task. Until the work can be tested, managers need to trust the professionalism of the knowledge worker to create the new ideas at an appropriate level of quality. The check and balance is partly the reputation of the person doing the work and partly system design where no module is too large (but too smaller modules involve more work and cost).

Smart Trust[7]

Trust affects both the speed and cost of doing business! High-trust leads to high speed and low cost. Low-trust leads to low speed and high costs. Trust also enhances engagement, creativity, health and wellbeing, leading to higher levels of energy and commitment (especially with team members). Increased levels of trust correlate with increased efficiency and better outcomes.

Smart trust sits between 'blind trust' and 'distrust'. Blind trust is driven by our innate desire to trust, but is based on unfounded promises and optimism. This approach is naive and frequently exploited by con-merchants.

Distrust is a cynical refusal to allow trust until the other person has proved themself to be trustworthy. The problem with distrust is you rarely give people the opportunity to show they are trustworthy and if you are not prepared to trust, others will see you as untrustworthy.

Smart trust is a practical alternative, we open ourselves up to the possibility of extending trust, analyse the situation and then extend the appropriate amount of trust. Three factors are considered:

- **The opportunity**, what you are hoping to achieve.
- **The risk**, what you might lose.
- **The credibility** of the person you are trusting.

If an initial application of 'smart trust' is successful, the level of credibility increases and greater trust may be appropriate next time around. The act of extending trust is itself beneficial, extending trust generates trust in return and makes you trustworthy in the eyes of others.

Building Trust

According to Stephen Covey, trust is built on three behaviours (you have to walk the talk…)

- **Transparency** – tell the truth in ways people can verify and validate for themselves.
- **Keeping commitments** – do what you say you will do.
- **Trust others** – extend trust to your team. Trust is contagious; if you trust people they will be motivated to be trustworthy and trust you in return.

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[6] See The Origins of Modern Project Management: http://www.mosaicprojects.com.au/Resources_Papers_050.html

[7] Smart Trust: Creating Prosperity, Energy and Joy in a Low-Trust World, Covey, Link and Merrill, ISBN 978-1-4516-5145-4.

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Creating trust is hard work; rebuilding trust is far harder once it has been lost, and trust that has taken years to build can be destroyed in minutes[8].

The Maister trust equation[9] offers a simple way to consider the elements of trust:

$$\text{Trustworthiness} = \frac{(\text{Credibility} \times \text{Reliability} \times \text{Intimacy})}{\text{Self-Orientation}}$$

The level of Trustworthiness of a person is equal to the sum of:
- **Credibility**: Demeanour, credentials capabilities,
- **Reliability**: The consistency of our actions, and our actions' connection with our words,
- **Intimacy**: Integrity and how secure or safe someone feels sharing; the strength of the relationship,

divided by **Self-Orientation**: caring about others or caring about ones self? Self-interest is a detractor from trustworthiness.

Credibility and reliability are quantifiable and rational, but tend to be overrated. The EQ factors[10] of Intimacy and a low-level of self-interest (the relationship and how well you relate to people) are at least as important. All of the above factors are not a finite quantity, rather how the person considering giving trust perceives them in the other person. Generally your actions will speak louder than your words.

Dealing with dishonesty

"I'm not upset that you lied to me, I'm upset that from now on I can't believe you."
Friedrich Nietzsche

Everyone tells lies from time to time ranging from 'white lies' to protect someone's feelings through to massive corporate deceptions[11]. Studies suggest most people lie a lot; roughly two to three times during a ten-minute conversation and we fail to pick many of the untruths. Researchers from the University of California analysed the results of 253 studies and found that we only spot about half the lies we're told (53% to be exact).

When you discover dishonesty, the question is what to do about it? The options are:

- **Do nothing.** Nobody likes being lied to but if the lie was intended to 'do-good', a white lie, or one of minimal consequences doing nothing may be the best approach. However, more serious dishonesty has to be called out; it is unethical for you to remain silent.
- **Deflect with humour**. Some lies are too big to ignore completely, yet too small to make a big deal out of. When this happens a playful comment that acknowledge the lie will usually do the trick. This strategy gives the liar a chance to admit their slip-up without fear of reprisal. The key to making this tactic work is to give the impression that the other

[8] Trust is the underpinning of ***credibility*** – see: http://mosaicprojects.wordpress.com/2013/04/27/credibility/

[9] David Maister, Charles Green and Robert Galford. *The Trusted Advisor* 2001.

[10] For more on the ***Emotional Quotient (EQ)*** see: http://www.mosaicprojects.com.au/WhitePapers/WP1008_Emotional_Intellegence.pdf

[11] Dan Ariely's book *The (Honset) Truth About Dishonesty*, shows that givn the chance just about everyone will cheat; but there does not seem to be a rational motivation for the cheating. He has found we are moer likely to cheat if we are tired and dishonesty is a 'slippry slope', but risk, reward or opportunity do not seem to be factors in dishonest behaviour. See: ***Tired workers lose their ethics***: https://mosaicprojects.wordpress.com/2014/01/24/tired-workers-lose-their-ethics/

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person was kidding around or intentionally exaggerating and never expected to be believed.

- **Play dumb** and ask lots of follow-up questions. Pretend you suddenly suffered a memory lapse or are confused about the facts. The more details you request, the more likely it is that the truth will come out. Drawing it out gives the liar a chance to save face and admit that they "misspoke" and correct themselves without being called a liar. This approach is particularly appropriate for group settings.
- **Call them on it**. But think carefully about the best way to do this, you may still need a working relationship with the person. You may choose to have a conversation with the liar in private or with others whom the lie affects. In either case, it's important you have evidence that backs up your claim.

The final thing to consider is what level of trust to continue to offer the person. Some people tell infrequent lies to make themselves look good or to protect themselves; others are thoroughly dishonest and have built their careers on deception. You have to decide, and pragmatic trust may still be the best option but document anything of importance to protect yourself.

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