

Phoenix Consulting Service

**Trust in the Workplace:
Analysis and Recommendations**

Presented to:

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July 30, 2014

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July 30, 2014

Mr. Marcus Schwinn,
CEO
Stratus Software
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Dear Mr. Schwinn:

Subject: Submission of Report to Stratus Software on the Issue of Trust

Enclosed is the report you commissioned on May 6, 2014. The report, titled “Trust in The Workplace: Analysis and Recommendations,” addresses Stratus Software’s concern about the current lack of trust in the organization. The research used in the report is based exclusively on secondary sources.

The report first introduces the issue of trust in workplace. Second, it looks at the benefits of trust in the workplace. Third, it examines different strategies that Stratus Software can employ in order to restore stress in the workplace. It considers the costs of those strategies as well as the benefits, which include reduced employee turnover, increased productivity, and improved morale among management.

Lastly, the report recommends that Stratus Software build an internal company website (intranet) and form a cross-departmental committee in order to create mutual trust in its workplace. The report identifies the benefits that will result from implementing these recommendations.

I will contact you on August 4 to ensure that you are satisfied with our recommendations. If you have any concerns or questions, please contact me directly at 604-123-3333 or by email at pcs_j@gmail.com.

Yours truly,

Jin Zhao
Senior Consultant

Enclosure: Report on the Issue of Communication and Transparency within Stratus Software

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EXECUTIVE SUMMARY

Marcus Schwinn, the CEO of Stratus Software, is concerned that trust has been undermined within the company due to a number of events, including the spread of rumors following the sudden departure of the company's lead developer, who joined the company's competitor. Consequently, the executives at Stratus Software aim to improve employees' and managers' sense of trust in the organization's workplace.

The purpose of this report is to review literature pertinent to the issue of trust in the workplace, recommend specific strategies that will enable Stratus Software to resolve the issue, and discuss the potential benefits of those strategies.

Our research finds that a transparent and effective communication system can tremendously help to improve trust in the workplace. We make two specific recommendations to help Stratus Software executives achieve a higher level of trust among its managers and employees:

1. Build a strong channel of communication
2. Promote cross-departmental interactions

These recommendations will be cost-efficient and relatively easy to implement. In the long-run, the organization will benefit greatly from a workplace that has a high level of trust because it will reduce employee turnover, increase morale among management, and create a collaborative organizational culture.

The secondary sources used for this report include business reports, surveys, industry reports, government documents, expert opinions, academic journals, and business magazines.

INTRODUCTION

Marcus Schwinn, the CEO of Stratus Software, is concerned that a lack of trust is negatively affecting the organization's workplace. A number of recent incidents, including the lead developer's sudden departure, have undermined employees' trust in the organization's executive team. Results from a focus group survey have confirmed this in finding that employees feel the company is keeping them in the dark about events and strategies and fear that a take-over by a larger company is imminent.

This report addresses Schwinn's concern by exploring the impact of trust in the workplace and outlining effective strategies that could enable Stratus Software to improve employees' and managers' trust in the organization.

Purpose of the Report

Stratus Software CEO Marcus Schwinn believes that the company needs to focus on improving trust in the workplace. Thus, the report's main purposes are to:

- Analyze the issue of trust within organizations
- Recommend strategies that will enable Stratus Software to improve trust in its workplace

Scope

To fulfill the above purposes, the report discusses the importance of trust in the workplace. It then presents a detailed analysis of the strategies that Stratus Software can implement in order to restore and maintain trust in the company. Lastly, it presents specific recommendations that will enable Stratus Software to create more trusting employee-manager relations and strengthen its company culture.

Sources, Methods, and Limitations

All the sources used in this report are from secondary publications, including business reports, surveys, industry reports, government documents, expert opinions, academic journals, and business magazines. The authors cited communications experts, human resource managers, and executives from companies comparable to Stratus Software in size and sector.

The study's key limitation is that relatively few secondary sources are available for the Canadian market or the Canadian IT industry. Consequently, the report utilizes sources and statistics from organizations in other countries. These limitations do not undermine the credibility of the report's findings, as all the sources were reliable and relevant in terms of addressing the issue of trust. The findings are transferable because the sources examined companies whose workplace settings and sizes are comparable to Stratus Software.

A second limitation is that a few of the sources were not particularly recent. However, this will have little to no effect on our findings because behaviors and issues related to trust remain fairly constant over time.

IDENTIFYING TRUST IN THE WORKPLACE

Trust is a quality that must be developed. It grows when individuals' words and actions are consistent, reliable, and honest. Trust is an essential quality for organizations because it ensures that working relationships between employees and managers are positive and productive.

Definition of Trust in the Workplace

Trust within organizations has three primary bases. First, trust grows when others are perceived as credible in that what they say is true, their actions are consistent with their words, and their business practices are ethical. Second, trust is the result of respect, which is established when organizations are inclusive and acknowledge employees' ideas and concerns in their decision-making process. Third, trust requires organizations to treat their employees fairly and equitably in all respects (i.e. responsiveness to individual employee's problems or concerns), regardless of position or personal characteristics (Lyman Amy).

A Lack of Trust in the Workplace

Trust can quickly deteriorate in the workplace when individuals' act and speak inconsistently and dishonestly, withhold information and resources, or assume close-minded positions. This is currently the case for employees at Status Software, who do not feel that management is being open and honest with them.

BENEFITS OF TRUST IN THE WORKPLACE

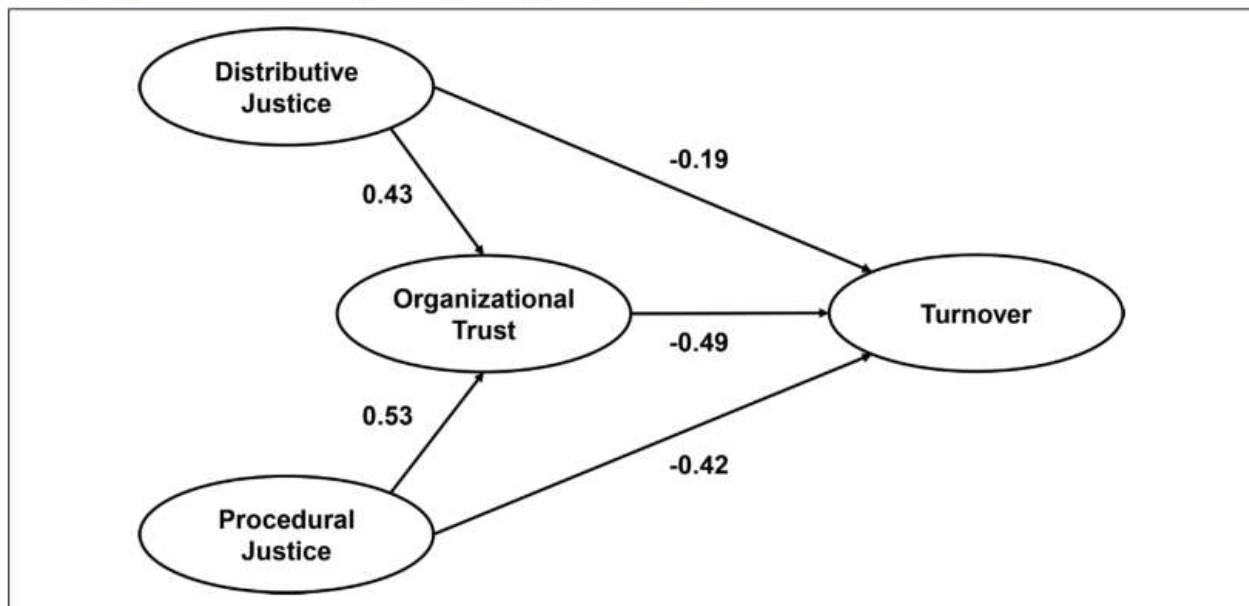
Trust has repeatedly been found to have many positive attitudinal and behavioral outcomes in the workplace, including commitment to the organization, job satisfaction, and improved performance (Dirks & Ferrin, 2002). Building trust within organizations can thus decrease employee turnover, increase morale among managers, strengthen company cultures, and improve employees' performance.

Reduces Employee Turnover

Lien-Tung (2005) and Mayer, Bardes, & Piccolo (2008) find that when employees trust company leaders, it can lead to improved job satisfaction, a greater commitment to the organization (Brockner, de Cremer, van den Bos & Chen, 1995) and less turnover (Lien-Tung) (Maxime A. Tremblay, 2010).

*Exhibit 1 depicts the relationship between trust, justice and employee turnover. According to Mariani & Omer (2014), employees' trust in their organization increases when they perceive it to be just and fair, which contributes to employee retention. These researchers' study sample was drawn from five South Asian telecommunication companies in the private sector. A total of 597 employees participated in the study and data were collected from a self-reporting questionnaire. In a similar vein, Brower (2000) finds that mutual trust inspires subordinates to be loyal to managers,

Exhibit 1. Hypothetical Model Showing Standardized Regression Coefficients.



which motivates them to stay with the company.

Alper Erturk (2014), an associate professor of management at the Gebze Institute of Technology, conducted a study among IT professionals who worked for eight mid-size public institutions in Kocaeli, Turkey. Data were acquired via a structured questionnaire and the study sample consisted of 197 completed questionnaires. Erturk (2014) identified four distinct HR practices that may influence employees' decisions to stay with the organization: employee participation in decision-

making, information sharing, fair organizational rewards, and the recognition of employee contributions. These practices promote trust and transparency, which in turns decreases turnover among key IT personnel, leads to improved work performance, and promotes cost-efficiency (Javidan, Dorfman, de Luque, & House, 2006). In other words, when employees trust their organization and leaders it fosters a feeling of belonging. This is critical, as it will lead employees to feel that they are a good match for their organization and as a result, they will want to retain their position.

Increases Management Morale

When leaders' aspire to rebuild trust, it can be challenging for them to engender employees' confidence in the organization's vision of the future, ensure that managers are supportive, and promote work satisfaction among employees. When leaders restructure an organization, they need to rebuild trust by reconnecting employees, helping employees to create a new sense of identity, and increasing the amount of personal control that employees have over their work conditions. The emotional gains that employees experience will increase morale and reduce employee turnover (Bowes Barbara, 2010).

In order to build trust, it is also important for leaders to communicate well with management teams and reinforce the view that management teams share the organization's goals and perform relevant tasks in pursuit of those goals (Mathieu et al., 2008). Therefore, restoring trust in the workplace encourages transparency and trust within management team.

Improves Productivity and Innovation

According to a report by Working Families and *Unum, trust in the workplace is key to employees' wellbeing and organizations' performance *(Paterson Jennifer, 2013). Sarah Jackson, the Chief Executive of Working Families, states: "Employers which build this flexible culture of trust will, in turn, reap the rewards of employee wellbeing and sustainable high performance" *(p. _). Employees' operational performance is boosted significantly when they feel fairly and equally treated within their team and the organization, are able to learn and master new skills, and have opportunities to achieve a higher position for promotion. As a result, building trust leads to higher productivity and innovation.

STRATEGIES TO IMPROVE TRUST IN THE WORKPLACE

To successfully build trust in the workplace, Stratus Software could implement a number of strategies to educate managers to create a feeling of mutual trust in their relationships with staff; train both managers and employees how to communicate effectively, and; create a culture that is respectful, fair and transparent. An effective communication channel should be developed to support these strategies.

Take Robust Disciplinary Actions

According to Judy Pate, when trust has been lost in the workplace, organizations can restore it by demonstrating respect and fairness through timely and robust actions (Pate, Thomas & Beaumont, 2012). Stratus Software lost its employees' trust for a number of reasons and trust was particularly undermined when the company's lead developer suddenly left the organization to go work for a competitor. Stratus Software employees were not given any explanation of this for six months and rumors began to circulate that that the company would be subject to a take-over. In addition, a focus group among staff revealed that they felt the company was not transparent about its policies for promotion and discipline. Stratus Software's Human Resource department should take accountability for not addressing employees' fears and concerns in timely manner. However, the company should not take disciplinary action against employees at this time, as this might be seen as creating a scapegoat to blame for the lead developer's unexplained and sudden departure.

Education about Trust in the Workplace

A study conducted by Maureen L. Mackenzie from Dowling College's Management and Leadership Department of Dowling College has suggested that there is a gap between managers' and employees' perception of each other's trust. A specific date for the study was not provided, but since it incorporated premises that were supported by sources published in 2009, it is reasonable to assume that it was conducted between late 2009 and early 2010.

The subject demographics are listed in the table below:

Seventy-nine (79) adult subjects participated in this study
Thirty-eight subjects (38) were female
Forty-one subjects (41) were male
Forty subjects (40) were self-reported as managers
Thirty-nine (39) subjects were reported to be non-management employees
Fifty-eight (58) subjects (73.4%) worked in companies employing 100 or more employees
Twelve (12) subjects (15.2%) worked in companies employing 100 - 250 employees
Forty-six (46) subjects (58.2%) worked in companies employing 251 or more employees
Twenty-one (21) subjects (26.6%) worked in companies with less than 100 employees

Eighty-eight percent of managers reported that their employees trusted them, while only 46% of employees reported that they felt trusted by their managers (Maureen, 2010). The company from which the sample was taken is similar in size to Stratus Software and the sample was equally divided between males and females as well as managers and non-managers. It can therefore be assumed that Stratus Software has a similar gap in perception of trust. However, it should be noted that Stratus Software employees' trust in managers might be even lower, given that it has recently been undermined.

Stratus Software could educate managers about methods for developing trusting relationships with their employees. This might include developing an evaluation system to anonymously measure factors that are indicative of trust in the workplace. However, developing such a system could be challenging, because employees might be reluctant to express honest opinions about their direct managers and want to avoid hurting managers' feelings.

Training about Methods of Communication

Today's business environment is populated with individuals who are digitally connected to clients, contractors, managers and employees. Due to technological innovations in communications, employees and managers are no longer required to have regular face-to-face interaction. Although this is extremely convenient, texting, emailing and cell phone conversations may not be the most effective ways to build strong manager-employee relationships. Mackenzie's study asked employees the question "when you think about relationship-building opportunities with your boss, which communication means do you prefer?" The majority (92.3%) of respondents chose face-to-face interaction (Maureen, 2010).

Stratus Software could offer a training program on effective communication in the digital world for all employees and managers. The program should consider all methods of communication, identify which methods are best for different situations, and encourage managers and employees to have as many face-to-face interactions as possible. As this is a costly strategy that will require an ongoing investment due to employee turnover and advancements in technology, Stratus Software should consider additional measures for improving communications.

Develop Policies to Address Concerns

Internal company policies can support the development of trust and transparency. For example, if an employee feels that a wrong has been done to him or her and the organization has no process in place for addressing the issue, rumors, complaints and dissatisfaction can begin to build. Stratus Software could therefore develop internal policies that address employees' complaints and concerns. According to research conducted on "Whistleblowing in the Australian Public Sector" by an Australian National University, employees trust management that reports wrongdoing internally more than management that reports wrongdoing externally (Lewis, 2011). When policies enable companies to address problems and concerns internally with transparency, it will foster a culture of trust.

It is imperative for policies to be in place that allow employees to voice their concerns to their immediate supervisor. If a resolution cannot be reached, employees should have access to a procedure that allows them to seek the assistance or mediation of HR. If HR alone cannot reach a satisfying resolution, a standard universal complaint form needs to be available to employees that will be filed with HR and forwarded to the executive team. In addition, Stratus Software's policies for employee complaints could include the requirement that a follow-up should be provided within one week after one of the above processes has been initiated.

However, this strategy will increase the HR Department's responsibilities as it requires considerable documentation. It might also require managers to redirect too much time to building relationships with their employees, studying documentation, and meeting with HR, which could take time away from deliverable assignments.

Build a Company-wide Communication Channel

Trust requires a foundation of openness, loyalty and benevolence. These qualities are the antecedents of trustworthiness and must be established by the management team. Judy Pates' Study addresses the issue of "trust restoration" within organizations in stating: "Acknowledging the inadequacies of the past and being consistent in words and actions, senior managers demonstrated openness, loyalty and benevolent motives to the workforce" (Pate, Thomas & Beaumont, 2012, p.)*. Trust flourishes when management is seen to genuinely care about employees and to not harbor ulterior motives. To this end, employees need a communication channel that enables them to witness management's sincerity, including its attempts to correct past mistakes, its commitment to openness, and its appreciation of its employees. An internal organizational internal website – an intranet - is currently a common platform that is being used to promote trust-based organizational cultures. Stratus Software could use the intranet to post and distribute:

- Personnel changes and job postings
- Company policies
- Newly launched projects and products
- Up-coming company events
- Executives' messages
- Employee surveys

This strategy will allow information on policies, strategies and events to be presented in one place and shared among all employees. It will inhibit perceptions that management is secretive, stop the spread of rumors, and reassure employees that the organization cares about allegations of wrongdoing. According to Attribution Theory, when an employee has a perception of wrongdoing, it generates negative information and leads to unfavorable conclusions ***(need citation)**. To repair the relationship between the employee and the person perceived to have done wrong, positive information must displace the negative information (Pate, Thomas & Beaumont, 2012). Effective communication channels make this possible and management will be more likely to restore trust in the workplace if it responds to employees' concerns and issues in a

transparent and legitimate manner.

Although this strategy requires the company to purchase an intranet system and maintain it, intranet is more affordable than ever in current marketplace. The intranet is considered very cost-effective because it enables users to “view information and data via web-browser rather than maintaining physical documents” and reduces organizations’ spending on printing and the maintenance and duplication of documents *(p. __). For example, the HRM Company PeopleSoft "derived significant cost savings by shifting HR processes to the intranet” *(**need citation**).

Promote Cross-Departmental Interactions

Although technological advancements can make communication more efficient, face-to-face communication remains the best way to build trust in the workplace. Charlene Solononm, a well-known author and the developer of a web-related intercultural and global mobility support service, asserts that: “The complexities and subtleties of dealing with widely different personalities, cultures, and language make communication far more difficult among virtual team members” (Maureen, 2010). Solononm’s viewpoint has merit, given that she is an experienced communication consultant and has worked with many high-tech companies. Although she promotes virtual management in most of her articles, she acknowledges its limitations and recognizes that face-to-face interaction is an important component of effective management.

The previously mentioned study conducted by Mackenzie in 2010, affirms the important role that face-to-face communication plays in management-employment relations. The study’s findings are therefore pertinent to this report. They are summarized in Table 1.

Questionnaire Responses	All 79 respondents	Manager group	Employee group
% Who chose face-to-face communication as their top choice for relationship building opportunities	89.7%	87.5%	89.7%
% Of at-work time that managers interact with employees face-to-face (managers reporting)	-	69.7%	-
% Of at-work time that employees interact with bosses face-to-face (employees reporting)	-	-	49.0%
% Answering YES to the question, “do you feel you have a trusting relationship with your boss?”	62.0%	77.5%	46.2%
% Answering NO to the question, “do	17.7%	17.5%	17.9%

you feel you have a trusting
relationship with your boss?"

Manager-only response to the question, "do
you feel that your employees trust you?"

Yes: 87.5%

No: 5.0%

Although regulars meeting between all employees and managers are recommended and ideal, they will consume a considerable portion of total working hours. As a result, they may not be feasible in terms of both time and cost. Stratus Software could alternatively form an internal cross-departmental committee that includes one member from each department (elected by their peers) and meets once a month. The meeting will give committee members an opportunity to share information about each department's projects or products, collectively resolve common challenges, and discuss forward-thinking strategies within a collaborative framework. Such cross-departmental interactions will improve departments' transparency in terms of functions and responsibility, promote collaborative efforts to solve problems, and create an innovative and harmonized corporate culture.

Many experienced management consultants have actually recommended this practice. Paul Engle, who has twenty-five years of experience in management consulting, claims that a lack of trust is the root cause of goal conflicts between departments. Engle strongly recommends that companies create cross-functional teams in order to build or restore a healthy mentality based on trust and collaboration among employees and managers (Engle, 2011). In a similar vein, Todd L. Pittinsky –the editor of "Crossing the Divide: Intergroup Leadership in a World of Difference" and an associate professor of technology and society at Stony Brook University – recommends that cross departmental meetings enable company departments to align their goals (Pittinsky, 2010).

This strategy might require Stratus Software to redirect some of its employees' time away from their deliverable assignments. However, the substantial benefits that cross-departmental meetings will deliver in terms of collaboration and transparency will far exceed this cost.

Conclusion and Recommendations

The above analysis provides Stratus Software with a number of guidelines for restoring trust in the workplace and generates the two following specific recommendations:

- Develop an intranet to inform employees about company events, affirm management's commitment to a transparent and accountable workplace, and encourage employees to give feedback about how to strengthen the company's culture.
- Form a cross-departmental committee that meets once a month in order to discuss departmental and company-wide events as well as promote transparency and collaboration.

These recommendations are both feasible and cost-effective and constitute the core strategy for restoring trust at Stratus Software. They will increase the company's transparency and contribute to the development of policies and practices that promote a trusting corporate culture. In addition, they will encourage employees to be involved in the company's operations and decision-making processes and facilitate more genuine online and face-to-face interactions between employees and management, which will further promote a culture of trust.

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