

Credibility Crisis: Leadership, Trust and Strategic Recognition in the Workplace

Leadership Is Changing

Today's business leaders find themselves in a unique position. While they have been the ones who see the big picture and set objectives for the business, the fragile, unprecedented post-recession economy adds extra challenges. The trust bond of the employee-leader contract has been undermined by actions required to survive the recession. Credibility is no longer a given, but is now earned in increments.

In truth, the traditional role of leadership was evolving before the recession hit. An expanding global marketplace — a real possibility even for small companies — transformed operations as new paths opened for business expansion. The coincidental emergence of virtual business tools eliminated the disadvantage of distance. Cross-functional, co-located teams became the new norm and collaborative decision-making is now standard practice. At the same time, a casual work environment promotes more frequent, less structured interaction and multiplies the need for consistent, transparent and genuine leaders.



Point of View

*Pension? **Lost.** Benefits? **Cut.**
Colleagues? **Gone.** Workload? **Crushing.***

Is it any wonder many employees now view their managers as the opposing team?

*Leaders say what they mean and follow through. Leaders inspire best in class performance. Leaders know what matters to their organizations and to their teams. The field of social psychology also tells us that people believe in leaders who, as experts Alexander Haslam, Stephen D. Reicher and Michael J. Platow write in *The New Psychology of Leadership: Identity, Influence and Power*, “Craft a sense of us.” (See <http://www.psyppress.com/the-new-psychology-of-leadership-9781841696102>).*

In most workplaces, there has been an unwritten contract between the employer and the employee: You give us your time and do your best, and we'll take care of you and your family, financially and with benefits. And when the economy plunged, employees looked to their leaders for reassurance and stability, which was — in many cases — unfortunately impossible. Cuts were made, promises broken, and the essential connections between the employee and the employer compromised. In the eyes of many employees, leaders failed to fulfill on the contract but, through it all, employees were asked to hold up their end of the bargain, whether out of faith or fear of unemployment.

Now is the time for strong managers to emerge and to reestablish that leaders and employees belong to the same “us” and share a common purpose. Regaining credibility will prove mission critical, if leaders are to reengage the workforce.

Organizations failing to rebuild their communities risk retention and performance challenges, as employees' options increase. Every organization's leaders must work not only towards rebuilding the book of business, but also the company infrastructure, including employee trust in the organization and in management, effectively leading to a new “us” and reigniting the drive of employees.

Strategic recognition is a powerful community-builder. Few other business tools can as clearly and effectively reach out to employees to say: you matter; we noticed how hard you worked, and we're going to get through this together.

“In the last 20 years, a new way of thinking about leadership has developed—an approach that views leadership as extremely complex and an approach that is much more focused on the followers,” according to Dr. Ronald Riggio (Leadership 101: How Leadership Has Changed in the Last Generation, *Psychology Today*, 3/17/10, <http://www.psychologytoday.com/blog/cutting-edge-leadership>, downloaded 8/20/10).

The recession helped undermine existing relationships between employees and leaders. Cutbacks, downsizing and layoffs left leaders unable to provide the reassurance and stability that an increasingly anxious workforce needed. Understandably, employees felt betrayed by the managers responsible for implementing the changes. The unwritten economic contract between employees and their leaders that began unraveling with layoffs from the mergers and acquisitions over the last 20-plus years was dealt a crushing blow by the recession, resulting in a work environment where seething mistrust of management became exacerbated.

As *Workforce Management's* Ed Frauenheim tells us,

Companies are missing the big picture these days when it comes to employee engagement. And if they don't widen the lens soon, firms could find themselves crippled in their efforts to claw out from the recession, abandoned by their best workers once hiring picks up and left behind in an emerging business era of greater transparency, interactivity and social responsibility...What's needed is a fundamental renewal of the relationship between firm and worker—a connection currently marred by mistrust and anxiety at many companies (Commitment Issues — Restoring Employee Engagement, *Workforce Management*, 11/16/09, pp. 20-25, www.workforce.com, downloaded 8/24/10).

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Rebuilding Trust Tops Post-Recession Agenda

Organizations must work to rebuild the trust that was further damaged by business decisions made during the recession. The payoff can be a rekindling of the fires of engagement that will provide the core for success going forward.

Research shows that employee engagement is built on trust and affects results:

- ★ Organizations with high engagement scores exceed their peers in nine areas of business performance, including customer loyalty, profits, productivity, quality, turnover and absenteeism. For instance, organizations with the highest engagement scores in Gallup's database have an 83 percent chance of achieving above-average business performance. By contrast, organizations at the lowest levels of engagement have a 17 percent chance (Garry Kranz, Employee Engagement: Workers Want Feedback — Even If It's Negative, *Workforce Management*, p. 10-11, Feb. 2010, www.workforce.com, downloaded 8/24/10).
- ★ A Gallup study published in August (2009) involving about 32,400 business units found that those in the top quartile of engagement had 18 percent higher productivity, 16 percent higher profitability and 49 percent fewer safety incidents compared with those in the bottom quartile on engagement (Commitment Issues — Restoring Employee Engagement, *Workforce Management*).
- ★ A May (2009) survey by Watson Wyatt of 1,300 workers at large U.S. employers found that engagement levels for top performers fell close to 25 percent year over year. Employees overall experienced a 9 percent drop in engagement year over year...(Laura) Sejen says the outsize plunge for high performers has to do with perceptions that firms have hurt themselves in the recession. Watson Wyatt found that 41 percent of employees overall believe that pay and benefit changes made by their employer in the past year have had a negative effect on work quality and customer service. Top performers in particular, Sejen says, “are passionate when they see an impact on quality or customer service” (Commitment Issues — Restoring Employee Engagement).

Organizations with high employee engagement exceed the competition, but the level of engagement has been undermined by changes in the work environment, mistrust and an uncertain economic future. As Hay Group's Mary Fontaine concludes, "The real thing leaders do is create environments that drive performance. Leaders engage and enable people. It's that simple, but it requires a shift of focus from solely outcomes, production numbers, and revenues to motivating people so they're passionate about helping the company achieve its goals" (Patricia O'Connell, How Companies Develop Great Leaders, *Bloomberg Businessweek*, 2/16/10, www.businessweek.com, downloaded 8/20/10).

Leaders Are the Linchpins

Leaders set the tone for environments that inspire or discourage employees. During the recession, they were often the conveyors of bad news. As much as they may have wanted to, they were often unable to reassure employees facing unpredictable economic challenges of their own. But times are changing and leaders have an opportunity to reignite the drive in over-stretched employees. They can do this by creating a community of "us" and showing they care about employees.

As Dan Mulhern tells us in his book, *Everyday Leadership: Getting Results in Business, Politics, and Life*, "If I am your boss, or your boss's boss, and I care about your purpose, dreams, and vision, I give you a reason to care about mine. This vital process creates the connection. And this connection forms the basis for strength in community, company, or family" (University of Michigan Press, 2007, p. 31).

In *The New Psychology of Leadership*, authors Haslam, Reicher and Platow, confirm the emerging need for a sense of community, stating that "to succeed, leaders need to create, champion, and embed a group identity in order to cultivate an understanding of 'us' of which they themselves are representative" (S. Alexander Haslam, Stephen Reicher and Michael Platow, *The New Psychology of Leadership: Identity, Influence and Power*, www.psypress.com, downloaded 8/16/10).

In a recent study, the Forum for People Performance Management and Measurement also calls for a dramatic new style of people-centered leadership based on the idea that leaders need to be more "genuinely concerned" about the quality of employees' lives and not just strictly focused on job performance and ROI, creating a closer relationship and sense of community connected to organizational objectives. (See "Leading in the New Age of Putting People First," www.performanceforum.org.)

The recession changed an already morphing view of the world of work. Stressed workers are finding they want more out of life than hanging on the edge, grateful to simply have a job.

Smart companies will realize that the best option is a win-win relationship with employees, rather than a one-sided attempt to squeeze them for all they're worth, says business consultant Laurie Bassi. In Bassi's view, globalization, demographic changes and other trends are pushing companies in the direction of more "reciprocal" relationships with workers, customers and other stakeholders. Employees, Bassi says, "are not going to give you the gift of their discretionary effort if you as an employer are not worthy of it" (Commitment Issues — Restoring Employee Engagement).

Recognition Reinforces Relationships

The recent recession required many workers to put forth extraordinary effort. Although they did it, they couldn't help feeling as though their work was not appreciated as they saw wave upon wave of cutbacks and expectations to do more with less. Workers want to feel "valued"— to know that their efforts matter.

While the responsibility for reconstituting the work contract is squarely on the shoulders of leaders, a well-designed and executed recognition and rewards program can help renew the leader-employee relationship. Recognition and rewards programs are visible ways to respond to workers' needs for more frequent feedback. "Positively reinforcing work well done brings satisfaction to both the manager and the employee" (Leanne Atwater and David Waldman, *Leadership, Feedback and the Open Communication Gap*, Lawrence Erlbaum Associates Taylor and Francis Group, 2008, NY, p.1). It lets employees know they are valued.



People don't walk away from companies that recognize their value and care about them. As noted earlier, many top performers are poised to jump to the next opportunity because they feel their companies have abandoned some of their "shared" values. Recognition and rewards can reconnect appreciation and loyalty within a company. Take the example of Sodexo, one of the world's largest employers with 355,000 workers in 80 countries:

With the help of consulting firm Hewitt Associates, Sodexo discovered that keys to higher engagement included employee recognition, more opportunities to communicate with senior leaders and more training opportunities. That led the firm to make a new set of commitments to employees, with the tag line "Your Future, So Sodexo." It includes this pledge: "We care about our employees in the same way that we care about our clients" (Commitment Issues — Restoring Employee Engagement).

Few other business tools so clearly let employees know that they do matter and that they are part of an organization that "will get through this together."

To be effective, the recognition and reward programs need to be designed to assure that they:

- Meet the needs of the target audience.
- Are clearly aligned to business goals.
- Include items that employees need and value.
- Are frequent, consistent and heartfelt to regain trust.

Leaders need not do this alone. Highly-skilled recognition professionals can help them create or modify programs to assure that they not only address specific business needs, but can also be measured for effectiveness.

Today's Successful Leader Is Different

Today's work environments are forever changed by a combination of societal forces, an increasingly global marketplace and the economic trauma of a global recession. They are characterized by:

- Fewer layers of decision makers.
- More collaboration.
- An increased focus on frontline workers.
- Age and cultural diversity.
- Disengaged top performers poised to leave at the first opportunity.
- Demographics, process changes and new philosophies that demand more frequent feedback.

According to Dr. Riggio, the "themes of the new wave of approaches to leadership" are:

1. **A Greater Focus on the Follower.** The successful leader is able to engage and motivate followers. There is shared, or at least consultative, decision making and followers are empowered to take on responsibility and act independently...Moreover, effective leaders recognize the individual strengths and needs of followers in order to allow each follower to maximize potential.
2. **Decentralized Decision Making/Empowered Followers.** Often speed of action is critical, so followers need to be empowered to act without direction from the leader...In all likelihood, followers have more accumulated knowledge about the team or organization's purpose than does the leader, so it makes sense to share the responsibility.
3. **Recognition of the Complexity of Leadership.** The increasingly interconnected and international world of the 21st century, the ever evolving technology, and the constantly changing environment, means that this is not your father's or mother's world...Today's world is fantastically complex and requires all of a leader's capacity, and the shared capacity of the team, to stay competitive and effective. Leaders must constantly engage followers, analyze complex situations, delegate, monitor, and motivate. It's a difficult job, but staying competitive requires this new form of leadership (Leadership 101: How Leadership Has Changed in the Last Generation).

Today's employees want certain qualities in the leaders they value. They are looking for leaders who:

- Are genuine.
- Really listen.
- Focus on people.
- Empower their followers.
- Make them feel valued or recognized in return.

Interest in a caring, upstanding, stable employer fits with broader cultural and economic trends. These include Generation Y's focus on meaningful, collaborative work, the growing importance of corporate social responsibility and increased expectations for transparency and interactivity in the age of Facebook and other "Web 2.0" Internet sites (Commitment Issues — Restoring Employee Engagement, *Workforce Management*).



The end result is that leaders must undertake new efforts to reconnect with employees to succeed in a world of slow economic recovery. Recognition and rewards are powerful tools that can help address the post-recession credibility crisis by making today's over-stressed workers once again feel valued.

- Recognition restores the importance of individual contribution.
- Recognition directly demonstrates that workers' efforts are valued and integral to success.
- Recognition validates a leader's understanding and appreciation of his/her team.
- Recognition can pave the way for the renewal of the trust bond between workers and their bosses, affirming a new brand of leadership and paving the way for better outcomes.