



## USE TRUST AS A PROXY FOR ORGANISATIONAL HEALTH

### A quick Trust test

A range of factors impact on organisational trust. Ultimately, it's about whether people feel they're able to make a contribution that is valued. Here are a few high-level questions you might pose in your organisation.

1. To what extent do people understand how their work links with the overall strategy and purpose of the organisation? Why not ask a range of people to explain how their roles fit?
2. Do people feel that colleagues 'live' trustworthiness. Trust may be an often used term, even listed as a Value, but is it truly lived in the organisation? Inviting anonymous responses might facilitate feedback and may also be more revealing than a conversation.
3. Are people able to get on with the job, within the reasonable constraints of your particular context, once expected outcomes are agreed? Implementing this may not be as risky as the naysayers might fear and even likely to contribute to innovation and productivity, on top of increasing general levels of trust.

### *An increased global focus on 'organisational culture'*

It's little surprise that organisational culture seems to be in the spotlight of senior management. In 2011, McKinsey's Scott Keller and Colin Price shared research findings showing that 'matched' organisations with a focus on organisational health *and* performance outperformed similar type organisations focusing largely on performance.

For example, a performance focus in one bank saw an 8% rise in profit per banker. A similar bank focused on both health and performance and delivered a 19% lift in profits per banker. Getting organisational health right has huge upside potential and it's often a lot more accessible than other options.

But organisational health alone can be a very good indicator of performance. For example, top quartile companies are 2.2 times more likely than those in the lowest quartile to have an above median EBITDA margin. They are 2 times more likely to have above median growth in enterprise book value. And, they're 1.5 times more likely to achieve above median growth in net income to sales.

Just how important is organisational health? Deloitte's Global Human Capital Trends 2015 report listed 'culture and engagement' as the biggest human capital challenge. The report also points out that *"the proportion of respondents citing culture and engagement as a 'very important issue' almost doubled...from 26% to 50%"*.

### *Is there a proxy for organisational health?*

Organisational culture and climate is only one of 9 dimensions of organisational health identified by Keller and Price. But, it's especially important thanks to a close association with most of the remaining 8 elements. For ease of access, the other elements of organisational health are: direction, leadership, accountability, coordination and control, capabilities, motivation, external orientation and innovation and learning.

Clearly, each element is important in its own right. Organisations should want to get a thorough understanding of how each plays out. Necessarily, this would involve polling quite different aspects in a fairly lengthy questionnaire. It might be reasonable to do this on a large scale annually or even every second year – the biggest challenge being finally knowing what to do to deliver improvements.

Is there another, easier way to assess organisational health? Is there a proxy for organisational health? At UGM Consulting we think there is. That proxy measure is Trust. Not the 'Kumbaya-style' of trust which causes executive eye-rolls! Rather, the evidence-based trust research of 'neuroeconomist' Dr Paul Zak. Zak used thousands of blood samples to show how oxytocin is implicated in trust.

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Zak's 'vampire economics' research has moved beyond university-based labs and students looking for pizza money. Willing corporates (among a wide range of other settings) have been part of the research. In some organisations he assessed oxytocin levels (via blood sample) and measured neural activity, as a means of getting objective data to place alongside the standard self-report surveys. The biological data backed up what trust questionnaires were revealing.

Compared with Low Trust organisations (LTOs) in the bottom quartile, High Trust organisations (HTOs) in the top quartile were 19% more productive and 22% more innovative. So, higher trust equates to improved performance. What of organisational health? The HTOs also recorded: 70% greater job satisfaction, 70% less chronic stress, 26% more joy at work, 33% fewer sick days, and their people reported having 28% more energy.

From an impressive catalogue of trust experiments, Zak showed that oxytocin increases the likelihood of people wanting to contribute. He identified a number of categories of management behaviour that have an impact on oxytocin production and/or other biologically-based behavioural triggers. In our usual style of synthesising and translating research into practice, UGM has modified most descriptors to better fit with language our clients use. By way of example, we map a few elements of our Organisational Trust Model (OTM) to the dimensions of Organisational Health (OH) developed by Keller and Price.

One OTM element is Alignment. Trust increases when everyone understands how their work contributes to the organisation's overall strategies. This links closely with OH 'Direction'. Coordination and control (OH) is aligned to a number of trust factors in the OTM including Flexibility (how people do their work) and Responsibility (letting people get on with the job and deliver agreed outcomes). Leadership (OH) fits with Authenticity (OTM) - managers are approachable and trustworthy. And, as a final example, Motivation (OH) maps across to Recognition (OTM) - acknowledging people's contribution in regular, small ways.

### *Using Trust as proxy for organisational health*

Measuring trust alone would miss many benefits of taking a detailed dive into organisational health. You'd want to ensure you do that occasionally. But, as a far less complicated measure, trust could be assessed a lot more regularly. That organisational trust also likely serves as a leading indicator of performance is a welcome bonus. Trust appears to be not only a useful organisational health and performance proxy but also an excellent replacement for traditional engagement surveys.