

Ending the Cycle of Leadership Mistrust

By Christopher Wilson,
Senior Consultant, Christopher Wilson & Associates &
Research Fellow, Centre on Governance, University of Ottawa

June 2009

Recently, the *Ottawa Citizen* ran a column entitled “Trust us on this”ⁱ written by Robert Sibley with assistance from David Mitchell of the Public Policy Forum. I was very appreciative that they raised the issue of an overall, system-wide lack of trust that has emerged as a distinguishing and worrisome feature of today’s economic recession. They suggested that in going into this recession, the leaders of today’s private, public and not-for-profit organizations do not enjoy the same degree of public confidence that leaders have in the past, making the climb out of this recession likely to be that much more difficult. However, in attempting to map a way forward, their analysis got it wrong.

Just think, for instance, of the shocks that have been faced almost simultaneously by the citizens of Detroit who have been devastated by the dual bankruptcies of GM and Chrysler, were sent reeling from the perjury and sex scandal that saw its mayor removed from office, and then lurching from the collapse of the city’s Board of Education. But for the grace of God go we ...! There, as elsewhere, leadership confidence, already at record low levels, is being battered daily. To whom, therefore, should citizens turn with an expectation that their trust will be rewarded? Sibley suggests that without this underlying confidence, any economic improvement will remain fragile -- at risk from even the smallest hint of insecurity.

But, while I agree this is an important issue, I do not believe trust is the basic problem – it is merely a side effect of a deeper dilemma. As I see it, the problem is our society’s misplaced and deeply ingrained assumption that *someone must be ‘in-charge’*.

It is an assumption that even corporate icons today are beginning to challenge, as Jeffrey Immelt did recently when he commented to the *Financial Times* on the success of his predecessor, Jack Welch, as CEO of General Electric in the 1990s. Immelt said that, “anyone could have run GE and done well in the 1990s. A dog could have run GE.”ⁱⁱ Why? Because there were so many good people in the middle of the organization that did the job of running and coordinating the company for him. Being in-charge was irrelevant. It was a figurehead position. A decade later the coordination challenge is even greater and the CEO even less in control. Again as Immelt sees it, “the most important thing is context. It’s how your company fits into the world and how you respond to it.” How does a CEO of a single organization hope to coordinate with the whole world?

This *someone must be in-charge* assumption proliferates throughout our public, private and civic institutions. It is a cornerstone of our management mythology that periodically a white knight swoops in to restructure and set right the great ship of organization. The current crisis of confidence challenges that view because it exposes the lack of influence that CEOs actually have. Concern arises not from what we know leaders actually did or did not do but from the difference between a) our over inflated expectations of them that were fuelled by their own hyped sense of importance; and b) our perceptions of their performance -- between what they promised to deliver and what we see them providing. Confidence is low because this

organizational performance gap is large, regardless of the influence leaders may really have on that performanceⁱⁱⁱ.

When things went well, as they did over the last decade, our leaders were quick to point out the impact of their wisdom and decisiveness. Now as fortunes fall, the chorus of leaders has changed its tune, suddenly claiming it's not them but the system that's been responsible all along. Having previously been persuaded of their crucial importance, we are now confronted with an overwhelming *organizational performance gap*.^{iv} They were in-charge and so they must be responsible.

But today's recession is the consequence of multiple policy and market decisions made in many places, many of which were well meaning in their intent. When combined, however, they created a house of cards which eventually collapsed last fall in a global cascade. It may be argued that these unintended consequences were beyond the ability of any individual leader to control so one should be cautious about falling prey to a leadership blame game. Yet if they didn't get us into the mess are they equally incapable of leading us out? Consequently, we should give ourselves pause to question not just these contradictory claims of individual leaders but also the assumptions and systems under which they have operated.

The *organizational performance gap* makes predicting outcomes from the interactions of institutions and leaders increasingly unreliable, especially for the outcomes that really matter to us. What is said and what is committed to can not be accepted at face value. This lack of predictability is what makes leaders 'untrustworthy' subsequently discouraging broader cooperation amongst or with them.

One could, for example, be a forest company partnering with the federal government to reduce green house gas emissions. As a company you meet your commonly agreed targets but see that the government not only fails to meet theirs but also fails to produce even a coherent strategy. Despite clear agreements among leaders, the requisite partnership is not generated. As a company you might feel taken advantage of but as a citizen you feel your leaders, both private and public, have become untrustworthy and unresponsive. Why should you do the socially cooperative thing and buy a premium-priced hybrid car when governments and corporations won't cooperate. The situation fuels cynicism, suspicion, ennui and apathy. All this Sibley and Mitchell recognize.

What Sibley and Mitchell fail to note, however, is that the *organizational performance gap* is not simply a matter of badly behaving leaders, but it is the product of a social culture (which Sibley and Mitchell both in fact subscribe to) that persistently encourages the fantasy that we are autonomous, rational actors. Let's face it, as human beings we stopped being purely autonomous, rational actors the moment we came out of the grasslands and forests to form groups, tribes and communities to share the burden of our survival and progress. As Robert Wright has written, the one discernable theme in human history is the story of increasing degrees of cooperation and the development of the non-zero sum logic that underpins it. It is such a distinguishing feature of our species, that we might more accurately be called the "social man", *homo congregatio*, than the more debatable "wise man", *homo sapiens*.

As social actors, we live and work together often unconsciously in a complex net of mutual exchanges and obligations that such cooperative arrangements demand. Yet despite this, we subscribe to organizational, social and political cultures that foster the values of independence and self-interest at the expense of all else. “Democracy ends here,” is the unwritten sign above the boss’ door. We have elevated the gospel of autocratic leadership in our organizations to the status of an incontestable while simultaneously minimizing the values and practices of human association that bind people together in common cause and that ensure appropriate balances are struck between people, work and society.

Consequently, we continuously encounter what John Platt^v and Bo Rothstein^{vi} have termed a ‘social traps’ wherein leaders acting rationally fail, not surprisingly, to produce cooperative results. What’s missing, and this is profoundly highlighted in today’s economic crisis, is our understanding of how to be together. While the global information economy has made us increasingly interdependent, our pursuit of self-interest has made us blind to the potential collective downsides of purely independent action – actions that are evident to any student of Economics 101. It is not by seizure or appropriation that economies prosper but by reciprocity and mutual exchange. “You get what you give,” my brother-in-law recently advised his teenage daughter as she undertook her first major business transaction -- selling her car.

What does it matter if the financial system crashes tomorrow if I can make a million dollars today? What we are discovering is that it matters a lot and to a lot of people. Relying too heavily on self-interest, our society remains stuck in an endless collective action problem, and its associated quandaries of cheating and shared resource depletion that are referred to technically as the “prisoners’ dilemma” or the “tragedy of the commons” respectively.

These tendencies exist because the requirement to work together creates incentives for *free-riding*. In other words, in situations where we need to work cooperatively we tend to defect, “let the other person do it”, rather than sharing in the costs and burdens ourselves. While the desire to minimize our contributions is absolutely in keeping with being rational actors, it is highly unproductive, even destructive, to expect something for nothing in a cooperative relationship or to take advantage of another’s cooperativeness^{vii}.

It is this attitude of letting ‘someone else do it’ that underlies our acceptance of the idea that ‘someone is in-charge’. If the leader is in charge, then we don’t have to be. If someone else is willing to make decisions then we don’t have to. It’s a convenient way of shirking our collective responsibilities. To put it another way, it is a form of entitlement to put off a shared responsibility to others; ‘they’ somehow owe us for the work we’ve done, for the taxes we’ve paid, for the slight we’ve experienced, for the special-ness we feel we somehow embody, or for just showing up.

Unfortunately, if *free-riding* becomes commonplace, the social ‘trap’ is that no one contributes to a common solution because everyone expects someone else to do it. This is the ‘tragedy of the commons’ and it is exemplified in:

- ◆ corporate cultures that reward managers for short term stock market gains at the expense of long term vitality (Enron);
- ◆ electorates that rush to cut taxes and then complain of poor public services; and

- ◆ the inability of the global community to secure nation state commitments, including Canada's, to help reduce GHG levels to avert further climate change.

These are major collective tragedies but they are created by large numbers of *free riding* individuals. They result from some people, organizations and countries winning in the short term but everyone losing in the long term and are the epitome of a collective action failure. In the end, according to Adam Smith, even the invisible hand of the market is not sustainable without the stability and social cooperation afforded by good governance and a strong associational life^{viii}.

There is somewhat of a cognitive dissonance present in our expectations of leaders to act like altruists and saints even though we choose them for their hard-nosed success as rational actors. Having placed these rational actors in positions of authority where they have an almost irresistible temptation to look after themselves first, we then become shocked when they do so. It's like putting a drug addict in charge of a drug store. Enron, the 'bailout parties' held in the fall of 2008 by Wall Street finance companies like AIG or the MP expense scandal currently wreaking havoc on the UK Parliament, demonstrate how irresistible this temptation can be. But what can one reasonably expect of ordinary people when the reward for pursuing one's own interest is so great in comparison to working for the interests of others? The question is not why so many leaders succumb to this temptation but why so many more do not!

Understandably most people believe that strangers are not cooperators, and so when entering into the possibility of cooperation they do so with suspicion, if at all. Then at the slightest hint of non-cooperation, they become uncooperative themselves seeking to gain advantage of others before being taken advantage of themselves. Getting out of this 'trap' is not easy. It requires shifts in organizational culture to help people extricate themselves from the biases they hold about working with others^{ix}. Such shifts are often supported by changes in internal and external incentives that have the effect of either encouraging cooperation or discouraging non-cooperation.

Internal incentives tend to strengthen the bonds between people and their willingness to cooperate and may include:

- ◆ attitudinal changes to values such as fairness, unselfishness and reciprocity;
- ◆ changes to behavioral norms, such as the co-location of partners to reduce the us-them antagonisms;
- ◆ an acceptance of mutual ownership in both the current problem and its potential solutions;
- ◆ the application of mechanisms of social learning, such as the encouragement of experimentation and the acceptance of error; and finally,
- ◆ changes that increase the level of moral contracting or other ethical promises, through things like joint public announcements.

Typically education and social capital development are seen as the primary routes for improving these internal incentives.

On the other hand, external incentives are aimed at improving the perception of the benefits of cooperation and / or the costs of non-cooperation and may include:

- ◆ increasing the risks associated with defection (including the risk of being detected);

- ◆ increasing the positive gap between the benefits and costs of cooperation (including reducing the uncertainty of those benefits / costs); and
- ◆ changing the social rules or institutional conditions that may levy additional penalties for non-cooperation, further increasing its costs (including clear threats of sanction).

While external incentives tend to focus on rules and punishments, other emphases are also possible, however.

For instance, the risk of detection and penalty can also be heightened by increasing the degree of informal monitoring (such as in the use of champions and facilitators); regular information exchanges; and strengthening inter-dependence through pooled funding or shared governance. These relationship building devices do contribute to social capital but they also have the effect of discouraging non-cooperation because of the reduction of uncertainty associated with partner behaviour and the added risk of detecting free-riding.

In recent years the demand for collaboration, partnership and other forms of cooperation has grown dramatically in direct response to the increasingly complex and chronic social problems that include health, education, poverty, economic development, climate change and many others. In fact, it is difficult to find any issue today of significance that does not require the involvement of some combination of stakeholders, governments, businesses, educators and / or voluntary organizations.

However, when these leaders come together in search of solutions and then act rationally, as they are often hired to do, they do not produce the collective outcomes that people expect. In fact, acting rationally can lead to completely irrational outcomes^x -- even to the most irrational outcome of harming of oneself or one's children, as seems likely on the climate change file. In complex environments where the systems of governance are highly distributed, the challenge of real collaboration will not met with a veneer of trustworthiness and transparency, as Sibley seems to suggest, but with different and pragmatic skill sets that allow each partner or stakeholder to benefit from shared contributions to a common solution. Trust then follows shared performance.

The response to the current lack of trust problem lies in closing the gap between the expectations of leaders as commanders and their required performance as collaborators. Given the limited degrees of freedom that are available to leaders to begin with, the call for more trustworthy leaders is really just empty rhetoric. Besides, framing the issue of declining trust due to poor organizational performance as being a leadership issue simply continues the cycle of shirking collective responsibility. If it's the leader's problem, then it doesn't have to be mine.

Fundamentally, trust is not the issue. We are trusting just fine for the *organizational performance gap* we experience. What is at fault is our assumption that we achieve social cooperation, primarily through the acts of individual leaders, rather than through the willing contributions of so called followers. No one is in-charge. As Harland Cleveland^{xi} has described, the corollary of this is that everyone is in-charge. In other words, it is not the scarcity of trustworthy leaders that is problematic, but the scarcity of people willing to act as leaders. Or better yet, it is the scarcity of people acting both as owners and stewards and who have learned the principles and practices of effectively working together.

The definition of trust proposed by Fukuyama and quoted by Sibley^{xii} is not helpful. I suggest that *trust is the subjective sense which we use to predict the behaviour of the world around us*. Such a definition draws on decades of work in the field of game theory and the writings of such people such as Axelrod, Rheingold, Ostrom and others. Trust is the complex sum of both subjective and objective inputs that inform us about possible futures. It provides us with a base level of certainty for acting into the future, which is, by definition, full of uncertainty and risk. Absent some degree of trust, we can only act for today. Our sense of trust is, therefore, one of our most important tools for guiding us into the future, for innovating, for evolving and generally for improving our lot together.

When this *sense of trust*^{xiii} is applied to people, it is informed by a variety of signals (mostly subjective) that bias our assessment of each other's future behaviour. For example, person A may interpret signals from person B based on:

- ◆ A's history of direct experience with person B;
- ◆ A's knowledge of person B's prior history and reputation, including both objective reports and gossip;
- ◆ Third party reports from "trusted sources" on person B; and
- ◆ A's cultural preferences for altruism, fairness, equity, reciprocity, or morality.

The net of this is that A produces an opinion of how B might perform in the future. Initially A may trust B but as A's opinion is informed by B's actions, that trust will either be confirmed or modified. B will become perceived as reliable or not. This is what makes trust is so fragile. Once trust in someone is shown as unreliable, that experience becomes an ongoing source of future uncertainty and unpredictability.

In the current context, our sense of trust in leaders and institutions seems to be functioning quite well. The incongruity of expectations and performance generates a sense that institutions and leaders are not predictable. Therefore they are seen as unreliable and so are less likely to serve our interests as well as we would like. Consequently, the reciprocal response is that we should begin acting more rationally and less cooperatively so as not to taken advantage of.

How do we end this cycle of leadership mistrust? Or more to the current requirement, how do we restore social confidence, in our economy, in our communities and in our collective ability to move forward into the future?

The simple answer is to close the *organizational performance gap*. But to do so in an environment of increasingly distributed governance means emphasizing a very different set of leadership skills than those that are currently being promoted by management gurus and business schools. What's needed are more of the familiar team skills -- facilitation, educating, networking, brokering, and conflict resolution. Peter Block suggests^{xiv} an entirely different leadership language based on the ideas of stewardship and service.

Good stewards are ultimately bridge builders and relationship mangers. Their principal task is to help to sustain the commitment that each employee, partner or collaborator may have to the shared work. These are the self-effacing insiders identified by Jim Collins^{xv} who put their companies ahead of themselves and focus on surrounding themselves with good people. In so doing, they nurture ongoing improvements in the organization by those same people. In contrast,

"bad leaders", according to Jeffrey Pfeffer, "can make a huge negative difference – because they drive [good] people out"^{xvi}.

As Benjamin Zander, conductor of the Boston Philharmonic, describes, the good steward, like a good conductor, does not appropriate power from others, but, "depends for his power on making other people powerful."^{xvii}

In as much as leaders require followers, stewards require owners. Making others powerful is not something that can be imposed, for it depends on individuals who are willing to shoulder the burden of owning their own condition and acting as the authors of their own future. Fostering that empowerment becomes the steward's critical task. Others can help, but the choice remains with those being empowered. Being confronted by a situation in which no person, leader or otherwise, can be expected to resolve on their own is often the first step towards generating this empowerment and shared ownership. If one recognizes that I can't do it alone, then just maybe I can do it with others. In fact, it is the foundational concept of any community.

However, such recognition only goes so far as getting people together and opening them to the possibility of change. It is not sufficient in itself to sustain collaboration. Working collaboratively is almost invariably an exercise in contingent cooperation^{xviii} and therefore to sustain it, the willingness of partners to cooperate must be continually reinforced while the potential for non-cooperation vigorously resisted. This is not effectively accomplished either through altruism or decree but through the application of a variety of mechanisms which can be applied heuristically as the need requires.

These inter-related mechanisms can be grouped into six basic families:

- ◆ possibility mechanisms, which reinforce the purpose and future towards which collaborators act;
- ◆ commitment mechanisms that encourage risk-reward sharing and elicit contributions in an environment of openness and transparency;
- ◆ social learning mechanisms, which encourage mutual understanding and permit partners to experiment, prototype and learn from each other;
- ◆ shared decision making mechanisms, that reinforce shared ownership and allow for dissent;
- ◆ mechanisms for joint action that coordinate and align the capacities of partners towards a common goal; and
- ◆ mechanisms of mutual accountability, monitoring, and evaluation, including mechanisms to jointly celebrate progress and success.

Applying these tools is not the task of a single fatherly figure acting for the good of all but rather, it is the responsibility of all those willing to participate authentically in a collaboration or partnership.

In the end, good stewardship is not limited to a single person or even to the same group of people if you consider a group over time. It is a collective attribute that reflects the status of participants as owners with interlocking obligations to each other and it ultimately gets embedded in the culture, customs and norms of their respective organizations. Everyone is in-charge.

“Large corporations are vast and complex entities, with customs and attitudes that are hard for any one leader to change. So why do we talk as if the CEOs are truly in charge...^{xix}” The cycle of leadership mistrust ends, not by whitewashing our faith in leaders as Sibley suggests, but in evolving a more mature confidence in ourselves as the principal actors in our own lives and organizations. Without enlivening this sense of shared ownership, good stewardship will remain elusive, and we will fail to make the collective commitments necessary to close the gap between our expectations of our organizations and the shared outcomes we observe.

ⁱ Sibley, Robert. “Trust us on this”, *The Ottawa Citizen*, April 11, 2009

ⁱⁱ Guerrera, Francesco. “A need to reconnect”, *Financial Times*, New York, March 12, 2009

ⁱⁱⁱ A study of "superstar CEOs", for instance, found that companies run by top executives who won awards from the business press between 1975 and 2002 consistently underperformed the market after their honor. Fox, Justin. “Are Today’s CEOs batting a Thousand?”, *Fortune*, October 20, 2006a

^{iv} Collingwood, Harris. “Do CEOs Matter?”, *The Atlantic*, June 2009: 54-60

^v Platt, John. “Social Traps”, *American Psychologist*, 28, 1973: 641-65

^{vi} Rothstein, Bo. *Social Traps and the Problem of Trust*, Cambridge University Press, Cambridge, UK, 2005

^{vii} Wilson, Christopher. “I Will if You Will: Facilitating Contingent Cooperation”, *Optimum Online*, Vol. 37, Issue 1, Apr 2007

^{viii} Smith, Adam. *The Theory of Moral Sentiments*. ed. by Sálvio M. Soares. MetaLibri, 2005, version 1.0

^{ix} Heath, Joseph. *The Efficient Society: Why Canada is as close to Utopia as it gets*, Penguin Canada, Toronto, ON, 2001

^x Ibid.

^{xi} Cleveland, Harlan. *Nobody in Charge*, Jossey-Bass, San Francisco, 2002

^{xii} “Trust is the expectation that arises within a community of regular, honest and co-operative behaviour, based on commonly shared norms, on the part of other members of that community.” Fukayama quoted in Sibley, 2009

^{xiii} I would suggest this sense of trust is on par with other non recognized senses such as balance, space, homeostasis, and others

^{xiv} Block, Peter. *Stewardship: Choosing Service Over Self-Interest*, Berrett-Koehler, San Francisco, 1993

^{xv} Collins, Jim. *How the Mighty Fall: And Why Some Companies Never Give In*, HarperCollins, 2009

^{xvi} Fox, Justin. “The Limited (but real) Impact of CEOs”, *Time Magazine*, October 20 2006b, accessed at http://curiouscapitalist.blogs.time.com/2006/10/20/the_limited_but_real_impact_of/

^{xvii} Zander, Benjamin. *Collaborative Leadership: Awakening Possibility in Others*, address to the World Economic Forum Annual Meeting, Davos, Switzerland, January 27, 2008,

^{xviii} Wilson, Christopher, 2007

^{xix} Fox, Justin. 2006b