



Employee Trust Contributes to Financial Health

By Mike Bailey and Shayne Kavanagh

Trust among the individuals who make up a local government is essential for the organization's financial sustainability. For example, imagine a budget analyst who has information that revenues might come in lower than the finance director forecasted. The sooner this information is widely known, the sooner the organization can begin to adjust. If the budget analyst trusts the finance director to accept that information in the spirit in which it is intended, and the finance director trusts the budget analyst's intentions, then the information is more likely to be shared sooner and acted upon. Trust is also critical across departmental boundaries. For example, if department heads trust their colleagues not to treat the budget as a zero-sum game, where some departments "win" and others "lose," then there will be more opportunities for cooperative behaviors that lead to more sustainable finances and great results for the community.

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Real trust among the government's leadership and workforce, between management and labor, and between policymakers and administrators (to name a few of the relationships where trust can be a factor) is needed to get the best results. However, trust is not a natural phenomenon found across most organizations. For example, an international survey of employees found that only 46 percent place "a great deal of trust" in their employers, and 15 percent report "very little" or "no trust at all."¹ One obvious cause of mistrust is the silo mentality that often characterizes divisions or departments — although this is just one cause. In working to improve results for its community, the City of Redmond, Washington, has learned that trust must be carefully and consciously developed and cultivated.

The city's efforts are based on the work of business management expert and author Patrick Lencioni.

HOW TRUST IMPROVES PERFORMANCE

Exhibit 1 shows exactly how building trust improves organizational performance. Real trust — which includes being able to presume others are equally interested in the best organizational outcomes — allows for honest conversations. Real trust enables constructive conflict, or what is often called "pushback." Saying "let me push back on

that presumption" allows people to examine alternatives without fear of reprisal or recriminations. This free exchange and debate of ideas brings additional perspectives into the conversation, helping people commit to decisions because they were able to express their perspectives, even if their arguments didn't prevail. Commitment helps reduce the risk of sabotage or a lack of support, and it leads to a willingness to be accountable for

results. Accountability can become a way to inject constructive assessments of how well the work of the organization is going. An organization-wide openness to accountability as a way to learn improves overall performance over time. The iterations of routinely assessing accountability and performance lead to improved results — and complete the trust-to-performance cycle.

Exhibit 1: How Building Trust Improves Organizational Performance



TAKING THE FIRST STEPS

Although trust is critical, it isn't a natural part of most organizations. Trust has to be developed, requiring thought as to what might work in your organization. First, you might consider if you need outside help; an external expert might be able to bring new perspectives or techniques, in addition to objectivity. Redmond has used consultants to introduce new

leadership approaches. In some cases, consultants have acted as coaches to help build confidence in trying out new techniques before using the new skill in front of peers. Redmond also used a consultant to facilitate using teamwork skills in emergency management planning. The consultant introduced new approaches, challenged city executives to perform at a higher level as a team, and provided feedback along the way. The result was a more cohesive emergency management plan and a more cohesive team.

Next, consider how it might be possible to communicate to your colleagues that you are going to work on improving internal working relationships as part of a larger plan to improve performance and financial sustainability. GFOA's new Financial Sustainability Framework (available at gfoa.org) is one example of a larger plan that emphasizes trust. Consider developing a timeline that will be realistic, given the steps involved.

Also, include an honest assessment of organizational commitment to this endeavor. An initiative of this sort requires leadership from the top of the organization. When leadership signals that it will be working to build trust within the organization, it will be challenged to demonstrate its willingness to see the process through. A superficial approach (sometimes known as window dressing) will not create real trust. Instead, the trust-to-performance journey will likely stall out.

PICKING UP THE PACE: PUTTING WORDS INTO ACTION

Once you've committed to building trust, you must determine how. First, leaders must build their own reputations as trustworthy individuals, including modeling the behaviors that create trust. As part of making a genuine commitment to creating a culture of trust, executives need to consider adopting an explicit leadership theory that focuses on trustworthy behaviors. For example, Redmond's internal leadership team follows the theory of "servant leadership," where the leader's purpose is helping other people perform at their best. Other leadership theories also emphasize the importance of trust-building behaviors, and adopting one creates a common language for talking about trust-building behaviors and a

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common understanding of how it will be done.

A leadership theory helps you "talk the talk." You also need to "walk the walk." Look for situations where trust could be threatened, where it might be easier for participants to retreat to their silos. Use these situations to model trust-building behaviors like encouraging honest conversation where various viewpoints can be

shared, a decision can be committed to, and accountability will be expected (including from leaders). A recent example in Redmond involves an initiative around inclusiveness (racial equity and social justice). The city started these conversations by acknowledging that this topic is sensitive and often very personal, and it can be difficult to discuss, let alone create a strategy around. Making that acknowledgment and taking a measured approach has enabled us to expose a variety of viewpoints that led to a much better overall outcome than the city could have expected otherwise. It was important to be clear about the culture we desired for our organization.

Second, beyond making themselves more trustworthy, leaders must create the conditions that help other stakeholders build trust with each other. For example, the budget is often seen as a win/lose proposition. Redmond is a "strong mayor" city, where the mayor is elected at large and is the chief executive officer of the city (much like a city manager). The mayor presents the recommended budget to the City Council. Leading up to the mayor's budget is the typical process of evaluating alternatives to help us fulfill our mission and achieve our goals. The mayor challenges the directors of the city's departments to collaborate and recommend the best budget for the city — a combination of all the trade-offs among departments that result in the best allocation of scarce resources across the wide variety of programs and initiatives the city pursues. The directors spend several days understanding the budget for the entire city (not just for their department) and debating the merits of all the proposals. A lot of give and take occurs — constructive conflict based on trust — and in the end, the directors recommend a balanced budget to the mayor. Once the mayor has this recommendation, all directors are committed to supporting it, as a team.

They've built a high level of knowledge about each other's programs and the reasons why certain decisions were made along the way. Once the budget is adopted, the directors have discussions about performance and hold each other accountable. In this way, the budget process is designed as a trust-building opportunity, rather a threat that reduces trust among departments. (Find out more about Redmond's budget process at redmond.gov/budget.)

The design of Redmond's budget process also helps build trust among departments in other ways. The budget is based on six priority areas created via council and community discussions in 2008. The process includes city staff on six teams, one for each budget priority, made up of four staff members from four different departments. The teams develop criteria around the preferred results for their priority areas — for example, the city's safety priority might be focusing on reducing the recurrence of accidents in high-traffic intersections. These criteria are included in the budget instructions the finance department provides for developing the next biennial budget. Once the budget proposals are completed, these teams meet with the staff members who are making the requests. They discuss the merit of the request, provide feedback to the requestors, and evaluate the feedback relative to requests made by other staff. The cross-department team recommends what to include in the city's final budget from each staff request. The requests are both ranked in order and scaled, or adjusted in amount to fit within the resources preliminarily allocated to that priority area. This effort requires open and honest conversations and assessments of the merits of the budget proposals. Part of the training provided to staff members who serve on these teams includes the trust-to-performance cycle described above. Redmond has now done five budgets using this approach, and the more than 100 city staff members who have been on these teams are much more informed about the overall budget and about how to work collaboratively across departments to meet challenging objectives than they were before.

Perhaps the best budget example is the number of collaborative budget proposals made by staff. Because the city's budget is based on priorities rather than divisions or departments, Redmond encourages staff members across the city to combine their budget proposals into logical units of service. For example, the Development Services budget includes staff and resources from the Planning, Fire, Public

Works, and Information Services departments. The council and public think of this as a single service (reviewing building plans, issuing permits, and inspecting construction). As a result, the multiple departments and divisions working together on this service are represented in one budget proposal. The city's judicial system includes a prosecutor, public defender, and interpreter services. Each service is in a different department, but they are included in one budget proposal. Developing these cross-organization budget proposals requires cooperation among all the parties, but their number has increased from one cross-departmental proposal in 2008 to a majority of the budget proposals in the most recent biennium.

Redmond's efforts to expand the "trust to performance" collaboration continue to spread across the city. The following are some examples:

- The city uses cross-departmental teams to evaluate proposals for use of the city's "innovation fund." This program allows staff members to request resources to try something new and innovative on a small scale. If it works, the idea can be scaled up, and it stands a good chance of getting funded in a subsequent budget. If it doesn't work, then we learned something by trying.
- A multi-departmental team created criteria and now evaluates proposals for significant technology investments. This team helps make sure that the city invests in technologies that will leverage and complement investments already made, and helps expand the perspective on how to prioritize these projects.
- Citywide communication efforts are guided by a cross-department team. This allows the city to effectively glean newsworthy items across the organization and to improve its consistency in messaging without a large communications staff.
- Redmond's "Organizational Excellence" efforts (a Lean process improvement program) are supported by staff members across departments. This team helps identify opportunities for process improvement, follows up on previous efforts, and advises with regard to training and other related needs.

In all of these cases, the teams provide an opportunity for staff from across the city to work together and build trust in ways that they might not otherwise.

EVALUATING YOUR TRUST-BUILDING EFFORTS

Though trust is intangible, building it still requires looking for ways to measure progress. Besides showing the organization if its efforts are paying off, evaluation also signals to others that trust-building is being taken seriously, that the organization's leadership wants to see real results, and that the organization will change course if it isn't getting those results. You might create milestones you hope the organization will reach. One method of evaluation would be to track tangible activities what would presumably help build trust. For example, has your organization's leadership completed a training course in your chosen leadership model?

You should also consider going beyond measuring just proximate causes of trust. This might include thinking about what would look different in your organization if a high level of trust existed. Consider teamwork, for instance. In organizations

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with low levels of trust, participating in something like Redmond's budget teams might be seen like a sort of punishment: having to give and receive feedback on budget requests could be a painful experience. In Redmond, serving on the teams is a positive experience, with people even volunteering for the opportunity. Hence, you could observe the effectiveness of your own trust-building efforts by seeing how readily staff members agree to serve on cross-functional teams. Search for areas where low trust might be impeding organizational performance and then

observe whether behaviors start to change in these areas.

Finally, you should look for improvement in "bottom line" indicators of performance. Are service efficiency, quality, and effectiveness improving? Greater trust helps people work together better, so if trust is being built in your organization, you should be able to observe it in these metrics. Of course, remember that building trust takes time — it may take months or years for the effects of greater trust to become obvious.

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CONCLUSIONS

Creating trust is a journey. Redmond isn't there yet, but we have seen much progress along the way. While there are setbacks (examples where trust wasn't respected or returned, examples of staff slipping back into a division or departmental mindset rather than considering the city as whole, etc.), these situations can also be learning opportunities. Overall, Redmond's officials are convinced that we are delivering higher value to our community for resources they've entrusted to us. This represents one of the city's most important outcomes — a high and sustainable return on the investment citizens have made in their local government. ■

Notes

1. Karyn Twaronite, "A Global Survey on the Ambiguous State of Employee Trust," *Harvard Business Review*, July 22, 2016.
2. It is based on a GFOA best practice, *Budgeting for Results and Outcomes* (available at gfoa.org).

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