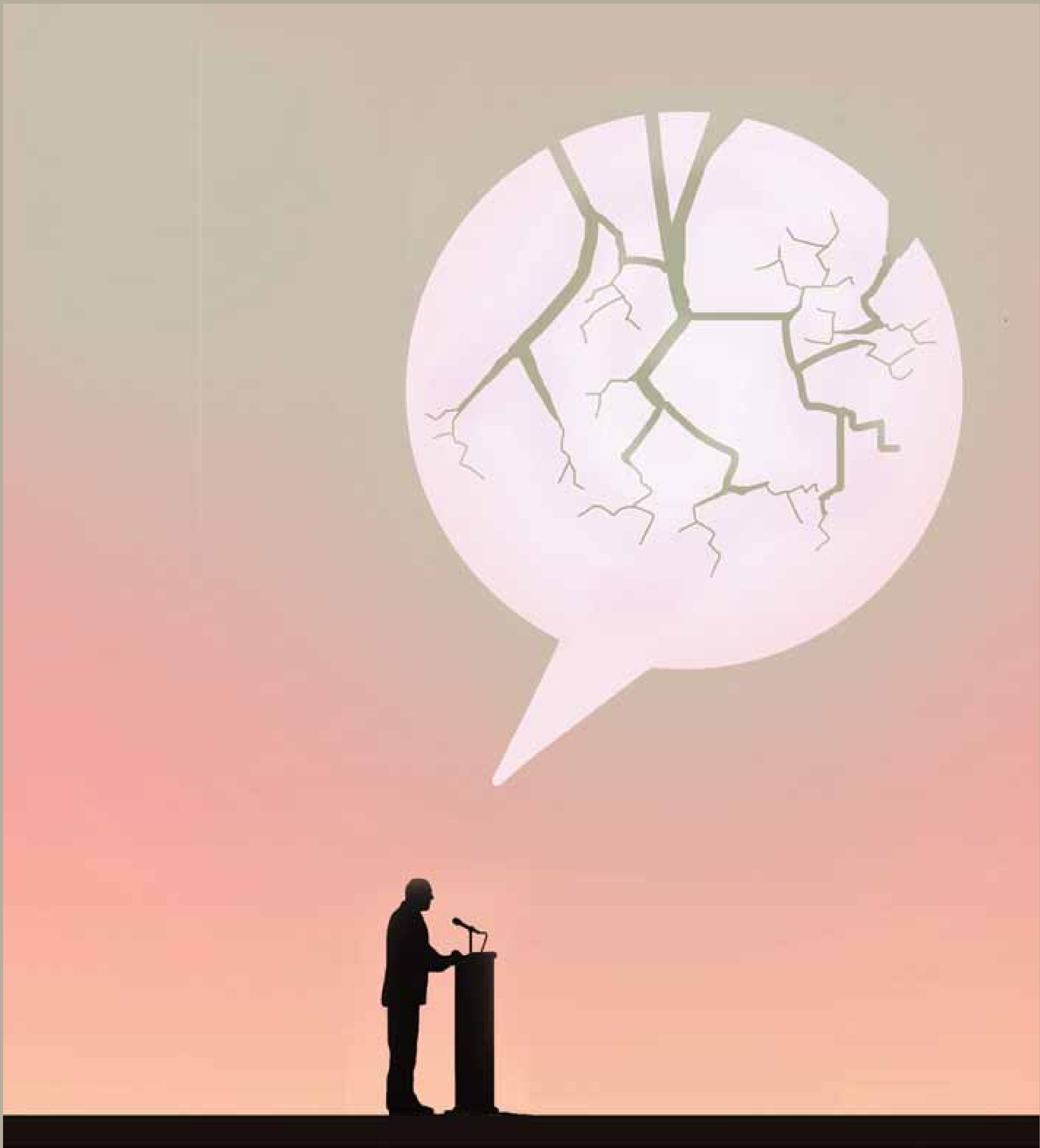

Building Trust through Integrity and Honesty

By Shayne Kavanagh

Trust is everything when it comes to maintaining a solid financial foundation for your community. People need to be able to believe what they hear about a local government's finances. They need to believe that local leaders have the community's best interest at heart. If people are to contribute resources to the local government, they need to trust those resources will be transformed into something of value.

Trust in public finance starts with trust in the finance office. To learn more about how finance officers can enhance their trustworthiness, GFOA surveyed the members of two large state/provincial GFOA associations.[1] We asked these members to identify other finance officers in their state/province that they thought were particularly trustworthy. We then did face-to-face interviews with the finance officers that received the most nominations. We sought to learn the behaviors they engaged in that helped them to build trust with others.

We then organized our findings into the five elements of trustworthiness suggested by the GFOA's Code of Ethics (www.gfoa.org/ethics), which is focused on enhancing the trustworthiness of the local government finance office. In this article, we will focus on the first of these five elements, integrity and honesty.

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MANAGE PUBLIC FINANCES HONESTLY AND TRANSPARENTLY

Given that you have decided to read an article about how to build trust, you are probably honest — although most other people probably aren't willing to simply assume that is so. In fact, only one-third of Americans think that most people can be trusted, compared to two-thirds in the 1970s.[2] The implication is that we have to prove that we are honest to most people. However, how we go about proving it matters. Psychological research shows that when we judge an extended experience with something or someone, we actually ignore most of the experience and base our judgment on a few "peak moments" — the high points, the low points, and transitions (i.e., beginnings and endings).[3]

In other words, a finance office that quietly goes about its work and keeps a low profile will probably not be seen as dishonest, but it will probably not be seen as particularly honest or trustworthy, either. What we learned from our interviews is that highly trusted finance officers were involved in high-profile and memorable events, which they handled in a way that bolstered their reputations.

One finance director established their reputation by taking a zero-tolerance policy toward unethical behavior. For instance, the director of another department had a car allowance but was also was charging gas to the local government's purchasing card. The finance director challenged this behavior, and the other director was ultimately terminated for it. In another example, a secretary in the finance office had become personal friends with the finance director. The secretary was later caught stealing office supplies, for which the finance director fired her. In both of these cases, the finance director had a reason to look the other way, or at least take a more compromising approach (i.e., avoid conflict with another department head, protect a friend). However, being uncompromising about doing the right thing in tough circumstances can make a big impression on others.

Making an impression doesn't necessarily have to involve heroically taking on corruption. Our interviews revealed a number of cases where owning up to a mistake increased trust. For example, one interviewee recalled his time as a middle-manager who oversaw utility billing. He was responsible for implementing a rate increase, but due to an oversight (for which he was partially to blame), a large segment of customers were not charged the correct rate for roughly one year. The interviewee immediately brought it to the attention of the chief executive, who then worked with the elected governing board to find a solution. At another local government, the checking account ran short of cash one day. The finance director could have blamed his subordinate for erring on the day's transfer of money, but instead took the blame himself. Both of these experiences proved to the chief executive that the finance officer was willing to hold himself accountable for his work and the work of his department.

Another experience that all finance officers have had or will have some day is delivering bad news. How it is delivered makes an impression. The participants in our interviews emphasized the following:

- **Be Prompt.** When you have useful information, share it. This will give your audience more time to act on what you've told them. Also, being the first to share the news means that you won't have to counteract a conflicting narrative your audience may have already heard. That said, if the information you have is speculative or otherwise questionable, it may be better to wait until you can solidify your information. Don't put yourself in the position of having to counteract misinformation that you, yourself, spread!

- **Be Straight.** Don't "sugarcoat" bad news to lessen the impact; it will cause a fallout later, when the situation proves worse than your audience was led to believe. Also, don't go the route of "doom and gloom," which can cause the audience to feel manipulated into overreacting.

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- **Provide Solutions.** Our interview participants emphasized that finance officers should not "drop problems in the lap" of chief executives or elected boards. Instead, they present a few good options for how to respond to the bad news.

To illustrate the points above, let's consider the experience of one of our interviewees, who was the chief financial officer (CFO) of a mid-sized city when he uncovered fraud occurring at the front counter of the finance office. Though the situation was very stressful, the CFO believed the the way he handled the situation ultimately contributed to his trustworthiness.

- **Be Prompt.** The CFO was worried that the discovery of fraud would reflect poorly on his management and was tempted to downplay the incident. He resisted this temptation and immediately reported his initial findings to the chief executive officer and the police department.
- **Be Straight.** When the CFO reported his findings, the verified theft totaled less than $5,000. He didn't "sugarcoat" the situation by suggesting that the damage was limited; instead, he made it clear that the investigation was still ongoing and that more fraudulent activity could still be discovered. The CFO was glad he was honest about this, as the investigation later uncovered a $46,000 fraud scheme.
- **Provide Solutions.** The CFO assisted the police department and district attorney's office with all aspects of the investigation, which resulted in a conviction and jail time for the perpetrator. The CFO then worked to optimize internal controls and implemented an annual fraud risk assessment to prevent future fraudulent activity. He has also publicly spoken about this experience to peers at professional conferences.

Another of our interviewees became the new CFO at the start of the 2007 Great Recession. This CFO believes that the way he handled the pressure on services and operations created by the economic downturn greatly increased the trust that people were willing to place in him:

- **Be Prompt.** The CFO gave regular and timely financial updates. He also produced long-term forecasts to provide decision makers with insight into future financial conditions.
- **Be Straight.** The CFO didn't just avoid both "sugarcoating" and "doom and gloom"; he also provided details on long-term in the revenues and on which revenues were decreasing the most, and why. This helped people better appreciate the need for tough decisions to balance the budget.
- **Provide Solutions.** The CFO helped develop a plan for a complete wage freeze that allowed the local government to avoid layoffs. He also helped develop and implement a new budget method to help the elected board prioritize which services were most important to preserve through the downturn.

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STRENGTHEN YOUR INTEGRITY BY STANDING FOR YOUR VALUES

Integrity can be defined as the integration of one's values within one's behavior. A number of our interviewees had personal value systems that helped them at work, and they were diverse. Here are examples from three interviewees:

- **A Strong Emphasis on Customer Service.** This interviewee's first job was for a private company that is well-known for customer service. He internalized this dedication to customer service and carried it with him to public service, where he understood the importance of developing the skills needed to deliver news the customer may not like hearing (including helping people find solutions), keeping his supervisors informed about what is going on (including being honest about mistakes), and taking advantage of "peak moments" to build trust.
- **A Commitment to Democratic Government.** This interviewee came to the United States as small child from a refugee family, and she feels a personal stake in maintaining the system of government that accepted her and her family. She believes that democratic government contributes to human lives, every day, and this belief has provided her with strong motivation to uphold the democratic system with utmost integrity and to provide honesty and transparency in public finances.
- **Follow a Defined Set of Principles.** Another interviewee asks three questions to differentiate ethical versus unethical behavior: 1) Is it illegal? 2) Is it immoral? and 3) Will anyone be hurt? These principles helped him when the appointed executive of a local government he worked for wanted to increase pension benefits without making the elected board fully aware of the long-term costs. According to the rules in place at the time, it wasn't illegal to suppress the information (i.e., bury it in the back of a report). However, the interviewee concluded that it would be immoral and would definitely hurt the long-term health of the community, so he fully disclosed the costs to the elected board.

These examples illustrate that, first, an effective set of values can come from many different sources. The examples also show that an effective set of values should resonate with you personally. In our first two cases, the values came from a formative experience in the interviewees' lives. In our third case, the interviewee was struck by the simplicity and usefulness of three rules, so adopted them as his personal guideposts.

Finally, standing for your values can also create "highpoint" experiences of the type we described in the first section of this article. In our third example, fully disclosing the long-term costs of the pension increase (despite the preferences of the chief executive) undoubtedly made a big impression. That the CFO still works for the same community today, while the chief executive does not, suggests that it was also a positive impression.

CONCLUSIONS

Integrity and honesty are one of the most important elements of building trust. This paper highlighted the following:

- **Take Advantage of High Points, Low Points, and Transitions to Build Trust.** The aphorism "trust takes years to build, and only minutes to destroy" is only half right. Trust does not necessarily take years to build. Instead, people form their judgements based on a small number of particularly memorable experiences. We saw examples of how a new CFO established a reputation for honesty through deft handling of a high-profile event very early in his tenure. We also saw how delivering bad news and owning up to mistakes — what we might otherwise consider low points — actually helped build trustworthy reputations.
- **Define Your Value System.** Having integrity requires having values that you live up to. If you can be clear about the values that drive you, living up to them will be easier. You might wish to consider whether the GFOA code of ethics could be helpful in defining values for your finance office.
- **Standing Up for Your Values Can Be a Highpoint.** We saw that sharing and being true to your values can make a big impression on others.

Notes

1. States and provinces have their own local GFOAs, in addition to the national GFOA.
2. General Social Survey, available at gss.norc.org.
3. Chip Heath and Dan Heath, *The Power of Moments: Why Certain Experiences Have Extraordinary Impact* (Simon and Schuster, 2017).

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