The One Thing That Changes Everything

There is one thing that is common to every individual, relationship, team, family, organization, nation, economy, and civilization throughout the world—one thing which, if removed, will destroy the most powerful government, the most successful business, the most thriving economy, the most influential leadership, the greatest friendship, the strongest character, the deepest love.

On the other hand, if developed and leveraged, that one thing has the potential to create unparalleled success and prosperity in every dimension of life. Yet, it is the least understood, most neglected, and most underestimated possibility of our time.

That one thing is trust.

Trust impacts us 24/7, 365 days a year. It undergirds and affects the quality of every relationship, every communication, every work project, every business venture, every effort in which we are engaged. It changes the quality of every present moment and alters the trajectory and outcome of every future moment of our lives—both personally and professionally.

Contrary to what most people believe, trust is not some soft, illusive quality that you either have or you don’t; rather, trust is a pragmatic, tangible, actionable asset that you can create—much faster than you probably think possible.

While corporate scandals, terrorist threats, office politics, and broken relationships have created low trust on almost every front, I contend that the ability to establish, grow, extend, and restore trust is not only vital to our personal and interpersonal well-being; it is *the* key leadership competency of the new global economy.

I am also convinced that in every situation, nothing is as fast as the speed of trust. And, contrary to popular belief, trust is something you *can* do something about. In fact, you can get good at creating it!

Nothing Is as Fast as the Speed of Trust

Speed happens when people…truly trust each other.

—EDWARD MARSHALL

If you're not fast, you're dead.

—JACK WELCH

I'll never forget an experience I had several years ago when I worked for a short stint with a major investment banking firm in New York City. We had just come out of a very exhausting meeting, during which it had become evident that there were serious internal trust issues. These issues were slowing things down and negatively affecting execution. The senior leader said to me privately, "These meetings are dysfunctional and a waste of time. I just don't trust 'Mike.' I don't trust 'Ellen.' In fact, I find it hard to trust anyone in this group."

I said, "Well, why don't you work on increasing trust?"

He turned to me and replied seriously, "Look, Stephen, you need to understand something. Either you have trust or you don't. We don't have it, and there's nothing we can do about it."

I strongly disagree. In fact, both my personal life and my work as a business practitioner over the past 20 years have convinced me that there is a *lot* we can do about it. We *can* increase trust—much faster than we might think—and doing so will have a huge impact, both in the quality of our lives and in the results we're able to achieve.

You can have all the facts and figures, all the supporting evidence, all the endorsement that you want, but if you don't command trust, you won't get anywhere.

—NAILL FITZGERALD, FORMER CHAIRMAN, UNILEVER

Trust Issues Affect Everyone

As I speak to audiences around the world about the Speed of Trust, I repeatedly hear expressions of frustration and discouragement such as these:

I can't stand the politics at work. I feel sabotaged by my peers. It seems like everyone is out for himself and will do anything to get ahead.

I've really been burned in the past. How can I ever trust anyone enough to have a real relationship?

I work in an organization that's bogged down with bureaucracy. It takes forever to get anything done. I have to get authorization to buy a pencil!

The older my children get, the less they listen to me. What can I do?

I feel like my contributions at work are hardly ever recognized or valued.

I foolishly violated the trust of someone who was supremely important to me. If I could hit "rewind" and make the decision differently, I would do it in a heartbeat. But I can't. Will I ever be able to rebuild the relationship?

I have to walk on eggshells at work. If I say what I really think, I'll get fired…or at least made irrelevant.

My boss micromanages me and everyone else at work. He treats us all like we can't be trusted.

With all the scandals, corruption, and ethical violations in our society today, I feel like someone has pulled the rug out from under me. I don't know what—or who—to trust anymore.

So what do you do if you're in a situation like one of these—or in any situation where a lack of trust creates politics and bureaucracy, or simply slows things down? Do you merely accept this as the cost of doing business? Or can you do something to counteract or even reverse it?

I affirm that you *can* do something about it. In fact, by learning how to establish, grow, extend, and restore trust, you can positively and significantly alter the trajectory of this and every future moment of your life.

Technique and technology are important, but adding trust is the issue of the decade.

—TOM PETERS, BUSINESS AUTHOR

Getting a Handle on Trust

So what is trust? Rather than giving a complex definition, I prefer to use the words of Jack Welch, former CEO of General Electric. He said, "[Y]ou know it when you feel it."

Simply put, trust means *confidence.* The opposite of trust—distrust—is *suspicion.* When you trust people, you have confidence in them—in their integrity and in their abilities. When you distrust people, you are suspicious of them—of their integrity, their agenda, their capabilities, or their track record. It's that simple. We have all had experiences that validate the difference between relationships that are built on trust and those that are not. These experiences clearly tell us the difference is not small; it is dramatic.

Take a minute right now and think of a person with whom you have a high trust relationship—perhaps a boss, coworker, customer, spouse, parent, sibling, child, or friend. Describe this relationship. What's it like? How does it feel? How well do you communicate? How quickly can you get things done? How much do you enjoy this relationship?

Now think of a person with whom you have a low-trust relationship. Again, this person could be anyone at work or at home. Describe this relationship. What's it like? How does it feel? How is the communication? Does it flow quickly and freely…or do you feel like you're constantly walking on land mines and being misunderstood? Do you work together to get things done quickly…or does it take a disproportionate amount of time and energy to finally reach agreement and execution? Do you enjoy this relationship…or do you find it tedious, cumbersome, and draining?

The difference between a high- and low-trust relationship is palpable!

Take communication. In a high-trust relationship, you can say the wrong thing, and people will still get your meaning. In a low-trust relationship, you can be very measured, even precise, and they'll still misinterpret you.

Can you even begin to imagine the difference it would make if you were able to increase the amount of trust in the important personal and professional relationships in your life?

> *You can't have success without trust. The word trust embodies almost everything you can strive for that will help you to succeed. You tell me any human relationship that works without trust, whether it is a marriage or a friendship or a social interaction; in the long run, the same thing is true about business, especially businesses that deal with the public.*
>
> —JIM BURKE, FORMER CHAIRMAN AND CEO, JOHNSON & JOHNSON

The Crucible

One of the most formative experiences I've had personally in increasing trust occurred several years ago as a result of the merger between Franklin Quest and Covey Leadership Center to form FranklinCovey Company. As anyone who has ever been through a merger or an acquisition will know, these things are never easy. The merged company had terrific strengths. We had great people, superb content, loyal clients, and productive tools. But the blending of the two cultures was proving to be enormously challenging.

As president of the Training and Education business unit, I had traveled to Washington, D.C., to address about a third of our consultants on the topic of our division's strategy. But a meeting that should have had me looking forward with anticipation literally had my stomach churning.

Several weeks before, the company's new CEO—frustrated (as we all were) with the enormous problems and friction that had beset what had seemed to be a promising merger—had scheduled a meeting of all the consultants in the company. In an effort to "get out" everyone's concerns, he had created a format in which we, as leaders, were to listen, but could not respond, to anything anyone wanted to say. The meeting, scheduled to last four hours, turned into a 10-hour "dump" session. With no one allowed to amend, correct, give context, supply missing information, discuss the other side of the issues, or even show the dilemmas involved, only a small percentage of what was said had real contextual accuracy. Most was misinterpreted, manipulated, or twisted, and some of it was flat-out wrong. There were assumptions, suspicions, accusations, frustrations. And, as leaders, we had reluctantly agreed to a format in which we weren't permitted to say a word.

In the end, we'd had over a dozen such meetings. The whole experience had been brutal, and, with my position of leadership, I had taken it all personally. Having had some experience on Wall Street, I knew mergers were usually hard, but I had thought we could do what needed to be done to make this one work.

The problem was that I had assumed far too much. Mistakenly, I had failed to focus on establishing trust with the newly merged company, believing that my reputation and credibility would already be known. But they weren't, and, as a result, half the people trusted me and the other half didn't. And it was pretty much divided right down Covey or Franklin "party" lines. Those from the Covey side who knew me and had worked with me basically saw my decisions as a sincere effort to use objective, external criteria in every decision and to do what was best for the business—not to try to push a "Covey" agenda…in fact, sometimes even bending over backward to avoid it. Those who didn't know me, hadn't worked with me, and didn't trust me interpreted every decision in the exact opposite manner.

In one case, for example, a question had come up concerning the use of the Sundance Resort for one of our leadership development programs. Sundance had been somewhat hard to work with, and some felt we should move the program to another venue. The program director strongly wanted to keep it at Sundance because clients loved the location, and the financial data showed that we were averaging nearly 40 percent more revenue per program held there compared to other venues. I said, "Because the economics are better and the program director strongly recommends that we keep it there, we'll find better ways to work with Sundance." That was an example of a solid business decision I assumed people would understand.

But those who didn't trust me didn't understand. They thought I was trying to push a "Covey" approach. Some even wondered if I was getting some kind of kickback because, as a community leader, I had been asked to serve in an unpaid role on the advisory board for the Sundance Children's Theater. Many suspected my motive. Because there was such low trust, the feeling was, "There's got to be some kind of hidden agenda going on here."

> *The moment there is suspicion about a person's motives, everything he does becomes tainted.*
>
> —MAHATMA GANDHI

In another situation, I had made the decision to move "Ron," an extremely talented leader who had come from the Covey side into a different position because, like many of us, he had gotten caught in merger politics and had polarized the two camps. I had decided to go outside the organization for Ron's replacement so that there would be no perception that the new manager was a "Covey" person or a "Franklin" person.

When I made this announcement, I thought people would be excited by my attempt to bring in new talent. But among those who didn't trust me, no one even heard the part about bringing in someone from the outside to replace Ron as manager; all they heard was that he was still in the company, and they wanted him gone.

Time after time, my actions had been misinterpreted and my motives questioned, even though I had involved both Covey and Franklin camps in making decisions. As you might imagine, some who had no idea of my track record and results had assumed that the only reason I was in my position of leadership was simply that I was StephenR. Covey's son and that I had no credibility on my own.

As a result of all this, I'd had to make decisions much more slowly. I tried to project how every decision would be interpreted by each of the cultures. I began to worry about baggage and risk. I started playing a political game that I'd never played before—one that I never*had* to play before, because it had never been part of who I was.

As I thought about everything that had transpired, I came to the realization that if I didn't take the tough issues head-on, the current situation would simply perpetuate itself—probably even get worse. My every decision would be second-guessed and politicized. Getting anything done would be like trying to move through molasses. We were facing increasing bureaucracy, politics, and disengagement. This was wasting enormous amounts of time, energy, and money. The cost was significant.

Besides, I thought, given how badly things were going, what did I have to lose?

So when I walked into the consultant meeting that day in Washington, D.C., I basically said, "Look, we're at this meeting to talk about strategy. And if that's what you want to talk about, that's what we'll talk about. But if you would rather talk about the merger issues that are really on your minds, we'll talk about those. We'll talk about any of the tough questions you have: Who's staying and who's going? Who's making what decisions? What criteria are being used? Why aren't we more informed? What if we don't trust those making the decisions? What if we don't trust you, Stephen, to make some of these decisions?"

At first, people were stunned that I would bring up these difficult issues, including their perception of me. Many were also wondering what my real agenda was. But they soon realized that I wasn't hiding anything. I was being transparent and candid. They could tell I genuinely wanted to open things up. As the meeting progressed, they could see that I wasn't operating from any hidden agenda; I was sincerely trying to do what was right for the business.

As it turned out, the scheduled one-hour strategy meeting turned into a full day's discussion of their concerns: Whose buildings were we going to use? Which compensation plan would we adapt? Whose sales model would we use? Are you, Stephen, really competent to make these decisions? What is your track record? What are your criteria?

I openly acknowledged that these were challenging issues. I candidly shared the thinking and rationale behind the decisions and the process by which they were made, or were being made. I shared all the data I could share, and if I couldn't share it, I explained why. I listened and sought to understand their concerns. Based on their recommendations, I made several commitments around improvements.

At the end of the day, there was a renewed feeling of hope and excitement. One participant told me that I had established more trust in one day than I had in the prior several months. More than anything else, I realized, it was a starting place, an acknowledgment of the value of our transparent communication. I also realized that the real test, however, would be on how I followed through. At least now, people could see my behavior through new eyes, not tainted by the lens of low trust.

Word from this meeting spread, and within the next few months, I was able to meet with the other consultants and go through the same process with the same results. I followed a similar course with other groups and divisions. In a very short period of time, we were able to establish trust with our entire business unit. As far as my unit was concerned, this increased trust dramatically changed everything. We were able to increase speed, lower cost, and improve results in all areas.

Though I eventually left FranklinCovey to start my own company and write this book, I am happy to report that they have weathered the storms created by the merger and are now doing very well. On a personal basis, the whole experience helped me to understand trust far more clearly than in premerger times when trust was high and things were good.

First, I learned that I had assumed way too much. I assumed I had trust with people, when in fact I didn't. I assumed that people were aware of my track record and Covey Leadership Center's track record, which they were not. I assumed that because I was teeing up the tough issues in my private meetings and making decisions based on objective business criteria, this was being reported down line, but it was not.

I also learned that I had been politically naïve. Yes, I made mistakes. But I didn't make the mistakes I was being accused of making. The most significant mistake I made was in not being more proactive in establishing and increasing trust. As a result, I experienced firsthand both the social and the hard, bottom-line economic consequences of low trust.

In addition, I learned that trust truly does change everything. Once you create trust—genuine character- and competence-based trust—almost everything else falls into place.

A Crisis of Trust

You don't need to look far to realize that, as a global society, we have a crisis of trust on our hands. Consider recent newspaper headlines:

- "Employees' New Motto: Trust No One"
- "Companies Urged to Rebuild Trust"
- "Both Sides Betray the Other's Trust"
- "20 NYSE Traders Indicted"
- "Ethics Must Be Strengthened to Rebuild People's Trust"
- "Relationships Fall Apart as Trust Dwindles"
- "Now Who Do You Trust?"

News headlines reveal the symptoms of the compelling truth: Low trust is everywhere. It permeates our global society, our marketplace, our organizations, our relationships, our personal lives. It breeds suspicion and cynicism, which become self-perpetuating, resulting in a costly, downward cycle.

Consider our society at large. Trust in almost every societal institution (government, media, business, health care, churches, political parties, etc.) is significantly lower than a generation ago, and in many cases, sits at historic lows. In the United States, for example, a 2005 Harris poll revealed that only 22% of those surveyed tend to trust the media, only 8% trust political parties, only 27% trust the government, and only 12% trust big companies.

Perhaps even more telling is the loss of trust with regard to people trusting other people. A recent survey conducted by British sociologist David Halpern reveals that only 34% of Americans believe that other people can be trusted. In Latin America, the number is only 23%, and in Africa, the figure is 18%. Halpern's research also shows that four decades ago in Great Britain, 60% of the population believed other people could be trusted; today, it's down to 29%.

The "good" news of this study—relatively speaking—is that 68% of Scandinavians (Denmark, Sweden, and Norway) and 60% of the people in the Netherlands believe others can be trusted, indicating that there are some higher-trust societies. And Mexico's figure—though a low 31%—is up from 1983's 19%, which indicates that it is possible to increase societal trust.

> *Whether you're on a sports team, in an office or a member of a family, if you can't trust one another there's going to be trouble.*
>
> —JOEPATERNO,HEAD FOOTBALL COACH , PENNSTATEUNIVERSITY

On the organizational level, trust within companies has also sharply declined. Just look at what the research shows:

- Only 51% of employees have trust and confidence in senior management.
- Only 36% of employees believe their leaders act with honesty and integrity.
- Over the past 12 months, 76% of employees have observed illegal or unethical conduct on the job—conduct which, if exposed, would seriously violate the public trust.

What about trust at the personal relationship level? While this naturally varies with regard to particular relationships, trust is a major issue for most people in at least some relationships (and too often with their most significant relationships, such as with a boss or coworker or a spouse or child at home).

Consider the following:

- The number one reason people leave their jobs is a bad relationship with their boss.
- One out of every two marriages ends in divorce.

Relationships of all kinds are built on and sustained by trust. They can also be broken and destroyed by lack of trust. Try to imagine any meaningful relationship without trust. In fact, low trust is the very definition of a bad relationship.

What about trust at the individual level? Consider the percentage of students who acknowledged that they cheated in order to improve their odds of getting into graduate school.

- Liberal arts students—43%
- Education students—52%
- Medical students—63%
- Law students—63%
- Business students—75%

How does it make you feel to know that there's more than a 50% chance that the doctor who's going to perform surgery on you cheated in school? Or a 75% chance that the company you're going to work for is being led by someone who didn't consider honesty important?

Recently, when I presented this data to a group of attorneys, they were thrilled to find out that they were not in last place! And they chided me because—with my MBA—I was! (It didn't help when I further pointed out that 76% of MBAs were willing to understate expenses that cut into their profits, and that convicts in minimum-security prisons scored as high as MBA students on their ethical dilemma exams.)

Talk about a crisis of trust!

Society, organizations, and relationships aside, there's an even more fundamental and powerful dimension to self trust. Often, we make commitments to ourselves—such as setting goals or making New Year's resolutions—that we fail to fulfill. As a result, we come to feel that we can't even fully trust ourselves. If we can't trust ourselves, we'll have a hard time trusting others. This personal incongruence is often the source of our suspicions of others. As my father has often said, we judge ourselves by our intentions and others by their behavior. This is why, as we'll discuss later, one of the fastest ways to restore trust is to make and keep commitments—even very small commitments—to ourselves and to others.

Truly, we are in a crisis of trust. It affects us on all levels—societal, institutional, organizational, relational, and personal—and it has a perpetuating effect. While many of us may be fairly resilient, with each new violation of trust or corporate scandal, we tend to recover a little more slowly. We wonder what else is out there. We become increasingly suspicious of other people. We begin to project the behavior of the few upon the many, and we are paying for it dearly.

> *Every time one of these high-level and deep-seated incidents [scandals] is uncovered, the American public trusts a little bit less. We just don't bounce back as fast.*
>
> —ROBERTECKERT, CEO, MATTEL

The Economics of Trust

A cynic might ask, "So what? Is trust really more than a nice-to-have social virtue, a so-called hygiene factor? Can you measurably illustrate that trust is a hard-edged economic driver?" I intend to answer these questions emphatically in this book by clearly demonstrating the strong business case for trust.

Here's a simple formula that will enable you to take trust from an intangible and unquantifiable variable to an indispensable factor that is both tangible and quantifiable. The formula is based on this critical insight: Trust always affects two outcomes—speed and cost. When trust goes down, speed will also go down and costs will go up.

$\downarrow$ Trust = $\downarrow$ Speed $\uparrow$ Cost

When trust goes up, speed will also go up and costs will go down.

↑ Trust = ↑ Speed ↓ Cost

It's that simple, that real, that predictable. Let me share a couple of examples.

Immediately following the 9/11 terrorist attacks, our trust in flying in the U.S. went down dramatically. We recognized that there were terrorists bent on harming us, and that our system of ensuring passenger safety was not as strong as it needed to be.

Prior to 9/11, I used to arrive at my home airport approximately half an hour before takeoff, and I was quickly able to go through security. But after 9/11, more robust procedures and systems were put in place to increase safety and trust in flying. While these procedures have had their desired effect, now it takes me longer and costs me more to travel. I generally arrive an hour and a half before a domestic flight and two to three hours before an international flight to make sure I have enough time to clear security. I also pay a new 9/11 security tax with every ticket I buy. So, as trust went down, speed also went down and cost went up.

Recently, I flew out of a major city in a high-risk area in the Middle East. For geopolitical reasons, the trust in that region was extremely low. I had to arrive at the airport four hours before my flight. I went through several screenings, and my bag was unpacked and searched multiple times by multiple people. And every other passenger was treated the same.

Clearly, extra security measures were necessary, and in this instance I was grateful for them, but the point remains the same: Because trust was low, speed went down and cost went up.

Our distrust is very expensive.

—RALPHWALDOEMERSON

Consider another example. The Sarbanes-Oxley Act was passed in the U.S. in response to the Enron, WorldCom, and other corporate scandals. While it appears that Sarbanes-Oxley may be having a positive effect in improving or at least sustaining trust in the public markets, it is also clear that this has come at a substantial price. Ask any CEO, CFO, or financial person in a company subject to Sarbanes-Oxley rules about the amount of time it takes to follow its regulations, as well as the added cost of doing so. It's enormous on both fronts. In fact, a recent study pegged the costs of implementing one section alone at $35 billion—exceeding the original SEC estimate by 28 times! Compliance regulations have become a prosthesis for the lack of trust—and a slow-moving and costly prosthesis at that. Again, we come back to the key learning: When trust is low, speed goes down and cost goes up.

> *When you break the big laws, you do not get liberty; you do not even get anarchy. You get the small laws.*
>
> —G. K. CHESTERTON, BRITISH AUTHOR

On the other hand, when trust is high, speed goes up and cost goes down. Consider the example of Warren Buffett—CEO of Berkshire Hathaway (and generally considered one of the most trusted leaders in the world)—who recently completed a major acquisition of McLane Distribution (a $23 billion company) from Wal-Mart. As public companies, both Berkshire Hathaway and Wal-Mart are subject to all kinds of market and regulatory scrutiny. Typically, a merger of this size would take several months to complete and cost several million dollars to pay for accountants, auditors, and attorneys to verify and validate all kinds of information. But in this instance, because both parties operated with high trust, the deal was made with one two-hour meeting and a handshake. In less than a month, it was completed.

In a management letter that accompanied his 2004 annual report, Warren Buffett wrote: "We did no 'due diligence.' We knew everything would be exactly as Wal-Mart said it would be—and it was." Imagine—less than one month (instead of six months or longer), and no "due diligence" costs (instead of the millions typically spent)! High trust, high speed, low cost.

> *The world is changing very fast. Big will not beat small anymore. It will be the fast beating the slow.*
>
> —RUPERTMURDOCH, CHAIRMAN ANDCEO, NEWSCORPORATION

Consider the example of another legendary leader, Herb Kelleher, chairman and former CEO of Southwest Airlines. In Robert K. Cooper and Ayman Sawaf's book,*Executive EQ,* the authors share a remarkable story. Walking down the hall one day, Gary Barron—then executive vice president of the $700 million maintenance organization for all Southwest—presented a three-page summary memo to Kelleher outlining a proposal for a massive reorganization. On the spot, Kelleher read the memo. He asked one question, to which Baron responded that he shared the concern and was dealing with it. Kelleher then replied, "Then it's fine by me. Go ahead." The whole interaction took about four minutes.

Not only was Kelleher a trusted leader, he also extended trust to others. He trusted Barron's character and his competence. And because he trusted that Barron knew what he was doing, the company could move with incredible speed.

Here's another example on a much smaller scale. "Jim," a vendor in New York City, set up shop and sold donuts and coffee to passersby as they went in and out of their office buildings. During the breakfast and lunch hours, Jim always had long lines of customers waiting. He noticed that the wait time discouraged many customers who left and went elsewhere. He also noticed that, as he was a one-man show, the biggest bottleneck preventing him from selling more donuts and coffee was the disproportionate amount of time it took to make change for his customers.

Finally, Jim simply put a small basket on the side of his stand filled with dollar bills and coins, trusting his customers to make their own change. Now you might think that customers would accidentally count wrong or intentionally take extra quarters from the basket, but what Jim found was the opposite: Most customers responded by being completely honest, often leaving him larger-than-normal tips. Also, he was able to move customers through at twice the pace because he didn't have to make change. In addition, he found that his customers liked being trusted and kept coming back. By extending trust in this way, Jim was able to double his revenues without adding any new cost.

Again, when trust is low, speed goes down and cost goes up. When trust is high, speed goes up and cost goes down.

Transcendent values like trust and integrity literally translate into revenue, profits and prosperity.

—PATRICIA ABURDENE, AUTHOR OF *MEGATRENDS 2010*

Recently, as I was teaching this concept, a CFO—who deals with numbers all the time—came up to me and said, “This is fascinating! I’ve always seen trust as a nice thing to have, but I never, ever, thought of it in terms of its impact on economics and speed. Now that you’ve pointed it out, I can see it everywhere I turn.

“For example, we have one supplier in whom we have complete trust. Everything happens fast with this group, and the relationship hardly costs us anything to maintain. But with another supplier, we have very little trust. It takes forever to get anything done, and it costs us a lot of time and effort to support the relationship. And that’s costing us money—too much money!”

This CFO was amazed when everything suddenly fell into place in his mind. Even though he was a “numbers” guy, he had not connected the dots with regard to trust. Once he saw it, everything suddenly made sense. He could immediately see how trust was affecting everything in the organization, and how robust and powerful the idea of the relationship between trust, speed, and cost was for analyzing what was happening in his business and for taking steps to significantly increase profitable growth.

I know of leading organizations who ask their employees directly the following simple question in formal, 360-degree feedback processes: “*Do you trust your boss?*” These companies have learned that the answer to this one question is more predictive of team and organizational performance than any other question they might ask.

Once you really understand the hard, measurable economics of trust, it’s like putting on a new pair of glasses. Everywhere you look, you can see the impact—at work, at home, in every relationship, in every effort. You can begin to see the incredible difference high-trust relationships can make in every dimension of life.

The Trust Tax

The serious practical impact of the economics of trust is that in many relationships, in many interactions, we are paying a hidden low-trust tax right off the top—and we don't even know it!

Three summers ago, when my son Stephen turned 16, he got his first job. He was very excited. He was going to be a manager of a shop that sold snow cones.

His first couple of weeks went really well, and he was thrilled when he received his first paycheck. He tore open the envelope and looked expectantly at the check. Suddenly, a frown covered his face. "Dad," he exclaimed, "this is not right!" He thrust the paper at me. "Look," he said. "They've done the math all wrong."

"What do you mean?" I asked as my eyes went over the paper.

"Look right here," he said, pointing. "I'm supposed to be making eight dollars an hour. I worked for 40 hours. That should come to $320. Right?"

I looked at the paper, and, sure enough, he'd worked for 40 hours and the check was only for about $260.

I said, "That's right, Stephen. But look a little higher—there on the paycheck stub. See these words—'federal income tax'?"

"What?" he responded incredulously. "You mean I'm paying*taxes* ?"

"Yes, you are," I replied. "And there's more. See, here's 'state income tax,' 'Social Security tax,' 'Medicare tax'…"

"But, Dad," he practically wailed, "I don't even need Medicare!"

"No, son, you don't," I replied, "but your grandfather does! Welcome to the real world."

Probably no one really likes to pay taxes. But we do so because they serve a greater societal cause (and also because it's the law). But what if you didn't even know you were paying taxes? What if they were hidden—being taken right off the top without your even being aware? And what if they were completely wasted taxes—if they were going right down the drain and doing absolutely no good to anyone anywhere?

Unfortunately, low-trust taxes don't conveniently show up on your income statement as a "cost of low trust." But just because they're hidden doesn't mean they're not there. Once you know where and what to look for, you can see these taxes show up everywhere—in organizations and in relationships. They're quantifiable. And they're often extremely high.

Mistrust doubles the cost of doing business.

—PROFESSORJOHNWHITNEY,
COLUMBIABUSINESSSCHOOL

You've undoubtedly seen this tax in action many times—perhaps in a conversation where you can tell that your boss, your teenager, or someone else is automatically discounting everything you say by 20 percent, 30 percent, or even more. This is what I was experiencing firsthand in the difficult days of the FranklinCovey merger. If you think about it, you've probably been the one taxing some of those interactions yourself, discounting what you're hearing from others because you don't trust them.

In some situations, you may even have had to pay an "inheritance tax" when you've stepped into a role that was occupied by someone who created distrust before you. When you move into a new personal or work relationship, or if you step in as the new leader in a low-trust culture, it's possible that you're being taxed 30, 40, 50 percent, or more for something you didn't even do! I recently consulted with one executive who lamented that the manager she replaced had destroyed trust with the organization so dramatically that the culture was taxing her for all of his behavior, even though she was new to the organization.

As bestselling author Francis Fukuyama has said: "Widespread distrust in a society…imposes a kind of tax on all forms of economic activity, a tax that high-trust societies do not have to pay." I contend that this low-trust tax is not only on economic activity, but on all activity—in every relationship, in every interaction, in every communication, in every decision, in every dimension of life.

The Trust Dividend

I also suggest that, just as the tax created by low trust is real, measurable, and extremely high, so the*dividends* of high trust are also real, quantifiable, and incredibly high. Consider the speed with which Warren Buffett completed the McLane acquisition and how quickly Gary Barron's massive reorganization proposal was approved. Consider the doubling of revenues for Jim the donut and coffee vendor. Consider the speed with which you can communicate in your own relationships of high trust—both personal and professional.

When trust is high, the dividend you receive is like a performance multiplier, elevating and improving every dimension of your organization and your life. High trust is like the leaven in bread, which lifts everything around it. In a company, high trust materially improves communication, collaboration, execution, innovation, strategy, engagement, partnering, and relationships with all stakeholders. In your personal life, high trust significantly improves your excitement, energy, passion, creativity, and joy in your relationships with family, friends, and community. Obviously, the dividends are not just in increased speed and improved economics; they are also in greater enjoyment and better quality of life.

The Hidden Variable

One time I hired a guide to take me fly fishing in Montana. As I looked out over the river, he said, “Tell me what you see.” Basically I told him I saw a beautiful river with the sun reflecting off the surface of the water. He asked, “Do you see any fish?” I replied that I did not. Then my guide handed me a pair of polarized sunglasses. “Put these on,” he said. Suddenly everything looked dramatically different. As I looked at the river, I discovered I could see*through* the water. And I could see fish—a lot of fish! My excitement shot up. Suddenly I could sense enormous possibility that I hadn’t seen before. In reality, those fish were there all along, but until I put on the glasses, they were hidden from my view.

In the same way, for most people, trust is hidden from view. They have no idea how present and pervasive the impact of trust is in every relationship, in every organization, in every interaction, in every moment of life. But once they put on “trust glasses” and see what’s going on under the surface, it immediately impacts their ability to increase their effectiveness in every dimension of life.

Whether it’s high or low, trust is the “hidden variable” in the formula for organizational success. The traditional business formula says that strategy times execution equals results:

$$S \times E = R$$

(Strategy times Execution equals Results)

But there is a hidden variable to this formula: trust—either the low-trust tax, which discounts the output, or the high-trust dividend which multiplies it:

$$(S \times E)T = R$$

([Strategy times Execution] multiplied by Trust equals Results)

You could have good strategy and good execution (10 on a 1 to 10 scale), but still get derailed by low trust. Or high trust could serve as a performance multiplier, creating synergy where the whole is more than the sum of its parts. Just look at the math:

Strategy	x	Execution	=	Result	Tax or dividend	=	Net Result
10	x	10	=	100	Less 40% tax	=	60
10	x	10	=	100	Less 10% tax	=	90
10	x	10	=	100	Plus 20% dividend	=	120

A company can have an excellent strategy and a strong ability to execute, but the net result can be either torpedoed by a low-trust tax or multiplied by a high-trust dividend. As one eminent consultant on this topic, Robert Shaw, has said, “Above all, success in business requires two things: a winning competitive strategy, and superb organizational execution. Distrust is the enemy of both.” I submit that while high trust won’t necessarily rescue a poor strategy, low trust will almost always derail a good one.

Perhaps more than anything else, the impact of this “hidden variable” makes a powerful business case for trust. According to a study by Warwick Business School in the UK, outsourcing contracts that are managed based on trust rather than on stringent agreements and penalties are more likely to lead to trust dividends for both parties—as much as 40 percent of the total value of a contract. A 2002 study by Watson Wyatt shows that total return to shareholders in high-trust organizations is almost three times higher than the return in low-trust organizations. That’s a difference of nearly 300 percent! An education study by Stanford professor Tony Bryk shows that schools with high trust had more than a three times higher chance of improving test scores than schools with low trust. On a personal level, high-trust individuals are more likely to be promoted, make more money, receive the best opportunities, and have more fulfilling and joyful relationships.

One of the reasons why the hidden variable of trust is so significant and compelling in today’s world is that we have entered into a global, knowledge worker economy. As*New York Times* columnist Thomas Friedman observes in*The World Is Flat,* this new “flat” economy revolves around partnering and relationships. And partnering and relationships thrive or die based on trust. As Friedman says:

> *Without trust, there is no open society, because there are not enough police to patrol every opening in an open society. Without trust, there can also be no flat world, because it is trust that allows us to take*

> *down walls, remove barriers, and eliminate friction at borders. Trust is essential for a flat world….*

This is why I again affirm: *The ability to establish, grow, extend, and restore trust with all stakeholders—customers, business partners, investors, and coworkers—is* ***the*** *key leadership competency of the new global economy.*

Below, I've summarized the impact of trust taxes and dividends in both organizations and personal relationships. As you look at this summary, I suggest you ask yourself: Is my organization paying taxes or receiving dividends? And what about me—am I a walking tax or a walking dividend?

Also, think about your relationships both in and out of work. Ask yourself: Where in this summary do these relationships fit? And where can I focus my effort to make the greatest difference in my life?

A SUMMARY OF TAXES AND DIVIDENDS

The 80% Tax (Nonexistent Trust)

In the organization . . .	In personal relationships . . .
• Dysfunctional environment and toxic culture (open warfare, sabotage, grievances, lawsuits, criminal behavior) • Militant stakeholders • Intense micromanagement • Redundant hierarchy • Punishing systems and structures	• Dysfunctional relationships • Hot, angry confrontations or cold, bitter withdrawal • Defensive posturing and legal positioning ("I'll see you in court!") • Labeling of others as enemies or allies • Verbal, emotional, and/or physical abuse

The 60% Tax (Very Low Trust)

In the organization . . .	In personal relationships . . .
• Unhealthy working environment • Unhappy employees and stakeholders • Intense political atmosphere with clear camps and parties • Excessive time wasted defending positions and decisions • Painful micromanagement and bureaucracy	• Hostile behaviors (yelling, blaming, accusing, name-calling) followed by periods of brief contrition • Guarded communication • Constant worrying and suspicion • Mistakes remembered and used as weapons • Real issues not surfaced or dealt with effectively

The 40% Tax (Low Trust)

In the organization . . .	In personal relationships . . .
• Common "CYA" behavior • Hidden agendas • Militant stakeholders • Political camps with allies and enemies • Many dissatisfied employees and stakeholders • Bureaucracy and redundancy in systems and structures	• Energy draining and joyless interactions • Evidence gathering of other party's weaknesses and mistakes • Doubt about others' reliability or commitment • Hidden agendas • Guarded (often grudging) dispersing of information

The 20% Tax (Trust Issues)

In the organization . . .	In personal relationships . . .
• Some bureaucratic rules and procedures • Unnecessary hierarchy • Slow approvals • Misaligned systems and structures • Some dissatisfied employees and stakeholders	• Regular misunderstandings • Concerns about intent and motive • Interactions characterized by tension • Communications colored by fear, uncertainty, doubt, and worry • Energy spent in maintaining (instead of growing) relationships

No Tax/No Dividend (Trust Is Not an Issue)

In the organization . . .	In personal relationships . . .
• Healthy workplace • Good communication • Aligned systems and structures • Few office politics	• Polite, cordial, healthy communications • A focus on working together smoothly and efficiently • Mutual tolerance and acceptance • No worries

The 20% Dividend (Trust Is a Visible Asset)

In the organization . . .	In personal relationships . . .
• The focus is on work • Effective collaboration and execution • Positive partnering relationships with employees and stakeholders • Helpful systems and structures • Strong creativity and innovation	• Cooperative, close, vibrant relationships • A focus on looking for and leveraging one another's strengths • Uplifting and positive communication • Mistakes seen as learning opportunities and quickly forgiven • Positive energy and positive people

The 40% Dividend (World-class Trust)

C	Deliver Results		Fail to deliver; deliver on activities, not results.
O M P	Get Better		Deteriorate; don't invest in improvement; force every problem into your one solution.
E T	Confront Reality		Bury your head in the sand; focus on busywork while skirting the real issues.
E N	Clarify Expectations		Assume expectations or don't disclose them; create vague and shifting expectations.
C E	Practice Accountability		Don't take responsibility: "It's not my fault!"; don't hold others accountable.

Now I suggest you take any mission-critical project you need to work on and look at it in terms of this summary. Say you need to pull people together to have a project completed within six weeks. Ask yourself: What's the level of trust in the culture? Am I paying a tax or getting a dividend? If so, what percent? What impact is that going to have on speed and cost and on my ability to execute this project effectively?

Now consider what would happen if you were able to change that percentage. What if you were able to move from a 20 percent tax to a 20 percent dividend? What difference would that make in your ability to execute your project?

Think about what's happening in your personal relationships or in your family. Ask yourself: What's the level of trust? What impact is that having on quality of life for me and for the people I care about? What if I could move from a tax to a dividend? What difference would it make?

Trust Myths

Examples such as the McLane acquisition, the Kelleher reorganization approval, and others I've shared in this chapter go a long way toward dispelling some of the debilitating myths that keep us from enjoying the dividends of high trust.

One myth, for example, is that trust is "soft"—it's something that's nice to have, but you really can't define it, quantify it, measure it. As I hope you can tell by now, the exact opposite is true. Trust is hard. It's real. It's quantifiable. It's measurable. In every instance, it affects both speed and cost, and speed and cost can be measured and quantified. To change the level of trust in a relationship, on a team, or in an organization is to dramatically impact both time and money—and quality and value, as well. Another myth is that trust is slow. While restoring trust may take time, both establishing and extending trust can be done quite fast, and, once established, trust makes the playing field exceptionally quick. You don't have to look far beyond these examples I've given or even the speed with which you communicate and get things done in your own relationships to see the reality that truly, nothing is as fast as the speed of trust.

Below is a chart listing these and some of the other myths that get in the way of understanding and acting effectively on trust issues, along with their contrasting realities.

MYTH	**REALITY**
Trust is soft.	Trust is hard, real, and quantifiable. It measurably affects both speed and cost.
Trust is slow.	Nothing is as fast as the speed of trust.
Trust is built solely on integrity.	Trust is a function of both character (which includes integrity) and competence.
You either have trust or you don't.	Trust can be both created and destroyed.
Once lost, trust cannot be restored.	Though difficult, in most cases lost trust can be restored.
You can't teach trust.	Trust can be effectively taught and learned, and it can become a leverageable, strategic advantage.
Trusting people is too risky.	Not trusting people is a greater risk.

Trust is established one person at a time.	Establishing trust with the one establishes trust with the many.

Probably the most insidious myth of all is the one expressed by the senior leader of that investment bank I worked for briefly in New York City: “You either have trust or you don’t, and there’s nothing you can do about it.”

You*can* do something about trust! For 20 years, I’ve been a business practitioner. I’ve been responsible for building and running organizations, for developing teams, for reporting to boards, getting results, and having to “hit the numbers.” During many of those years, I’ve also done consulting work with dozens of well-known companies—many of which had good strategies and good execution abilities, but fell short of being able to accomplish what they wanted to without being able to explain why. I have been a husband, a father, a member of a large extended family with many multifaceted relationships. I have served in community situations in which I have counseled individuals and families dealing with complex trust issues. And in all of my experience, I have never seen an exception to the basic premise of this book: Trust is something you*can* do something about—and probably*much* faster than you think!

Once again, I affirm that nothing is as fast as the speed of trust. Nothing is as fulfilling as a relationship of trust. Nothing is as inspiring as an offering of trust. Nothing is as profitable as the economics of trust. Nothing has more influence than a reputation of trust.

Trust truly is the one thing that changes everything. And there has never been a more vital time for people to establish, restore, and extend trust at all levels than in today’s new global society.

Whether you approach the opportunity and challenge of increasing trust in relation to your personal life, your professional life, or both, I can promise you, it*will* make an enormous difference in every dimension of your life.