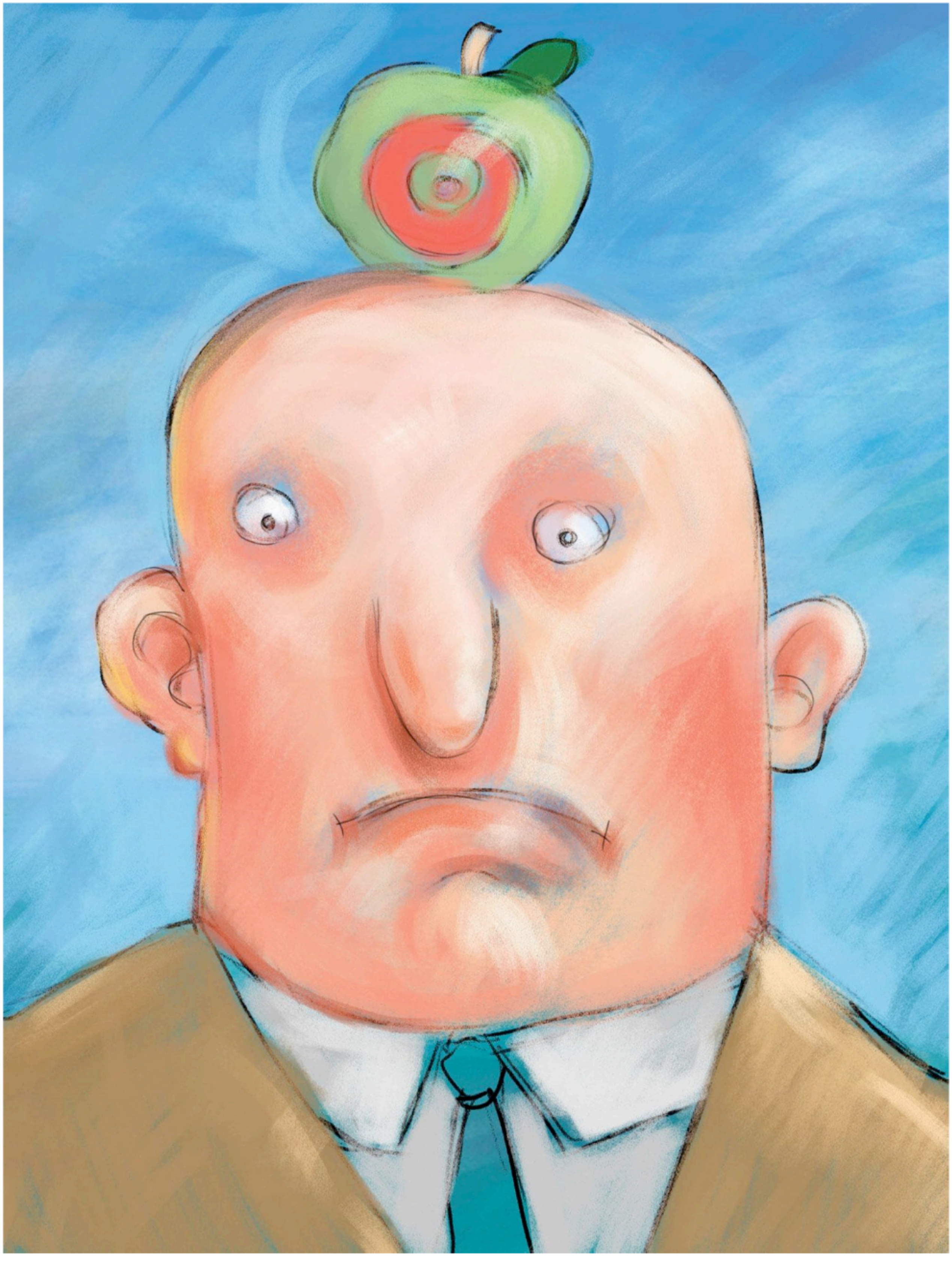

Trust Is a Competency

BY STEPHEN M. R. COVEY

In an age in which corporate and political scandal are commonplace, trust can be hard to come by. Yet companies can and should work on developing this critical characteristic that is more essential to business performance than ever.

"The voyage of discovery is not in seeking new landscapes, but in having new eyes."
– Marcel Proust,
French novelist

One of the most significant things today's leaders and organizations can do to achieve and sustain superior performance is to look at "trust" through new eyes.

Typically, trust is assumed, taken for granted, misunderstood and severely underestimated. As the French proverb says, "Fish discover water last." In other words, fish are so immersed in the presence of water that they are unaware of its existence — until the water gets too low or becomes polluted. In the same way, people discover trust last. We become so immersed in the presence of trust that we take its existence for granted — until the trust gets dangerously low or polluted. Then we become painfully aware of the effects of its poor quality or absence.

Increasingly, more leaders are rediscovering trust as they begin to see it with new eyes. Looking beyond the common view of trust as some soft, intangible and illusive social virtue, they're learning to see it as a critical, highly relevant and tangible asset. They're discovering that trust affects everything within an organization, every dimension, activity, decision and relationship. They're also beginning to recognize that trust is quite possibly the single most powerful and influential lever for leaders and organizations today.

In this light, it is important to look at trust through "new eyes" and see it differently in at least three ways:

1. As an economic driver.
2. As the currency of the new economy.
3. As a competency.

First, let's examine trust as an economic driver. While few would argue with the notion that trust is desirable, many leaders don't believe that internal organizational trust is directly connected to their companies' bottom line. They see trust as merely a nice-to-have social virtue.

But the reality is that trust is a hard-edged economic driver. Why? Because trust always affects two measurable outcomes: speed and cost. The economics of trust are simple: When trust goes down, speed goes down and cost goes up. This creates a trust tax. When trust goes up, speed goes up and cost goes down. This creates a trust dividend. It's that simple, that predictable.

Once we understand the hard, measurable economics of trust, we can see quantifiable impact everywhere. If we have a low-trust organization, we can rest assured we're paying a tax. While these taxes may not show up on the income statement as "trust taxes," they're still there, disguised as other problems such as redundancy, bureaucracy, politics, disengagement, turnover, churn and fraud. And the economic impact of a low-trust tax on the organization can range from minimal to crippling to fatal.

DATA POINT

A 2002 Watson Wyatt study showed that high-trust organizations outperformed low-trust organizations by 286 percent in total return to shareholders (stock price plus dividends).

In 2004, one estimate put the cost of complying with federal rules and regulations alone in the United States — put in place essentially due to lack of trust — at $1.1 trillion, which is more than 10 percent of the gross domestic product. A 2004 study conducted by the Association of Certified Fraud Examiners estimated that the average American company lost 6 percent of its annual revenue to some sort of fraudulent activity. In Enron's case, of course, the fraud tax was ultimately 100 percent, which sank the company.

Research shows similar effects for the other disguised low-trust taxes as well.

But research also shows the impact of the dividends of high trust. A 2002 Watson Wyatt study showed that high-trust organizations outperformed low-trust organizations by 286 percent in total return to shareholders (stock price plus dividends). A 2005 study by Russell Investment Group showed that *Fortune* magazine's "100 Best Companies to Work For" — in which trust comprises 60 percent of the criteria — earned more than four times the returns of the broader market over the prior seven years. A PricewaterhouseCoopers study on corporate innovation among the Financial Times 100 showed that the No. 1 differentiating factor between the top innovators and the bottom innovators was trust.

FIGURE 1: MYTHS AND REALITIES OF TRUST

MYTH	REALITY
Trust is a soft, nice-to-have "social virtue."	Trust is a hard-edged "economic driver" because trust always affects two measurable outcomes: 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.
You establish trust one person at a time.	Establishing trust with one establishes trust with many.
Trust is a noun only.	Trust is both a noun and a verb, a value and a competency.

Now let's look at trust as the currency of the new economy. Take a look at the nature of the new economy — what Thomas Friedman called a "flat world" — where globalization and technology are creating enormous change. The essential nature of this flat world is interdependence. In fact, economists refer to it as the "collaborative economy," and the interdependent dimensions it requires — collaboration, partnering, teaming and relationships — thrive or die based on the presence or absence of trust.

In addition, trust cuts through the excessive noise and clutter of today's world. A trusted source sounds clearly through the plethora of voices that bombard us daily. A trusted brand stands out from the myriad generics that scream for our attention.

The reality is we're operating in an increasingly low-trust world. There's a crisis of trust all around us, with low levels everywhere we turn. Research shows that only 34 percent of Americans believe that people can be trusted. In the United Kingdom, the figure is 29 percent, down from 60 percent only a few decades ago. Trust in most institutions is low as well, and in some cases, it sits at historic lows. In U.S. organizations, less than half of employees trust their senior leaders. In the United Kingdom, it's only 31 percent. Having a good reputation and the ability to create trust in a world of distrust is a huge advantage for any leader or organization today.

Finally, let's look at trust as a competency. Several years ago, I worked with a major investment banking firm in New York City. Some of us 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."

Unfortunately, that sentiment is not uncommon among managers. But I completely disagree with it. I believe we can do something about trust. In fact, my work as a business practitioner has convinced me that there is a lot we can do about it. We can increase trust, and much faster than we might think. And doing so will have a huge impact, both in the quality of our organizations and in the results we're able to achieve.

A distinction here may be useful. "Trust" is both a noun and a verb. The noun refers to an outcome, a value, a state of being. But the noun is a direct result of the verb — of the actions we take that create and inspire that state of being. In other words, trust (the verb) is a competency, and it can be developed.

In organizations, trust has almost always been seen as a noun, a value. Just take a look at the mission and values statements of many companies, from the Fortune 500 to the 100 Best Companies to Work For. Many organizations such as IBM and Genentech specifically name trust or some derivative of trust as one of their values.

However, we're now beginning to see some companies include trust (e.g., the ability to engender trust) in their competency models or equivalents. They're starting to recognize that trust is something they can consciously work to improve. And it's showing up increasingly in generic competency models, as well, whether the competency is called "creates trust" (NAPA) or "inspires trust" (PDI) or "trusts people" (David Hatch, Fidello). As Starbucks founder and CEO Howard Schultz said to all Starbucks' partners, "Trust the coffee and trust one another."

Seeing trust as a competency is a highly valuable organizational perspective because competencies and competency models always have been critical to driving organizational development and improvement. In fact, the CLO Business Intelligence Board ranked competencies as the top activity that will have a significant impact in 2008.

In that context, let me go even further to say that the ability to establish, grow, extend and restore trust with all stakeholders — customers, business partners, investors and co-workers — is the key leadership competency of the new, global economy. In fact, there is no leadership without trust. There may be management. There may be administration. But as Warren Bennis said, "Leadership without mutual trust is a contradiction in terms." Indeed, the first job of any leader is to inspire trust.

These are bold statements, but this is why I make them: Getting good at trust as a competency greatly accelerates an organization's improvement because high trust makes every other competency better. Companies with high trust experience a "performance multiplier" that positively changes the trajectory of every other competency, skill, strength and asset. This becomes clearly evident in the abundant research that shows specifically how trust increases value, accelerates growth, enhances innovation, improves collaboration, strengthens partnering, speeds up execution and heightens loyalty.

In contrast, research also shows how low trust siphons value from every other competency, skill, strength and asset. As an illustration, only 46 percent of disengaged employees trust their leaders, compared to 96 percent of engaged employees. So which comes first, the distrust or the disengagement? Clearly, getting good at trust helps us get better at everything else.

You can do something about trust. You can turn it into a competency, personally and organizationally. And you can measure it, which is often the first viable action step. You can measure:

1. Trust levels (trust, the noun).
2. Trust components and behaviors (trust, the verb).
3. Trust effects (the impact of trust).

All three measures are important, and you can move the needle in all three dimensions.

For 20 years, I've been responsible for building and running organizations, developing teams, 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 execution abilities, but fell short of being able to accomplish what they wanted to without being able to explain why. I also had the opportunity to serve in community situations in which I counseled individuals and families dealing with complex trust issues. In addition, I've had the privilege of being a husband, father and member of a large extended family with many multifaceted relationships.

In all of my experience, I have never seen an exception to the basic premise of this big idea: Trust is a competency, and as such, it is something you can do something about, and probably much faster than you think.

So what is the role of learning practitioners with respect to trust? I suggest it's threefold, corresponding to the three ways of seeing trust with new eyes:

Having a good reputation and the ability to create trust in a world of distrust is a huge advantage for any leader or organization today.

1. Always seek to frame trust within the organization in economic — not merely social — terms. By creating a compelling business case for trust, you can engage organizational buy-in and make real improvement sustainable.
2. Define leadership as "getting results in a way that inspires trust." In other words, personally model trust through character, competence and demonstrated trust-building behavior. By doing this, you become the starting place for increasing trust, and your trusted reputation becomes an additional currency that carries significant value in the new economy.
3. Recognize and treat trust as a competency — as something you can do, create and measure — and help managers learn and understand how to behave in ways that establish, grow, extend and restore trust with all stakeholders.

The bottom line: Nothing is as fast as the speed of trust. Nothing is as profitable as the economics of trust. And nothing is as relevant as leaders and organizations that have the competency of trust. Trust truly is the one thing that changes everything. CLO

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