

Reputation

The high tax of low trust

By Lisa Roner, North America Editor

Trust can be developed as a skill and competency, says a renowned leadership consultant

Stephen M.R. Covey, son of "The Seven Habits of Highly Effective People" author Stephen Covey, has followed in his father's footsteps and advises aspiring entrepreneurs on many aspects of becoming successful business leaders. And when he evangelises on "the speed of trust" the effect on his audience is almost tangible.

Trust, Covey says during a conference call to promote a workshop on the subject, acts "faster than anything we know ... when you have it you can accomplish amazing things with incredible speed".

Covey illustrates his point with the story of Warren Buffett's Berkshire Hathaway acquiring a \$23 billion dollar company from Wal-Mart after one two-hour meeting and in just 29 days with no due diligence. Buffett, Covey says, "knew everything would be exactly as Wal-Mart said it would be – and it was".

Trust, he advises, always affects two measurable outcomes: speed and cost. Instead of the normal 6-12 months and tens of millions of dollars usually spent on corporate acquisitions, Buffett trusted and acted with trust, saving time and money, Covey says.

"When trust goes down, speed goes down and cost goes up," he says. "This is a tax. When trust goes up, speed goes up and cost comes down – and that's a dividend."

Learning to instil trust

Covey believes that trust is something people can learn to develop, extend and, if need be, restore.

"A lot of people think of trust as something you either have or you don't," he says. "I disagree completely. You can become good at establishing trust with all of your different stakeholders."

Covey calls the ability to establish, grow, extend and restore trust "the key leadership competency of the new global economy" – because the new economy is

"all about interdependence, partnering and relationships – which are all about trust".

The opposite of trust, Covey says, is suspicion. "When I don't trust someone, I'm suspicious of their motives, agenda, competence or character," he explains.

And although he says ethics is a vital component of trust, it is not the only element. There are two dimensions of trust – character and competence, he says. Ethics is a character component, but to establish true credibility, Covey says, one must demonstrate an ability to deliver results.

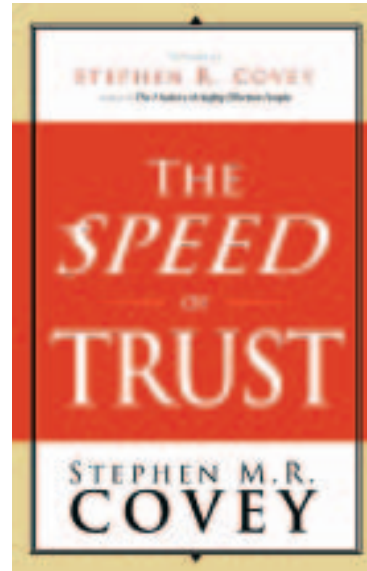
"Getting results is vital to building trust," he says. "I don't approach trust as a soft, intangible, unquantifiable, nice-to-have measure. I argue it's indispensable; it's an economic factor."

The business case for trust

Covey says trust "changes the trajectory of everything that is going on in a company: strategy, execution, innovation and relationships with customers, suppliers, distributors and shareholders". He insists trust is tangible, quantifiable and measurable.

"You can show and quantify that this is real," he explains. "When trust is low, the bottom line is you're getting taxed. That's costing you; you can quantify it."

"You can get your arms around trust and improve it – get better at it. You can



learn how to get the dividend instead of pay the tax."

Leadership, Covey says, is "all about getting results in a way that inspires trust". And with that trust, he says, leaders can get results "again and again" with increasing speed and decreasing cost.

"If you get results but destroy trust, the next time you try to get results it will take you longer and cost you more," he says.

And when trust is broken, Covey says, "you get lots of little rules, regulations, procedures and processes". He says the Sarbanes-Oxley act – rules on corporate governance developed in the wake of financial scandals including the collapse Enron – is a good example of the eventual result of violations of trust.

"There was a lack of trust in public markets – and speed went down and cost went up, but they needed to restore trust," he says.

Covey identifies seven "low-trust sinkholes", where he says the "taxes" of low trust are "siphoned off". The sinkholes include reduced employee engagement, high employee turnover and bureaucracy.

And he teaches 13 behaviours he says are common to highly trusted leaders around the world, including "talking straight", "creating transparency" and "listening to understand".

These behaviours, he says, create five interdependent "waves" of trust: self trust, relationship trust, organisational trust, market trust and societal trust.

Perhaps most importantly, Covey says, trust can be rebuilt. But he believes that "you can't talk yourself out of a problem you behaved yourself into".

"Confront it, right wrongs and deliver results," he says. "Restoring trust is possible, but you have to behave yourself out of it." ■

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According to global consulting firm Watson Wyatt:

- Only 39% of workers trust their senior managers
- Only 45% have confidence in their management's abilities
- In the US, Europe and Japan, fewer than 30% of opinion leaders say that chief executives and finance chiefs are credible sources of information
- Organisations with high trust outperform organisations with low trust by nearly three times