

## How the Best Leaders Build Trust

By Stephen M. R. Covey



Almost everywhere we turn, trust is on the decline. Trust in our culture at large, in our institutions, and in our companies is significantly lower than a generation ago. Research shows that only 49% of employees trust senior management, and only 28% believe CEOs are a credible source of information. Consider the loss of trust and confidence in the financial markets today. Indeed, "trust makes the world go 'round," and right now we're experiencing a crisis of trust. This crisis compels us to ask three questions. First, is there a measurable cost to low trust? Second, is there a tangible benefit to high trust? Third, how can the best leaders build trust in and within their organizations to reap the benefits of high trust?

Most people don't know how to think about the organizational and societal consequences of low trust because they don't know how to quantify or measure the costs of such a so-called "soft" factor as trust. For many, trust is intangible, ethereal, unquantifiable. If it remains that way, then people don't know how to get their arms around it or how to improve it. But the fact is, the costs of low trust are very real, they are quantifiable, and they are staggering.

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% of the gross domestic product. A recent study conducted by the Association of Certified Fraud Examiners estimated that the average American company lost 6% of its annual revenue to some sort of fraudulent activity. Research shows similar effects for the other disguised low-trust taxes as well.

Think about it this way: When trust is low, in a company or in a relationship, it places a hidden "tax" on every transaction: every communication, every interaction, every strategy, every decision is taxed, bringing speed down and sending costs up. My experience is that significant distrust doubles the cost of doing business and triples the time it takes to get things done.

By contrast, individuals and organizations that have earned and operate with high trust experience the opposite of a tax -- a "dividend" that is like a performance multiplier, enabling them to succeed in their communications, interactions, and decisions, and to move with incredible speed. A recent Watson Wyatt study showed that high trust companies outperform low trust companies by nearly 300%!

I contend that the ability to establish, grow, extend, and (where needed) restore trust among stakeholders is the critical competency of leadership needed today. It is needed more than any other competency. Engendering trust is, in fact, a competency that can be learned, applied, and understood. It is something that you can get good at, something you can measure and improve, something for which you can "move the needle." You cannot be an effective leader without trust. As Warren Bennis put it, "Leadership without mutual trust is a contradiction in terms."

### **How do the best leaders build trust?**

The first job of any leader is to inspire trust. Trust is confidence born of two dimensions: character and competence. Character includes your integrity, motive, and intent with people. Competence includes your capabilities, skills, results, and track record. Both dimensions are vital.

With the increasing focus on ethics in our society, the character side of trust is fast becoming the price of entry in the new global economy. However, the differentiating and often ignored side of trust -- competence -- is equally essential. You might think a person is sincere, even honest, but you won't trust that person fully if he or she doesn't get results. And the opposite is true. A person might have great skills and talents and a good track record, but if he or she is not honest, you're not going to trust that person either.

The best leaders begin by framing trust in economic terms for their companies. When an organization recognizes that it has low trust, huge economic consequences can be expected. Everything will take longer and everything will cost more because of the steps organizations will need to take to compensate for their lack of trust. These costs can be quantified and, when they are, suddenly leaders recognize how low trust is not merely a social issue, but that it is an economic matter. The dividends of high trust can be similarly quantified, enabling leaders to make a compelling business case for trust.

The best leaders then focus on making the creation of trust an explicit objective. It must become like any other goal that is focused on, measured, and improved. It must be communicated that trust matters to management and leadership. It must be expressed that it is the right thing to do and it is the economic thing to do. One of the best ways to do this is to make an initial baseline measurement

of organizational trust and then to track improvements over time.

The true transformation starts with building credibility at the personal level. The foundation of trust is your own credibility, and it can be a real differentiator for any leader. A person's reputation is a direct reflection of their credibility, and it precedes them in any interactions or negotiations they might have. When a leader's credibility and reputation are high, it enables them to establish trust fast -- speed goes up, cost goes down.

There are 4 Cores of Credibility, and it's about all 4 Cores working in tandem—Integrity, Intent, Capabilities, and Results. Part of building trust is understanding -- clarifying -- what the organization wants and what you can offer them. Be the one that does that best. Then add to your credibility the kind of behavior that builds trust. (see the 13 high trust behaviors below). Next, take it beyond just you as the leader and extend it to your entire organization. The combination of that type of credibility and behavior and organizational alignment results in a culture of high trust.

Consider the example of Warren Buffett -- CEO of Berkshire Hathaway (and generally considered one of the most trusted leaders in the world) -- who 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. High trust, high speed, low cost.

### **13 Behaviors of High-Trust Leaders Worldwide**

I approach this strategy primarily as a practitioner, both in my own experience and in my extensive work with other organizations. Throughout this learning process, have identified 13 common behaviors of trusted leaders around the world that build -- and allow you to maintain -- trust. When you adopt these ways of behaving, it's like making deposits into a "trust account" of another party.

**1. Talk Straight**

**2. Demonstrate Respect**

**3. Create Transparency**

**4. Right Wrongs**

**5. Show Loyalty**

**6. Deliver Results**

7. **Get Better**
8. **Confront Reality**
9. **Clarify Expectation**
10. **Practice Accountability**
11. **Listen First**
12. **Keep Commitments**
13. **Extend Trust**

Remember that the 13 Behaviors always need to be balanced by each other (e.g., Talk Straight needs to be balanced by Demonstrate Respect) and that any behavior pushed to the extreme can become a weakness.

Depending on your roles and responsibilities, you may have more or less influence on others. However, you can always have extraordinary influence on your starting points: *Self-Trust* (the confidence you have in yourself -- in your ability to set and achieve goals, to keep commitments, to walk your talk, and also with your ability to inspire trust in others) and *Relationship Trust* (how to establish and increase the trust accounts we have with others).

The job of a leader is to go first, to extend trust first. Not a blind trust without expectations and accountability, but rather a "smart trust" with clear expectations and strong accountability built into the process. The best leaders always lead out with a decided propensity to trust, as opposed to a propensity not to trust. As Craig Weatherup, former CEO of PepsiCo said, "Trust cannot become a performance multiplier unless the leader is prepared to go first."

The best leaders recognize that 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. I am convinced that in every situation, nothing is as fast as the speed of trust.

***About the author:***

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