

THE SPEED OF TRUST

Author: Stephen M.R. Covey

This book is geared toward individuals, specifically someone in a position of authority, using self-analysis and analysis of their organization as a means to evaluate and increase levels of trust.

Almost all examples used or explanations given refer to large for-profit companies like Johnson and Johnson, Enron or Toyota. It is basically a manual to improve your leadership skills and pass on the improvement, in the form of trust, to your employees, clients etc.

Much of the book is made up of stories and anecdotes, which are designed to convince the reader of the importance of trust in positions of leadership, in organizations and in life. The idea is that building trust is a profitable activity.

There are numerous self-tests and charts etc. included in the book; these can be found at www.speedoftrust.com, the official website for the book.

I have included, at the end, an interview with Stephan Covey about this book, which you may find informative. I also read two reviews of the book and, from what I learned, it is well accepted and well thought of in the business world.

In our CRN work we use terms like “relationship”, “relationship building” and “trusting relationships”. We have actively promoted, embraced and discussed these ideas and we have espoused them in our writing and our values. I think that, in many ways, the terms Stephen Covey uses to describe trust, or the outcomes of that trust, are what we have been talking about with relationships.

I think that there are some ways we could use this information. We could use the material, in general, to give credibility to the idea that building trust in an organization is critical and that trust, more than almost any other factor, determines the longevity, the speed with which work is done, the buy-in from employees and stakeholders and the cost-effectiveness of an organization.

If we wanted to be more specific we could go through the 4 Cores of Credibility and the 13 Behaviors to Increase Trust (see below), and highlight examples where we are engaging in a high level of trust. Because we are a high-trust organization (I believe), we are a good ‘bang for the buck’.

We could also go through the material, completing the evaluations etc. and rate ourselves in terms of our leadership and our organization. We would then use our (presumably) good findings and various quotes or passages from the book to justify our activities. There are quotes in the book related to the importance of trust from individuals such as Mahatma Gandhi, Jim Burke – former CEO – Johnson and Johnson, Doug Conant – Campbell Soup, Allen Greenspan, Tachi Kiuchi – Mitsubishi, Alvin Toffler, Sir Richard Branson, Friedrich Nietzsche and many others.

As well, we could use the findings from the evaluations to engage in activities which would improve our organization.

Summary of The Speed of Trust

Lack of trust in an organization creates low speed and high cost.

- Rules and regulations in place to address lack of trust
- Micromanaging comes from lack of trust
- Used to be big beats small – now fast beats slow
- If leaders trust subordinates, work happens very fast, otherwise bottlenecks occur
- “Do you trust your boss?” – this single question is an excellent indicator of team and organizational performance

There is a hidden “low trust” tax that organizations pay

Dividends come with high trust

Traditional business formula –

$S \times E = R$, where strategy times execution equals results

New formula –

$S \times E (T) = R$, where strategy times execution multiplied by trust equals results

Trust is often seen as a “soft” issue – nice to have but no real, measurable impact. In fact it is a hard issue – quantifiable, measurable and make or break.

- Trust can be built quickly
- Trust is a function of character and competence (and competence is situational)
- Trust can be created and destroyed
- Trust can be taught and learned
- Not trusting people is riskier than trusting people
- Establishing trust with one establishes trust with the many

WAVES OF TRUST - RIPPLE EFFECT OUT FROM CENTRE

- SELFT TRUST at centre (credibility)
- RELATIONSHIP TRUST (consistent behavior)
- ORGANIZATIONAL TRUST (alignment)
- MARKET TRUST (reputation)
- SOCIETAL TRUST (contribution)

SELF TRUST:

- Individual trust issues become geometrically magnified as you move outward from the centre.
- Small breaches of trust over time can be more damaging than one or two large issues – morale gets eroded over time.
- Historical “follow the rules” ethics are being replaced by clarifying values and fostering integrity.
- Trust can be restored fairly easily.

You need to SEE, SPEAK and BEHAVE in ways that establish trust.

Circular diagram that I can't do:

SEE (paradigm shift) ---- SPEAK (language shift) ---- BEHAVIOUR (behavior shift) ---- SEE etc.

The Four Cores of Credibility:

1. Integrity
2. Intent
3. Capability
4. Result

Tree Analogy:

- Integrity – roots of tree
- Intent – trunk
- Capability – branches
- Results – fruit

Increase your **Integrity**:

1. Make and keep commitments to yourself
2. Stand for something – know your values and stick to them
3. Be open – open mind, heart and ears

Intent:

1. Motive – why/reason
2. Agenda – promotion of mutual benefit vs. self serving agenda
3. Behavior – manifestation of motive, acting in the best interest of others promotes trust

Improving **Intent**:

1. Examine and refine your motives – ask yourself hard questions
2. Declare your intent
3. Choose abundance – give you will receive

Capabilities – TASK

- **Talents** – mutual strengths
- **Attitude** – way of seeing, way of being
- **Skills** – proficiencies
- **Knowledge** – learning, insight, understanding and awareness
- **Style** – unique approach and personality

Continuous improvement by developing TASKS

Increase **Capabilities** by:

1. Run with your strengths and your purpose – engage, develop and leverage what is distinct
2. Keep yourself relevant – stay up to speed – technology, literature etc.
3. Know where you're going – clear vision
4. Trust abilities – establish, grow, extend and restore trust from the inside out

Results:

- Results only are not sustainable without other cores
- Integrity, intent and capability without results doesn't work either
- Balance of all = results and sustainability
- What results am I getting and how am I getting them?
- Clearly define "results" for yourself, for your organization etc.
- It is a choice to define "mistakes" vs. "learning opportunities" – part of "corporate culture"
- Your role is important in supporting others to get good "results"

Communicating **Results** – good results don't help build trust if no one knows about them

Improving **Results:**

1. Take responsibility for results – whether good or bad, own results and manage the outcome.
2. Expect to win – optimism, faith, self-fulfilling prophecy, silk purse from sow's ear etc.
3. Finish strong – don't be a whiner or a quitter, even if you don't 'win' you can play strong until the end of the game.

RELATIONSHIP TRUST:

13 Behaviors Common to High Trust Leaders –

- Behaviors require a combination of character and competence
- It is possible to take one or two good behaviors to the extreme, creating weakness not strength
- Behaviors work together to create balance

- Trust is like a bank account – you make withdrawals and deposits for different reasons, in different amounts. Some behaviors look like good currency but they are, in fact, counterfeit.

1. Be Honest:

- Tell the truth.
- Let people know where you stand.
- Use simple language.
- Call things what they are.
- Demonstrate integrity.
- Don't manipulate people or distort facts.
- Don't spin the truth.
- Don't leave false impressions.

Opposite/Counterfeit behavior:

- Spin

2. Demonstrate Respect:

- Genuinely care for others.
- Show you care.
- Respect the dignity of every person and every role.
- Treat everyone with respect, especially those who can't do anything for you.
- Show kindness in the little things.
- Don't fake caring.
- Don't attempt to be "efficient" with people.

Opposite/Counterfeit:

- Lack of respect
- Respect for some but not all

3. Create Transparency:

- Tell the truth in a way people can verify.
- Get real and genuine.
- Be open and authentic.
- Err on the side of disclosure.
- Operate on the premise of "What you see is what you get."
- Don't have hidden agendas.
- Don't hide information.

Opposite/Counterfeit:

- Hide
- Cover
- Obscure

4. Right Wrongs:

- Make things right when you're wrong.
- Apologize quickly.
- Make restitution where possible.

- Practice “service recoveries”.
- Demonstrate personal humility.
- Don’t cover things up.
- Don’t let pride get in the way of doing the right thing.

Opposite/Counterfeit: (ego and pride based)

- Deny
- Justify
- Rationalize

5. Show Loyalty:

- Give credit freely.
- Acknowledge the contributions of others.
- Speak about people as if they were present.
- Represent others who aren’t there to speak for themselves.
- Don’t bad-mouth others behind their backs.
- Don’t disclose others’ private information.

Opposite/Counterfeit:

- Take all the credit
- Be two-faced

6. Deliver Results:

- Establish a track record of results.
- Get the right things done.
- Make sure things happen.
- Accomplish what you’re hired to do.
- Be on time and within budget.
- Don’t overpromise and under-deliver.
- Don’t make excuses for not delivering.

Opposite/Counterfeit:

- Poor performance
- Failure to deliver
- Delivering activities instead of results

7. Get Better:

- Continuously improve.
- Increase your Capabilities.
- Be a constant learner.
- Develop feedback systems – both formal and informal.
- Act on the feedback you receive.
- Thank people for feedback.
- Don’t consider yourself above feedback.
- Don’t assume today’s knowledge and skills will be sufficient for tomorrow’s challenges.

Opposite/Counterfeit:

- Entropy

- Deterioration
- Becoming irrelevant.
- Learning but never producing.
- Trying to fit everything into what you're good at.

8. Confront Reality:

- Take issues head on, even the “undiscussables”.
- Address the tough stuff directly.
- Acknowledge the unsaid.
- Lead out courageously in conversation.
- Remove the “sword from their hands”.
- Don't skirt the real issues.
- Don't bury your head in the sand.

Opposite/Counterfeit:

- Burying head in the sand
- Evading issues

9. Clarifying Expectations:

- Disclose and reveal expectations.
- Discuss them.
- Validate them.
- Renegotiate them if needed and possible.
- Don't violate expectations.
- Don't assume that expectations are clear or shared.

Opposite/Counterfeit:

- Assumption
- Failure to disclose
- Smoke and mirrors

10. Practice Accountability:

- Hold yourself accountable.
- Hold others accountable.
- Take responsibility for results.
- Be clear on how you'll communicate how you're doing – and how others are doing.
- Don't avoid or shirk responsibility.
- Don't blame others or point fingers when things go wrong.

Opposite/Counterfeit:

- “not my fault”
- Point fingers
- Blame others

11. Listen First:

- Listen before you speak.
- Understand.
- Diagnose.

- Listen with your ears – and your eyes and heart.
- Find out what the most important behaviors are to the people you're working with.
- Don't assume you know what matters most to others.
- Don't presume you have all the answers – or all the questions.

Opposite/Counterfeit:

- Speak first, listen last.
- Pretending to listen.

12. Keep Commitments:

- Say what you're going to do, then do what you say you're going to do.
- Make commitments carefully and keep them.
- Make keeping commitments the symbol of your honor.
- Don't break confidences.
- Don't attempt to "PR" your way out of a commitment you've broken.

Opposite/Counterfeit:

- Break commitments
- Violate promises
- Make elusive or vague commitments.

NOTE: Failure to keep commitments is one of the quickest ways to break trust.

13. Extend Trust:

- Demonstrate a propensity to trust.
- Extend trust abundantly to those who have earned your trust.
- Extend trust conditionally to those who are earning your trust.
- Learn how to appropriately extend trust to others based on the situation, risk and credibility (character and competence) of the people involved.
- But have a propensity to trust.
- Don't withhold trust because there is risk involved.

Opposite/Counterfeit:

- Withholding trust
- Responsibility without authority
- False trust (micro-managing)

THIRD, FOURTH and FIFTH WAVES: STAKEHOLDER TRUST

Organizational Trust – internal stakeholders

Market Trust – external stakeholders

Societal Trust – contribution to society

ORGANIZATIONAL TRUST:

1. How would you describe a low-trust organization?
2. How would you describe a high-trust organization?

3. Which description best represents your organization?
4. What are your organization's results?]
5. Are the values and behavior of the organization aligned or misaligned?

Cumbersome policies and procedure, bureaucracy, endless forms and justifications etc. indicate misalignment – a lack of trust in employees.

Check the 4 Cores of Credibility for your organization and work to create alignment:

- Integrity – check your Mission and Values Statement
 - Intent – do Mission and Values Statement reflect motives and principles that build trust?
 - Capabilities – attract and retain talent
 - Results – create shared vision regarding results
- Do not reward low-trust activities and behavior.

7 Low-Trust Organizational Taxes:

- Redundancy
- Redundancy (just checking if you're paying attention)
- Bureaucracy
- Politics
- Disengagement
- Turnover
- Churn (turnover of stakeholders other than employees)
- Fraud

7 High-Trust Dividends

- Increased Value
- Accelerated Growth
- Balanced Innovation
- Improved Collaboration
- Stronger Partnering
- Better Execution
- Heightened Loyalty

MARKET TRUST: the Principle of Reputation

“Brand” matters on every level – even countries can have branding problems - people do not tend to trust products from China but have high-trust for Swedish products.

Your brand must create “dividends”, not “taxes” for your organization – go back to the 4 Cores and 13 Behaviors to check and improve your brand.

SOCIETAL TRUST: the Principle of Contribution

During the Rodney King riots in L.A., billions of dollars in damage was done to businesses and property. The numerous McDonald’s Restaurants remained unscathed. McDonald’s was seen as a contributor to the community because they sponsored sports and literacy programs and had local hiring policies. And people knew about it.

Move from philanthropy to global citizenship. Contribution is not something we do in addition to doing business; it is part of doing business.

Essential Messages re: Stakeholder Trust:

1. The 4 Cores and the 13 Behaviors are the tools that establish or restore trust in every context – in organizations (including the family), in the marketplace and in society.
2. The main principle of establishing Organizational Trust is Alignment – ensuring that all structures and systems within the organization are in harmony with the cores and behaviors.
3. The main principle of establishing Market Trust is Reputation or Brand. It’s using the cores and behaviors to create the credibility and behavior that inspires the trust of External stakeholders to the extent that they will buy, invest in, and/or recommend your products and services to others.
4. The main principle of establishing Societal Trust is Contribution. It’s demonstrating the intent to give back, to be responsible global citizens, and it is becoming both a social and an economic necessity in our knowledge worker age.

Character	Competence
	Self-Trust - credibility
	Relationship Trust - behavior
	Organizational Trust - alignment
	Market Trust - reputation
	Societal Trust – contribution

Inspiring Trust:

The first job of a leader is to extend trust and inspire trust.

Types of Trust – propensity for trust and analysis of risk

- Distrust = low propensity and high analysis

- No Trust = low propensity and low analysis
- Blind Trust = high propensity and low analysis
- Smart Trust = high propensity and high analysis

Analysis =

1. What is the situation?
2. What is the risk?
3. What is the credibility of the people involved?

We cannot avoid risk, but we can manage it wisely.

The most damaging thing in an organization is No Trust – this creates indecision.

Restoring Lost or Broken Trust:

- The challenge is the opportunity not so much what we do as how we do it.
- We must understand how trust was lost and use the 4 Cores and 13 Behaviors to remedy the situation.
- Accept responsibility; accept that hard work and time are part of the equation.
- You can only do what you can do.
- You can't control another's perception but you can influence it.

When Others Have Lost Your Trust:

- Don't be too quick to judge
- Do be quick to forgive

Remember that trust is a choice and we determine our own propensity to trust.

INTERVIEW WITH STEPHEN COVEY:

In this interview, Covey explains why the notion of trust as a soft, social virtue is a myth and instead demonstrates that **trust is a hard-edged, economic driver—a learnable and measurable skill that can give your business a competitive edge.**

Why do you claim that "Trust" is the key leadership competency of the new global economy?

Covey: If you look at the nature of the world today, a foundational condition in Thomas Friedman's [flat world](#) is the presence of trust. Put simply, today's increasingly global marketplace puts a premium on true collaboration, teaming, relationships and partnering, and all these interdependencies require trust. In the book I point out that partnerships based on trust outperform partnerships based on contracts. *Compliance does not foster innovation, trust does.* You can't sustain long-term innovation, for example, in a climate of distrust.

In issue after issue, the data is clear: high trust organizations outperform low-trust organizations. Total return to shareholders in high trust organizations is almost three times higher than the return in low trust organizations.

So we assert that trust is clearly a key competency. A competency or skill that can be learned, taught, and improved and one that talent can be screened for.

Trust is the one thing that affects everything else you're doing. It's a performance multiplier which takes your trajectory upwards, for every activity you engage in, from strategy to execution.

How do you identify a high-trust or low-trust organizations?

Covey: Trust is a powerful accelerator to performance and when trust goes up, speed also goes up while cost comes down -- producing what we call a **trust dividend**. How do you know if you have a high trust culture? By observing the behavior of your people. In high trust, high performance companies, we observe the following behaviors:

- Information is shared openly
- Mistakes are tolerated and encouraged as a way of learning
- The culture is innovative and creative
- People are loyal to those who are absent
- People talk straight and confront real issues
- There is real communication and real collaboration
- People share credit abundantly and openly celebrate each others' success
- There are few "meetings after the meetings"
- Transparency is a practiced value
- People are candid and authentic
- There is a high degree of accountability
- There is palpable vitality and energy—people can feel the positive momentum

Another very visible indicator is the behavior of your customers and suppliers. What is your customer churn rate? Do you have a history of long-term customer and supplier relationships? What is your reputation or brand equity in your marketplace?

Conversely, when the trust is low, there's a **trust tax** which changes your trajectory downwards. In our work with organizations, we find that low-trust, low-performance organizations typically exhibit cultural behaviors like:

- Facts are manipulated or distorted
- Information and knowledge are withheld and hoarded
- People spin the truth to their advantage
- Getting the credit is very important
- New ideas are openly resisted and stifled
- Mistakes are covered up or covered over
- Most people are involved in a blame game, badmouthing others
- There is an abundance of “water cooler” talk
- There are numerous “meetings after the meetings”
- There are many “undiscussables”
- People tend to over-promise and under-deliver
- There are a lot of violated expectations for which people make many excuses
- People pretend bad things aren't happening or are in denial
- The energy level is low
- People often feel unproductive tension—sometimes even fear

These behaviors are all taxes on performance.

The work we do is to establish trust as your organizational operating system. That's a high-tech metaphor, but it's appropriate. We know how trust works, how to measure it, how to establish it, grow it, extend it, and sustain it – with all stakeholders.

Why is trust such a hidden variable to many otherwise competent managers?

Covey: Unfortunately, too many executives believe the myths about trust. Myths like how trust is soft and is merely a social virtue. The reality is that trust is hard-edged and is an economic driver.

For instance, strategy is important, but trust is the hidden variable. On paper you can have clarity around your objectives, but in a low-trust environment, your strategy won't be executed. We find the trust tax shows up in a variety of ways including fraud, bureaucracy, politics, turnover, and disengagement, where people quit mentally, but stay physically. The trust tax is real.

There are many myths about trust, and in my book I present them in a table your readers may find helpful:

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) <i>and</i> 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 the one establishes trust with the many

So trust is measurable? quantifiable?

Covey: *Absolutely, trust is measurable.* Smart organizations measure trust in three key ways: 1) actual trust "levels"; 2) the "components" or dimensions that comprise trust; and 3) the "effects", or impact, of trust.

We have found that one very simple way to measure trust levels is to ask one direct question and roll it up and down throughout the organization. For internal stakeholders ask: "Do you trust your boss?" to employees at all levels of an organization. For external stakeholders, like customers or suppliers, you might ask them: "Do you trust our sales representative or account manager?" These are simple, direct questions that tell us more about our culture than perhaps any other question we might ask.

Now, wouldn't it be great if "trust" showed up on the financial statements as either a 'tax' or a 'dividend'? Organizations would then use resources to eliminate the tax or create a larger dividend! Although a high trust or low trust culture doesn't literally show up on financial statements, it does show up in the following ways, which are measurable, observable and economically relevant (all of which make a strong "business case for trust"):

The 7 Low-Trust Organizational Taxes	The 7 High-Trust Organizational Dividends
1. Redundancy	1. Increased value
2. Bureaucracy	2. Accelerated growth

3. Politics	3. Enhanced innovation
4. Disengagement	4. Improved collaboration
5. Turnover	5. Stronger partnering
6. Churn	6. Better execution
7. Fraud	7. Heightened loyalty
<i>(The opposites of the 7 Organizational Taxes are also Dividends)</i>	

What are the competencies, the behaviors that build trust?

Covey: Trust too often has been pigeonholed as based on character and integrity alone. There's nothing wrong with that, and that is clearly the foundation, but it's insufficient.

Trust is a function of both character and competence. Of course you can't trust someone who lacks integrity, but hear this: if someone is honest but they can't perform, you're not going to trust them either. You won't trust them to get the job done.

That's one reason why trust has a soft image- because it has been severed from competence and results.

So how does one apply trust to branding?

Covey: When I look at a brand, a brand is nothing more or less than trust with the customer, trust with the marketplace. The principle behind a brand is reputation. The brand stands for a promise and the ability to deliver on that promise. And in that promise is a company's character *and* competence, its reputation.

From the character side you start with *integrity*—honesty, congruence, humility and courage. The courage to be open, to stand for something, to make and keep commitments. Then there's *intent*—is there a genuine concern for people, purposes and society as a whole or is profit your sole motive? What's the company's agenda? And how does it behave? Sometimes poor behavior is simply bad execution of good intent.

On the competence side, you start with your *capabilities*—talents, skills, the ability to deliver. Is your company staying relevant, are you continually improving, do you have the right technologies to stay ahead of your competition? Brands need to reinvent themselves from time to time to stay relevant. Finally, look at your *results*. Your company and your brands are constantly measured based on past performance, present performance and anticipated future performance.

These four dimensions—integrity, intent, capabilities and results—make up the credibility and reputation of your brand. When the trust is high, you get the trust dividend. Investors invest in brands people trust. Consumers buy more from companies they trust, they spend more with companies they trust, they recommend companies they trust, and they give companies they trust the benefit of the doubt when things go wrong. The list goes on and on. On the Internet, a trusted brand versus an untrusted brand—the differences could not be clearer, you only give your credit card number to those you trust. And look what happens when a brand gets diluted or polluted or compromised, we see how fast consumers, and investors, turn away. They quit buying.

These same principles apply equally to companies and individuals.

What about the social responsibility of business? Is this part of the trust equation?

Covey: Initially many companies may move into this arena for PR purposes. More out of fear of not being in the arena, than really participating with their souls. But there are huge benefits that flow from this - the difference it makes with your employees first, then your customers, your suppliers, your distributors, your investors.

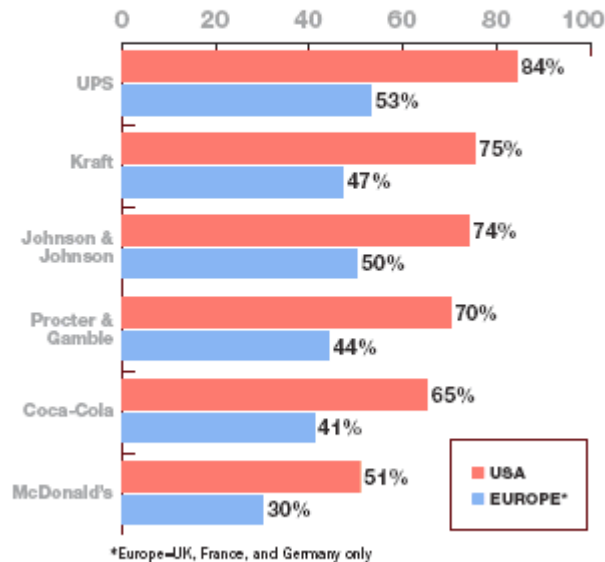
The distrust we see all around is *suspicion*, a response to the corporate scandals and vicious downward cycles of cynicism. But when a company focuses on the principle of *contribution for all stakeholders*, that becomes good business. Executives need to understand the economic benefits of this trust dividend, especially when the behavior is real, not artificially or superficially created as PR to manipulate trust. We will see more and more companies moving in this direction because it makes economic sense, period.

Trust varies by geography, as you've pointed out in your book. How do companies build trust globally?

Covey: There's no question that trust issues are global issues. There's also a country tax. The Edelman Trust Barometer tells us, for example, that trust is often based on country of origin. US companies are being taxed in Europe, in Germany, France and England, for example. How can companies like UPS improve their trust rankings?

Trust discount for US brands in Europe

How much do you trust each company or organization to do what is right?



SOURCE: EDELMAN TRUST BAROMETER 2006

Trust can be rebuilt. So how do you build trust? By your behavior. We've identified 13 behaviors which build trust:

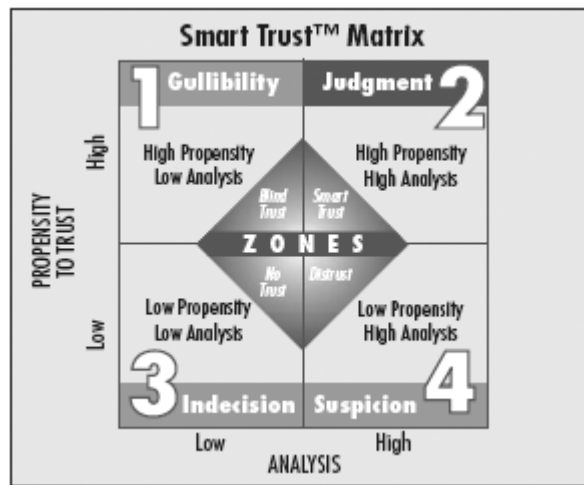
1. Talk Straight
2. Demonstrate Respect
3. Create Transparency
4. Right Wrongs
5. Show Loyalty
6. Deliver Results
7. Get Better
8. Confront Reality
9. Clarify Expectations
10. Practice Accountability
11. Listen First
12. Keep Commitments
13. Extend Trust

Companies need to have a strong promise, because the promise builds hope. Keeping the promise is what builds trust.

My father has an expression: "You can't talk yourself out of a problem you behaved yourself into." So it is with trust.

Sometimes it takes a little time, but you can accelerate the process by declaring your intent and signaling your behavior, so others can see it.

People and companies can learn these behaviors. It's not a simple process which happens overnight. But it is a systemic, cultural process which can happen one



leader at a time, one division at a time, one company at a time, and you can see the behavior shifting toward authentic, real trust-building behaviors as opposed to the more common counterfeit behavior of spin and hidden agendas and the like which tend to dissipate and diminish trust.

Is there a danger in being too trusting or even gullible?

Covey: One thing about trust is that everyone's for it.

However, there are three big objections which come up. The first one is that trust is a social virtue, to which I say no, it's much more than that; it's a hard-edged economic driver. Secondly, and we hear this all the time: "we can't do anything about trust, it's either there or it's not there." This too is a fallacy. Trust is a competency. It's something you can get good at. It's a strength you personally, and your team *and* your company can master. Being good at it will elevate every other strength you have.

The third complaint goes along these lines: "We've been burned before. We can't trust everyone. Are you suggesting we trust everybody?" That's where I suggest you exercise what I call "SmartTrust." Most leaders have been burned before, so they become distrusting. Our society is that way. After Enron and WorldCom, we pass legislation like Sarbanes-Oxley to force compliance, raising the "tax" on all businesses. The question is, "is there a third alternative?" An alternative where you combine a high propensity to trust with good analysis and judgment, so we can really assess the circumstances, the risk, the credibility of the people involved, so we can extend trust, and build into that trust a stewardship or responsibility.

If you're not trusted, you tend to reciprocate with distrust. That's how the vicious cycle of mistrust starts and spirals downward.

There is a risk in trusting people, but the greater risk is not trusting people.

SmartTrust says you look at the opportunity, the risk and the credibility of the people involved. And you add to that verification and analysis. So you trust *and* verify. As opposed to *verify, then trust!*

Let's look at Berkshire Hathaway and Warren Buffet. I mention them in the book as an example of a high-trust company, about the acquisition they made based on a hand shake without due diligence.

But did you know that's how the entire company operates?

They have a 192,000 employees with 42 different wholly-owned companies. How many people do you think work at corporate headquarters? '

Seventeen!

Why? Because they choose to operate in a "seamless web of deserved trust" as Charlie Munger calls it.

This is real. It's not blind trust, but smart trust.