2 The Business Case for Trust

While working with a client recently, I discovered an allegory to describe the impact of trust. This client was feeling the pain of rapid growth. The stress of the growth uncovered low trust between some managers and their employees. However, there were several other managers and teams who had contrastingly high trust between them. The difference in the performance between the low-trust groups and the high-trust groups was like the difference between analog dial-up, and digital, broadband Internet access. The low-trust group who were like analog dial-up had far less bandwidth for change and innovation and were much slower at everything.

Trust is something that can be built and, like digital technology, can create profound improvements in productivity. So, a strong case can be made for the need to master those competencies that build trust. In this chapter, I provide data that proves the financial success that Radical Trust leadership has garnered for organizations and individuals. I will also reveal the economic trends and cultural changes that make building and sustaining trust much more important and urgent today than it was in the past.

Digital technology was embraced as critical to business success as a result of the convergence of several factors. And so it is with trust. Business realities are establishing the need for trust not only to be a critical management competency today, but also for many decades to come.

Proof: Radical Trust Creates Radical Success

The four primary leaders and their organizations who are profiled in this book prove that Radical Trust is a critical weapon in competitive markets that enables managers to lead an organization to great financial results as well as creating an organization people love. Here are both factual data and anecdotal testimony to prove it.

Radical Trust Leader 1: Joe Croce

Position: Founder and former CEO, CiCi's Pizza, a 600-store franchise chain.
Proof of Financial Success: CiCi's Pizza has 600 restaurants in 27 states. In January 2007, *Entrepreneur* magazine ranked them number one in the Italian restaurant franchises category. In 2006, *Restaurants & Institutions* magazine named them Best in Value in its Annual Consumer Choice Survey in the pizza category. In 2005, the *Wall Street Journal* named CiCi's one of the Top 25 Franchises. In 2004 and 2005, the *Nation's Restaurant News* ranked CiCi's as number one for sales and unit growth in the pizza chain category. The founder, Joe Croce, retired three years ago at the age of forty-four and left behind numerous millionaires he helped to create. Some are now employee owners and some franchise owners.

Proof of Radical Trust: Craig Moore was mentored by Joe and was part of the team that bought CiCi's and replaced Joe as president. He tells us:

> When I came to CiCi's 15 years ago and met with Joe Croce, he (like all before) painted a picture for a great personal future if there were results that he expected. In past companies and positions, the painted picture was not real and when results were attained, there was always some "company" reason or other half-baked excuse why the promises were stalled or not available at all. I learned early on with Joe that not only would he follow through on his promises, he often would do it at his own detriment. There were many years in the early days that the lieutenants would prosper at Joe's expense. He lived modestly so he could proceed to build the team that he thought would get him to his ultimate goals (while all lieutenants exceeded their personal goals).
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> As one manager told us, "If you were good enough to play on Joe's team and then make the cut day in and day out, the benefits kept coming in. Joe built loyalty by exceeding our expectations with personal growth that equated to financial gain. It was never about the money for the ones that stayed at CiCi's. It was about being on the team and hitting the goals. And when we did, the things that were promised happened every time. We always knew that if Joe Croce said that he was going to do something, it was going to happen. If you learned this early in your career with CiCi's, the tough love was easy to take. Joe was consistent with his tough style. He cared about our success and only wanted those who would sacrifice for the team. He ended up on top and left behind a wildly successful future for those who played on his team."
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> A plaque that was mounted at the entrance to CiCi's corporate headquarters by one of Joe's successors reads: "This building is dedicated to Joe Croce. May the passion, pride, and high ethical standards upon which you founded these companies never falter!"

Radical Trust Leader 2: Steve Krajenka

Position: Zone vice president, GAP
Proof of Financial Success: In 2004, within one-year of Steve's tenure as zone vice president, his became the highest grossing sales zone of the world's second largest clothing retailer, the GAP. Over $1 billion in sales were generated by his high-trust team that managed over 9,000 employees and 335 stores.
Proof of Radical Trust: The following is one of 50 testimonials written by employees when Steve went on sabbatical to spend time with his wife and teenage boys:

> I do want you to know that I am so happy to have met, and worked with someone that holds the same values as myself and was able to lead a successful team. I know that everyone here feels that they had an important part in making this brand successful, and that was because of your great leadership. How many leaders do you know who make their employees like going to work? And, how many leaders do you know who let people know that there is more to life than work? These are two questions that I will always remember because of you, and are qualities that I will always look for in a leader.
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> Rosie Munoz, Office Administrator

Radical Trust Leader 3: Pam Nelson

Position: CEO, CCG Systems, The company's "Faster" software provides fleet management solutions.
Proof of Financial Success: Pam and her team took a small tech start-up on the verge of failing and increased sales from $150,000 to $3.8 million. She just sold her company to her employees through an employee stock option plan, and Pam's 29 original employees/partners are now becoming employee owners.

Proof of Radical Trust: Rick D. Longobart is the fleet services superintendent for the city of Inglewood and his statement that follows is one of many examples of the Radical Trust that Pam has with her customers:

> I first met Pam in the summer of 1994 while installing a new fleet management software system, at which time I was just entering my supervisory career. Being a new supervisor, it was important to me to impress people using my expertise, knowledge, and managerial skills. However, Pam was not impressed with my ability to direct staff and demonstrate my autocratic approaches. The reason Pam was not impressed with this style of management is Pam's belief system is not based on instructing staff to complete work on a hierarchy level of management. Instead, her approach is to implement change based on the total quality management leadership approach. Her approaches are actually simple solutions that most of us overlook.
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> While most of us attempt to invoke change by telling people how or what to be, Pam actually uses the concept of self-empowerment by listening to one's concerns, needs, and purpose in life to bring out their strong points. Pam has been very successful because she knows that you can be more effective by leading by example than by telling people what to do. She uses the following approach. The difference between a leader and a boss: The leader leads, and the boss drives. Over the years, Pam has been my mentor, because I have found that these examples are effective . . . I too have adopted her leadership style and it has made me a successful leader.

Radical Trust Leader 4: Harry Young

Position: Former film and TV producer; founder YES (Youth Entertainment Studios): A nonprofit organization that provides solutions for at-risk youth.

Proof of Success: Because this organization is focused on changing lives and not monetary profit, I will use this leader's prior success in business to demonstrate the profitability of his Radical Trust practices: As vice president of original programming for the Family Channel and senior vice president of Family Productions Inc., Harry helped build a TV station and film company that were later sold to ABC for $3.2 billion. Harry then turned his sights on a greater vision of using media to help youth.

Proof of Radical Trust: Brian Toppins, 23, and Darrell Monroe, 23, who were participants in the YES program and are now volunteers had this to say: "It was nice to come to a place that was like home where you know a father figure will be there."

In spite of having YES studios all over America and in London, Harry remains active in a local pilot studio where he maintains his office. There he remains a father figure to the many teenagers who come through that facility's doors.

Derek Springs, a graduate of the YES program, says the following about Harry: "When I come to the studio, Harry is always there and I feel like I don't always have to watch my back. I feel safe there and Harry doesn't judge me. No matter what I have done, Harry makes me feel valuable."

Amiracle Freeman, a current YES participant, says: "I love Mr. Harry because he genuinely cares about young people."

These leaders are strong proof of the benefit of Radical Trust. Therefore, you may be tempted to skip the rest of this chapter because you are already convinced that there is a strong business case that makes trust critical to success. Please feel free to do so, but you may want to read what follows to get a sense of the magnitude of the shift that is making these trust competencies so important and creating such great opportunities for those who master them.

Trust Is Becoming a Necessity

Let me start this justification by focusing on your world. Take a moment to think about the highest performing group of people you have ever worked with—now or previously in your career. Do you have these people in your mind—stop and picture them. Then answer these questions: Did this group have high trust? What would have happened if trust were diminished in that group? I ask clients these questions all the time. Overwhelmingly, they say that trust, in fact, is the single biggest contributor to a high-performing team and agree that lack of trust is the single biggest reason for dysfunctions on teams.

You may be saying, "But wait a minute, Joe. Organizations have operated quite profitably throughout history while having very low trust between management and workers." It used to be no surprise to come across scores of managers who got the job done but their people could not trust them as far as they could throw them. In fact, you may have worked for one.

One reason low-trust managers and organizations were financially successful in the past is that most organizations were focused more on productivity as a function of keeping cost down. So their economics didn't demand the more complex work environment for which trust is essential. Today's competitive climate requires far more creativity, knowledge sharing, problem solving, and diverse talent.

That is why there is a sudden surge in the need for trust. Things have changed dramatically because of several economic factors. For example, low-cost production is not the singular issue it once was. For more than a decade, organizations have tried to compete globally by getting people to work harder and cheaper. However, organizations are realizing that, while hard work is important, working smart is really what they need employees to do. While managers who can instill fear can get people to work pretty hard, managers who can build trust get people to work harder and more creatively over the long run.

Therefore, most organizations have shifted from solely focusing on productivity to adding value by applying creativity. This has led to constantly improving processes. You have certainly seen that, in the past decade, change is the new norm. All this change requires far more communication. It also requires constant knowledge sharing.

Another big shift is that we can no longer tolerate large numbers of mediocre workers bogging down an organization. The need to develop talent and retain it is far more important than it was in the past.

Employees Are More Likely to Quit Low-Trust Bosses

The availability of information and the transient nature of the world make it very hard for organizations to hide bad management practices. Compared to workers in the Industrial Age, the economic wealth that the working world now enjoys is giving workers unprecedented power to quit their jobs and invest their talents elsewhere. Simply put, low-trust management did not cost as much during the Industrial Age and thus was more tolerated. The British comedian and star of the BBC comedy show, *Monty Python,* reveals how some workers feel about their bosses.

> ***I find it rather easy to portray a businessman: Being bland, rather cruel, and incompetent comes naturally to me.***
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> ***—John Cleese (1939–)***

The reason low trust didn't cost as much during the Industrial Age is that employees had minimal ability to hold the bad manager accountable by quitting. The marketplace was not nearly as competitive. Today, the market holds managers accountable because customers press organizations for the level of service and quality that only higher functioning employees can provide.

High Trust Spurs Innovation and Profits

Let me give you two quick examples of how building trust pays off in today's market.

Google Trust

When Google started as an Internet search engine company, its competitors were providing search results that allowed those that paid for advertising to achieve higher rankings. Of course, this reduced the accuracy of the search result and was considered deceptive because in many cases the user was not made aware of which listings were a legitimate result of the search and which were showing up because money had changed hands.

Google opted to embrace a higher trust relationship with its users and would not let advertising income dictate its listings. Instead, it put a separate area to the right of the listing for paid advertiser's links that were relevant to the search. This section was clearly labeled: "Sponsored Links." One of Google's founders and one of three top leaders, Sergey Brin, was worth $14 billion in 2006 as a result of Google generated wealth. He underscored that Google would take a high-trust approach when he said we will "do no evil."

It is further interesting to note that Google was not first to market with its product. So it did not have the luxury of making easy money and high profits that then allowed them to take the higher ground. Google started on the higher ground because it *was* a competitive advantage. If you want some interesting reading, search the Web for "early search engines" and you will find that there were at least 24 search engines or directories that were competing between 1993 and 2006. Even though Google came on the scene rather late in 1998, it dominates today.

Cost of Broken Trust and the Power of Harnessing It

Employees of American Airlines would have agreed with John Cleese's snide statement had you talked to them after what they found out in 2003. American Airlines CEO Donald J. Carty asked rank and file employees to concede deep cuts in their compensation. However, he quietly got the board to approve giving senior executives perks and bonuses. He acted under the misguided belief that they needed to secretly do this to retain top talent, but could not be honest with the airline employees who were taking pay cuts.

By law, Carty had to make these executive perks public in a filing to the Securities and Exchange Commission (SEC). So he waited until the day after the union agreed to take massive wage cuts and then made the SEC filing that told the public about the executive perks. The union members felt betrayed and threatened a revote because of his bad faith.

In the past century, an executive may have gotten away with this low-trust tactic. However, in this case, the board asked Carty to resign rather than risk the union reneging on its vote to cut wages.

With a painful lesson learned by American Airlines management, a new age had dawned and this story had a good ending. Wade Goodwyn of National Public Radio told a different story about the company on December 7, 2006, that revealed the power of trust to create results.

American Airlines Vice President Carmine J. Romano, who is in charge of American Airline's maintenance facility, broke from the old tradition to protect his power. He began to share power and decision making with the union in an attempt to spur innovation and cost cutting. The union willingly cut their wages as he built trust. Employees were given input into running the operation.

Dennis Burchette, president of TWU Local 514, spoke of the dramatic difference trust makes in permitting people to grow, change, and innovate when he said, "When I have my union meetings now and I've got 200 guys in there, instead of complaining about management, they sound like businesspeople. . . . Look what they're doing to us. They're changing us down here. We used to cuss management and now all we do is talk about business."

The airlines and the union developed a shared goal. Instead of giving in to the global trend to farm out costly labor-intensive work like airline maintenance to cheaper labor markets, they set out to improve their operation to be able to compete. They were so successful that they not only avoided the job losses associated with outsourcing, but began to "in-source" work from overseas. The workers redesigned entire business models. It used to take 800 mechanics working 25 days to perform an overhaul. Now, it is accomplished with 450 mechanics working 13 days. The over-all cost was reduced by 55 percent.

Romano summarizes their success with a simple statement, "When they implement, it is a much quicker success." The business case for trust is solidly made by the fact that American Airlines has become so good at maintenance that they moved beyond servicing their own planes and now have 50 outside customers. They estimate that revenue from in-sourcing in 2007 will be $100 million and in 2008 will be $175 million.

Employee Partnership and Collaboration

Global competition is forcing people and organizations to embrace the idea of partnership with customers, employees, and even vendors.

Organizations are waking up to the fact that if the only thing at the center of the business relationship is wage, salary, commission, fee, price, margin, and/or volume, then you are not a partner adding value and you become extremely vulnerable to low-cost competitors. It is the same with people. A person's value is not based on how cheaply he or she will work. A person's economic value is based on the combination of knowledge-capital, skills, and ability to team with others to make contributions. If an employer can't trust you to partner with a team member to deliver, all your degrees and experience are worth very little.

This works the same way for an employer. How much an organization pays is no longer the exclusive measure of the value of a job. For example, employee surveys have been telling us for years that money is not the only currency that retains talent. Money used to be the most dominant reason people left a job. People now reference not feeling valued, not being able to speak freely, or more simply put, having a lousy boss. In the past, it would have been considered radical to claim that most people would put having a good boss on par with making more money. Human resource executives often tell me that in exit interviews an employee may say he is leaving because the new job pays more. But when you ask him why he started looking in the first place, he replies that he started looking for another job because of a bad boss. So even when some people say they left because of better pay, the real truth is they never would have left if they had high-trust relationships with their bosses.

Let me underscore the relationship between retention and trust. Trust is clearly the central element to people feeling valued. Reduce trust and you eliminate the ability for a boss or organization to value their people. Increase trust and the bonds between employee and boss are remarkably resilient. Therefore, there is a major shift underway—organizations are being forced to embrace the idea of being a partner instead of a boss. While fear is the primary currency of a boss, trust is the primary currency of a partnership. From a supply and demand standpoint, trust's stock is going up. It may be in low supply in many organizations, but the need to compete in a global economy is fueling greatly increased demand.

Low trust increases turnover.

Because of the complexity of the workplace and the related cost of integrating a new person into a team today, turnover is a much more monitored problem or metric. Therefore, low trust that increases turnover can no longer be written off as a "personality conflict with the boss." If you want to compete and provide excellence that will create sustained growth and you are in a "first-world" (as opposed to third-world) country, you have to conclude that high-trust relationships between manager and employee reduce turnover, reduce cost, and ensure the retention of your best talent.

Don't get me wrong; this is an evolution not a revolution. You will still find plenty of low-trust managers and organizations for many years to come that will be profitable. But their profitability will last only as long as they don't feel global competition requiring them to add value and to become creative.

Talent Retention and Baby Boomer Retirement

With low unemployment, organizations are challenged to find and keep good talent. Let's put this in practical terms. Think about the three best people that work for you. Then think about the ramifications of having one or two of them give you their notice tomorrow that they are retiring or taking a position elsewhere. I don't mean to cause you anxiety, but the loss of talented people puts far more demand on you and adds a lot of challenge to your success. And as the United States heads into a season of baby boomers retiring, we are going to lose a lot of management talent. There are varying statistics on the "talent drain" as some call it. But all agree that it will put a higher premium on managers who can lead in such a way as to build loyalty and retention.

Arlene Dohm, an economist in the Office of Employment Projections for the Bureau of Labor Statistics, wrote the following as an introduction to her research paper titled, "Gauging the Labor Force Effects of Retiring Baby Boomers":

> As aging baby boomers begin retiring, the effects on the overall economy and certain occupation and industries will be substantial, creating a need for younger workers to fill the vacated jobs, many of which require relatively high levels of skill.

Ms. Dohm continues on to say that in the decade between 1988 and 1998, 19 million people left the workforce. But it gets worse. In the decade from 1998 to 2008, the number is predicted to rise to 25 million.

The reason this makes high trust so important, as I mentioned earlier, is that the people who will be replacing baby boomers are inherently less tolerant of bad working conditions and/or low trust bosses. Put another way, managers of all sectors consistently tell me that baby boomers tolerate bad bosses and bad working conditions far better than any other generation currently in the workforce. Indeed, younger generations are putting greater pressure on managers to operate with higher trust because they are far less likely to tolerate bad management.

One of the common explanations offered for this is that younger generations don't have the work ethic that baby boomers have. However, there is a different explanation in many cases. Younger generations are less tolerant of bad bosses and working conditions because they have more economic choice, so they appear to not want to work as hard. But in reality, they are challenging the boss and employer to do better. Some bosses construe this as a work ethic problem when it really is an economic issue and/or a trust issue.

Skilled Employees Require Skilled Leaders

Another employment shift is the growth in higher skilled jobs and therefore a need for higher skilled leadership. The industry that many feel has been hardest hit by the global economy with the loss of jobs is manufacturing. For example, while it is true that the United States has lost many low-skilled manufacturing jobs to outsourcing, the United States is also experiencing rapid growth in higher skilled jobs.

According to a study published in the Federal Reserve Bank of New York's February/March 2006 issue of *Current Issues in Economics and Finance,* high-skilled manufacturing jobs in the United States grew 37 percent between 1983 and 2002, while medium-skilled jobs decreased by 18 percent and low-skilled jobs by 25 percent. This means that even the sector hardest hit by global competition has to prepare managers to develop and retain these more highly skilled and thus more sought-after employees.

An interesting example of this is a story I heard on a recent trip to Pennsylvania about an owner of a manufacturing facility that creates plastic chemical tanks. The ability to find and develop higher skilled labor was cramping his company's ability to grow. He claimed that if he could have developed or found the higher skilled employees he needed, the output would have grown another 30 percent.

Managers need to cultivate talent to higher levels to be competitive and they must manage smarter to retain their talent because the pool of talent is highly sought after. Trust is integral to both developing and retaining people.

Cultural Case for Trust

People often ask me, "What is the most important thing a manager contributes to an organization?" There are many responses to that question, but one that stands out is the manager's ability to create an energized, innovative, and positive, high-trust culture. Table 2.1 shows the costs and benefits to a culture that result from a manager's ability or inability to build trust.

Table 2.1 Low-Trust versus High-Trust Business Cultures

Cost of Low Trust	*Benefit of High Trust*
A lack of clarity and hidden agendas cause project failure.	Strips away distractions and creates clarity to focus on the right things.
Higher stress and misdirected energy.	Lower stress and higher energy.
Reduced candor. Increased negative politics.	Increased candor with higher creativity and fewer negative conflicts.
Higher turnover.	Lower turnover because people feel valued.
Younger generations respond to low trust with a weaker work ethic and lack of patience.	All generations improve performance when trust is high. Trust is the one true bridge across all generations.

Table 2.1 *(Continued)*

Cost of Low Trust	*Benefit of High Trust*
Low trust translates into a caustic or cold place to work, which reduces the company's ability to retain and attract talent. Employees caution people to stay away.	High trust permits a more fulfilling workplace and generates warmth that retains and draws talent. Employees are far more likely to refer and recruit talent.
Employees reduce risk taking and stop innovating.	Employees are more empowered to take risks and innovate.
Employees are afraid to share knowledge because they perceive knowledge as power in a low-trust culture.	Employees share knowledge because they trust that their boss knows their true value.
Low trust fosters a focus on self-preservation and creates silos. The resulting selfishness prevents partnership and collaboration within silos and between them.	Partnerships and collaborations flourish because the primary catalyst for them (leadership by example) is intact. The walls that create silos have no foundations on which to stand.
Development occurs at a slower rate.	Development occurs at a rapid rate.
Universally, people dislike being surrounded by people they do not trust; work becomes drudgery.	Universally, people want to be surrounded by people they trust; work becomes a second home.

Summary

The importance of this book is heightened by global economics that are fueling fierce competition, which is forcing people and organizations to embrace the idea of partnership with their customers, employees, and even their vendors. While fear is the primary currency of a boss, trust is the primary currency of a leader.