

7 High-Trust Dividends

Consider the dividends of high trust. Obviously, the opposites of the 7 Low-Trust Organizational Taxes are dividends. But there are additional high trust dividends—dividends that clearly show how trust always impacts speed and cost . . . and also a third measure: value.

1. Increased value

High trust increases value in two dimensions.

The first dimension is shareholder value—and the data is compelling. In a Watson Wyatt 2002 study, high trust organizations outperformed low trust organizations in total return to shareholders (stock price plus dividends) by 286%



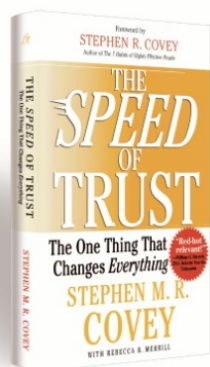
Additionally, according to a 2005 study by Russell Investment Group, Fortune Magazine’s “100 Best Companies to Work for in America” (in which trust comprises 60 percent of the criteria), earned over four times the returns of the broader market over the prior seven years. As Fortune Magazine declared, “Employees treasure the freedom to do their job as they think best, and great employers trust them.”

The second dimension is customer value. As a result of the last five dividends described below, high trust organizations are consistently able to create and deliver more value to their customers.

2. Accelerated growth

High trust companies outperform low trust companies, not only in shareholder value, but also in sales and profits. Research clearly shows that customers buy more, buy more frequently, refer more, and stay longer with companies and people they trust. Plus, these companies actually outperform with less cost.

The net result is not just accelerated growth, but accelerated profitable growth. As Vanguard Investments CEO John Brennan said, “Trust is our number one asset...As customers learn to trust us, they generate a surprising amount of growth.”



3. Enhanced innovation

High trust companies are innovative in the products and services they offer customers, and they have strong cultures of innovation, which only thrive in an environment of high trust. Innovation and creativity demand a number of important conditions to flourish,



including information sharing, an absence of caring about who gets the credit, a willingness to take risks, the safety to make mistakes, and the ability to collaborate. And all of these conditions are the fruits of high trust.

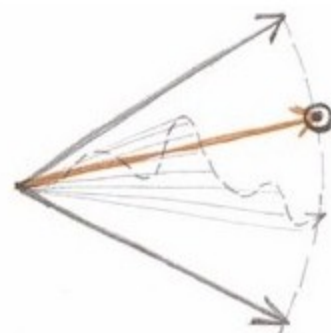
4. Improved collaboration

High trust company environments foster the collaboration and teamwork required for success in the new global economy.

Different than the traditional approaches of *coordination* and *cooperation*, real *collaboration* creates the key opportunity model of today's world. And this collaboration isn't just internal to an organization—it's also with external customers and suppliers. Forbes highlighted this "collaboration as opportunity" trend in 2006, pointing out what they call the "bedrock" of collaboration: trust. Without trust, collaboration is merely cooperation, which fails to achieve the benefits and possibilities available to true collaborators in the knowledge worker age.

5. Stronger partnering

The Warwick Business School study confirmed that partnering relationships (such as outsourcing deals) that are based on trust experienced a high trust dividend of up to 40% of the value of the contract. Those that rely on the contract language, and not on a relationship of trust, fare far worse. The report reads: "We found that contracts with well-managed relationships based on trust—rather than stringent SLAs [Service Level Agreements] and penalties—are more likely to like to a 'trust dividend' for both parties. Real trust is not naïve. It...is earned from performance."



6. Better execution

High trust companies are better able than low trust companies to execute their organization's strategy. The importance of execution was made clear to me on my first day at Harvard Business School. At the end of a four hour case study, my professor said something I will never forget: "If you only remember one thing in your two years at Harvard Business School, let it be this: It is better to have grade B strategy and grade A execution, than the other way around."

Voted the # 1 enduring idea by Strategy + Business magazine readers, execution is appropriately a huge focus in organizations today, and execution is significantly enhanced by trust or weakened by low trust. High trust is the great performance multiplier.

7. Heightened loyalty

High trust companies elicit far greater loyalty from their primary stakeholders—co-workers, customers, suppliers, distributors, and investors—than low trust companies. The evidence for every one of these relationships is clear:

- Employees stay longer with high trust companies
- Customers remain customers of high trust companies
- Suppliers and distributors stay partnered longer with high trust companies
- Investors hold their investment longer with high trust companies.

Dr. Larry Ponemon, Chairman and founder of Ponemon Institute, a leader in measuring trust in privacy and security put it clearly: “Trust is becoming the vital component in customer loyalty and brand strength.”

When you add up all the dividends of high trust—and you put those on top of the fact that high trust decreases or eliminates all your low-trust taxes —is there any doubt that there’s a significant, direct, measurable, and indisputable connection between high trust, high speed, low cost, and increased value?

**Duncan Worldwide offers training in *The Speed of Trust*.
For more information, call 816-415-1605.**

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