Smart Trust
The Defining Skill That Transforms Managers Into Leaders

THE SUMMARY IN BRIEF

In *Smart Trust*, Stephen M. R. Covey and long-time business partner Greg Link share enlightening principles and anecdotes of people and organizations that are not only achieving unprecedented prosperity from high-trust relationships and cultures, but also attaining elevated levels of energy and joy.

With penetrating insights illuminated by their unique access to many of the world’s most successful leaders and organizations, the authors lay out a breakthrough process and skill set in a practical and actionable formula that makes trust a performance multiplier for leaders, teams, organizations, and even countries. They show why trust is fast becoming the most consequential life and leadership skill of our time—a career-critical competency required to lead as well as manage.

Covey and Link teach how to cut through traditional either/or thinking to extend “Smart Trust,” enabling you to exercise sound judgment in a low-trust world by minimizing risk and maximizing possibilities.

*Smart Trust* shares findings that verify how enduring success, vitality and happiness are directly related to the level of trust in our relationships—whether in our professional or personal lives.

IN THIS SUMMARY, YOU WILL LEARN:

- How to know when to extend trust.
- Why extending Smart Trust transforms managers into leaders.
- How to increase prosperity, energy and joy in your life and organization.
- The 5 Smart Trust actions common to high-trust leaders and organizations.
- How Smart Trust multiplies performance.
- Why Smart Trust is a career-critical skill.
- How Smart Trust increases sound judgment.
- How to create a Smart Trust culture.
- How Smart Trust measurably increases engagement.
The Paradox and the Promise

The headlines and the statistics leave no doubt that the world is in a crisis of trust — in our societies, our institutions, our governments, our media, our health care services, our organizations, our relationships. What is less clear is that this crisis is having a profound impact on economic well-being and quality of life around the globe.

Trust Changes Prosperity

A company’s reputation, its ability to partner and collaborate with others, its capacity to innovate, its effectiveness in engaging its people, its ability to attract and retain great people, the speed at which it can execute — all of these dimensions of success, plus many more, are powerfully affected by trust.

In fact, trust has become the new currency of the global economy. It is the basis on which many people do business — or don’t. Generally, the less corrupt (more trustworthy) a country is perceived to be, the more prosperous is that nation’s economy. Conversely, the more corrupt (less trustworthy) a country is perceived to be, the less prosperous is that country’s economy.

The reason there is such a direct connection between trust and prosperity is that trust always affects two key inputs to prosperity: speed and cost. When trust goes down in a relationship, on a team, in an organization, or in a country, speed goes down and cost goes up. Why? Because of the many steps that have to be taken to compensate for the lack of trust. This is a tax — a low trust tax. Everything takes more time, and miscommunication, redundancy and rework create costly delays.

On the other hand, when trust goes up, speed goes up and cost goes down. People are able to communicate faster, collaborate better, innovate more, and do business faster and more efficiently. This is a high-trust dividend.

High trust is a performance multiplier — a multiplier that translates directly into greater prosperity: increased revenues, profits, economic outcomes, and results.

Trust Changes Energy

The second outcome dramatically impacted by trust is energy. By energy, we mean not only physical and emotional energy but also engagement, creativity, and health and well-being.

Nowhere does trust change energy in organizations more than in employee engagement. Although there are numerous drivers of engagement, the two biggest drivers are: (1) the relationship of trust employees have with their supervisor, and (2) the trust employees have for the organization at large.

Trust also increases energy in the form of positive synergy (where 1 + 1 = 3 or more) and creativity, which drive innovation. When you get down to it, where does innovation come from? It comes from the collision of differences in the right environment. Bottom line, when people trust each other, differences are strengths; when they don’t trust each other, differences are divisive.
Trust Changes Joy

By joy, we simply mean happiness, fun, satisfaction, and what psychologist Dr. Martin Seligman calls “flourishing.” For many people around the world, happiness is the most important goal in life.

According to Canadian economist John Helliwell, the number one factor linked to happiness — even more than income and good health — is relationships of trust.

Trust also has a profound impact on joy in teams and organizations in terms of employee satisfaction and the ability of companies to attract and retain talent.

Bottom line, in the same way that trust quantitatively changes prosperity, it qualitatively changes energy and joy.

Blind Trust or Distrust: Which Glasses Are You Wearing?

At different times in our lives and in different situations, most of us tend to look at our personal relationships, our teams, our organizations, and our governments through one of two sets of glasses: “blind trust” (naïveté) or “distrust” (suspicion). At times, we may even go back and forth between the two.

The Glasses of Blind Trust

Even if we have had bad experiences with blind trust, deep inside, most of us really want to trust. Because we want to believe that our work peers really do have our best interests at heart, or that some new investment opportunity really will produce a high return with little risk, we ignore the evidence. And the cost can be great.

Blind trust is one of the reasons Bernie Madoff was able to defraud investors out of billions of dollars.

The Glasses of Distrust

Far more often than blind trust, we tend to put on glasses of distrust. We view the world through the lens of suspicion — with what we feel is good reason. We’re bombarded daily with headlines that repeat evidence of today’s trust crisis from every possible angle. In addition, our own experience validates it.

Though we’ve become very good at recognizing the cost of trusting too much, we’re not nearly as good at recognizing the cost of not trusting enough. Whenever there is distrust in a relationship, on a team, in an organization, or in a community, a wasted tax — sometimes a significant one — is being paid. You can see at least some of the seven common low-trust taxes in many organizations: redundancy, bureaucracy, politics, disengagement, turnover, churn, and fraud.

Clearly, although there is risk in trusting too much, there is also risk in not trusting enough. It puts a tax — often a huge one — on every interaction that could be generating prosperity, energy and joy.

Bottom line, the way we see the problem is the problem. It’s not either/or. It’s not just blind trust vs. distrust. The solution is a third alternative — a whole new set of glasses, a truly different way of seeing and behaving, which we call “Smart Trust.”

The Third Alternative: ‘Smart Trust’

Smart Trust is an act of judgment that can be developed into a conscious, deliberate skill. It’s a competency and a process that enables us to operate with high trust in a low-trust world. It minimizes risk and maximizes possibilities. It optimizes two key factors: (1) a propensity to trust and (2) analysis. Simply put, Smart Trust is how to trust in a low-trust world. It is the defining skill that transforms managers into leaders.

A Propensity to Trust

The propensity to trust is the inclination, bias or desire to trust people. This propensity may be affected one way or the other by personal experience or conditioning. It is primarily a matter of the heart.

The propensity to trust almost always provides the best starting point of Smart Trust. In other words, we lead out with trust first. We don’t ignore analysis, we just suspend it. We approach situations with the belief that “most people are basically good,” and we do this because it opens up a whole new world of possibilities.

Starting with a high propensity to trust doesn’t necessarily mean that we will decide to extend trust to someone; in fact, we may not — especially after we’ve done the analysis. What it does mean is that we open ourselves up to the possibilities. When we lead out with distrust, we don’t even see the possibilities.

Analysis

If we were to focus solely on our propensity to trust, we’d often be trusting blindly and, in a low-trust world, we’d constantly be getting burned. To exercise Smart Trust, we need to combine a high propensity to trust with equally high analysis. Analysis refers to our ability to assess, evaluate, and consider implications and consequences, including risk.

Smart Trust analysis involves the assessment of three vital variables:

1. Opportunity (the situation — what you’re trusting someone with)
2. Risk (the level of risk involved)
3. Credibility (the character and competence of the people involved).

**Trust Is Contagious: The Virtuous Upward Cycle**

In the end, reciprocity works both ways: When we extend trust, we generate trust; when we withhold trust, we generate distrust. Our actions lead either toward a virtuous upward cycle of prosperity, energy, and joy or toward a vicious downward cycle that eventually results in the destruction of those outcomes. Either we add to the renaissance of trust, or we contribute to the crisis of trust — in our personal lives, our families, our communities, our teams, our organizations, our nations and our world.

**Smart Trust Action 1: Choose to Believe in Trust**

Whatever our situation, the choice to believe in trust increases our propensity to trust. It is the foundational action that leads to all other Smart Trust actions, and those actions are what lead to the prosperity, energy, and joy we desire. It’s not enough to merely give lip service to the idea of trust. It’s not enough to use trust as a pragmatic technique in certain situations when it’s to our advantage. It’s not enough to trust only once in a while, when we think there is no risk involved. The greatest and lasting dividends of trust come only when we choose trust as our underlying approach — the operating system, if you will, that consistently governs our day-in, day-out choices and decisions.

**Three Beliefs About Trust**

The actions of high-trust individuals, teams and organizations worldwide grow out of three specific beliefs about trust:

1. **A belief in being worthy of trust.** At the root of the belief in trust is a belief in trustworthiness or credibility — in the importance of acting with character and competence so that both you and others know that you can be trusted. This belief is manifested in examples of successful people and companies, such as Jon Huntsman, Sr., who chose to conclude a deal with less favorable terms rather than create stress for a man whose wife was dying of cancer and sold a business at a $3 million loss rather than pay government kickbacks he considered to be “nothing more than extortion.” Or Warren Buffett, who tells his employees, “Let’s be sure that everything we do in business can be reported on the front page of a national newspaper in an article written by an unfriendly but intelligent reporter.”

Leads who have a core belief in trustworthiness do not consider that belief as merely a practical option or as a technique to get what they want in a particular situation. Rather, they are committed to being trustworthy even when it’s hard, even when there’s a price to pay. In fact, we might say that the real test of trustworthiness and credibility is doing the right thing, especially when there’s a cost or consequence.

2. **A belief that most people can be trusted.** Successful high-trust people and companies create their success by choosing to believe that most people can be trusted — not all people (that wouldn’t be smart), but most people.

When companies and leaders choose to believe that most people can be trusted, it plays out in organizational design, affecting systems, processes, structures, and even strategies.

3. **A belief that extending trust is a better way to lead.** Successful high-trust leaders believe that extending trust is a better way to lead, primarily because trust inspires people to perform. When that belief turns into an actual extension of trust, that very act is an act of leadership. A belief in extending trust was clearly manifested by BestBuy.com, which experienced a 35 percent jump in productivity after extending trust to employees to work whenever and wherever they liked, as long as their jobs were done well and on time. Another example is Warren Buffett, who told his managers regarding the 257,000 people in the 77 companies of Berkshire
Hathaway: “Somebody is doing something today at Berkshire that you and I would be unhappy about if we knew of it” — yet still chooses to operate based on “deserved trust” rather than distrust.

Smart Trust Action 2: Start with Self

“Start with self” is based on the principles of responsibility and credibility. The opposite is to wait for others to change or take responsibility. It’s failing to take responsibility for your own credibility and success. Counterfeits include pretending (seeming rather than being), faking credibility when you haven’t earned it (“Trust me!”), taking credit for success while blaming others for failure (“I did what I was supposed to do; it’s their fault we failed”), starting with self-ish (doing what you want to do, regardless of the consequences or effect on others), and using ego and arrogance as a prosthesis for genuine self-trust.

Character and Competence

Obviously it’s easier for people to trust you if they see you as honest, straightforward, dependable, and genuinely concerned about their welfare rather than dishonest, deceitful, manipulative, and self-serving. But character alone is insufficient. Credibility also requires competence, which involves your capabilities (talents, skills, and expertise) and your results (track record and performance). Again, it’s easier for people to trust you if they see you as knowledgeable, skilled, successful, and deeply engaged in continuous improvement rather than as someone who doesn’t perform, who is irrelevant or inexperienced, or whose skills are outdated.

So character and competence are both necessary. It’s the combination of the two that makes a person, a team, an organization, or a government credible and trusted. It gives us the confidence to trust ourselves and enables us to inspire others to trust us.

Do I Trust Myself?

The personal congruence that leads to self-trust instills in us the confidence and credibility to inspire others. One of the more inspiring stories to illustrate this point is from the NBA basketball championship series of 1980. The Los Angeles Lakers led the Philadelphia 76ers three games to two in a best-of-seven series. The Lakers’ star player, seven-foot, two-inch center Kareem Abdul-Jabbar, had severely sprained his ankle in game five and would not be traveling with the team to Philadelphia for game six in the hope that he could heal enough to play in game seven, if necessary.

An unlikely hero presented himself in the form of a 19-year-old rookie just drafted from Michigan State University, Earvin “Magic” Johnson. Johnson sensed fear and hopelessness in his more experienced and somewhat jaded teammates, who had relied on Abdul-Jabbar for the entire season. In the words of coach Pat Riley, as recorded in Tell to Win by Peter Guber, when Johnson heard his teammates say they were going to lose, he said, “I know what the problem is. All you guys are afraid because Kareem isn’t here. Well, I’ll be Kareem.” Riley continued, “We get on the plane for Philadelphia, and 1A is Kareem’s seat. Even when he was sick, nobody ever sat in 1A. He’d put a sign there: DON’T SIT IN MY SEAT. I’M KAREEM. But Magic sat in his seat and said, ‘Hey, I’m Kareem. I’m here.’” According to the NBA Encyclopedia: “Johnson’s confidence lifted his team’s spirits, and then he backed it up with one of the most remarkable games in NBA Playoff history.”

Johnson’s confidence was not about himself; it was about his desire to rise to the occasion and draw on his trust in his own character and competence to inspire his team.

To be clear, self-trust is not ego, arrogance, or unwarranted bravado. It’s a quiet inner confidence that reflects our awareness of the most important kind of prosperity we will ever have — a high balance in our own personal trust account. And whatever our current balance (or the balance of our team or organization) may be, the good news is that we can increase it significantly by making regular deposits through behaviors that both develop and demonstrate character and competence.

Smart Trust Action 3: Declare Your Intent … and Assume Positive Intent in Others

There are two parts to effectively declaring intent: stating what we want to do and stating why we want to do it. Both halves are vital. Most managers are fairly good at declaring the what (e.g., “Here’s our action plan to cut costs”) but very poor at declaring the why (“Here’s our motive and the intent behind our thinking”). Sharing the why behind the what makes a profound difference in how others interpret our communication up front, as well as how they interpret our subsequent behavior.

A Performance Multiplier

The reality is that when people trust someone else’s motive or agenda (or at least understand it), they respond differently than when they don’t. So how can
we inspire trust in our motive or agenda? By declaring it. By being transparent about it. By letting people know that our agenda is open — not hidden.

Former U.S. president John F. Kennedy is remembered for declaring his intent on May 25, 1961, when he said, “I believe this nation should commit itself … to achieving the goal, before this decade is out, of landing a man on the moon and returning him safely to the Earth.” That was the what. He later declared the why: “We choose to go to the moon in this decade … not because [it is] easy, but because [it is] hard, because that goal will serve to organize and measure the best of our energies and skills, because that challenge is one that we are willing to accept, one we are unwilling to postpone, and one which we intend to win.”

To many, Kennedy’s intent seemed bizarre and unachievable, but just short of a decade later Neil Armstrong and Buzz Aldrin stepped out of their spacecraft and onto the surface of the moon, almost a quarter million miles above the earth.

According to the National Aeronautics and Space Administration (NASA), “NASA’s overall human space flight efforts were guided by Kennedy’s speech.”

When we don’t declare intent, we risk not just the possibility, but more likely the probability that our motives will be misunderstood. When we do declare intent, we eliminate the need for ascribing motive by guessing or projecting. We don’t leave people to wonder because they hear it straight from us.

Declaring Intent

One effective way many leaders in organizations, companies, NGOs, and government agencies have found to declare intent is through mission, vision and value statements. In formulating such statements, leaders not only give people bases for informed judgment; they also create vision, hope and possibilities that may not have existed otherwise. When such statements are backed up by congruent actions and behaviors, trust flourishes.

Smart Trust Action 4: Do What You Say You’re Going to Do

As important as the action of declaring your intent is to building trust, it won’t work — in fact, it will surely backfire — if you don’t follow through on your declaration. In other words, do what you say you’re going to do, “walk your talk.”

Smart Trust Actions 3 and 4 are a powerful behavioral duet. They’re like a one-two punch: you declare your intent, and then you do what you say you’re going to do. It’s the combination that has the greatest power to knock out suspicion and distrust.

What happens if you can’t deliver on a promise? What happens if circumstances change or something critical comes up and you absolutely can’t do what you’ve said you’re going to do?

By creating a relationship of trust, we can at least proceed in good faith when we discover that commitments can’t be fulfilled. Without trust — or with low trust — new challenges will be viewed through the lens of distrust and suspicion, and new solutions will be much harder to envision, let alone create.

Another answer is to be wise in the kinds of commitments we make. Remember, a leader can’t always guarantee specific performance or that the market won’t change or that someone won’t come along with a new technology that forces a company to reinvent itself. Nevertheless, declaring intent is vital to Smart Trust. So we can be wise and thoughtful in declaring our intent in terms of focus, effort, caring, and achievable outcomes.

Reputation and Brand

The reason doing what you say you’re going to do makes such a huge difference in your success or your organization’s success is that it is the ultimate reputation creator. It defines your personal brand. It defines your company’s brand. And brand has never been more important than it is in today’s reputation economy.
where doing what we say we’re going to do — or not — can make or break it. A trusted brand dramatically speeds up the Smart Trust decision-making process.

The reason doing what you say you’re going to do increases trust is because behavior increases trust (or destroys it). The reality is that we judge ourselves by our intentions, but others judge us by our actions.

**Smart Trust Action 5: Lead Out in Extending Trust**

Smart Trust managers, parents and leaders in all walks of life lead out in extending trust to others. In doing so, they build the capacity and confidence of those who are trusted. They unleash human potential and multiply performance. They inspire reciprocal trust in both directions — back to those who extended it and forward to others who could benefit from it. They help create high-trust cultures that generate greater prosperity, energy and joy.

The Smart Trust Action of extending trust is based on the principles of leadership and empowerment. The opposite is to withhold trust, attempt to control others, and/or try to do everything yourself. Counterfeits include extending “false trust” (giving people responsibility but not authority or resources), extending “fake trust” (acting as though you trust people but then micromanaging and hovering over them), and “managing” or “administering” while thinking you’re “leading.”

Indeed, extending trust is the essence of leadership. It is the defining skill that transforms managers into leaders.

**Why Is Extending Smart Trust Smart?**

There are three primary reasons why extending Smart Trust makes sense:

1. **Extending Smart Trust produces results.** Best Buy’s headquarters has created a “Results Oriented Work Environment” (ROWE) where performance is based on results, not face time. The result? A 50 percent decrease in turnover and employees working longer hours with no additional pay, while at the same time reporting increased health and happiness. Extending trust to people brings out the best in them. It motivates them.

2. **Extending Smart Trust increases capabilities.** Trusting people inspires them to want to be worthy of that trust. It helps them develop their capabilities. As Frito-Lay CEO Al Carey explained, “If you trust people, they start leaning in and you see their best self. You see their best work. They bring the best of their abilities to the party. You get 50,000 people working like this, it’s going to be great.”

3. **Extending Smart Trust creates trust by generating reciprocity.** It’s somewhat ironic that one of the best ways to create trust is to simply extend it. As we’ve said earlier, when we give trust to people, they tend to give it back. When we withhold trust, they withhold it in return. Leaders who deliberately extend trust typically find the people in their organizations far more willing to place trust in them and their leadership. Thus the reciprocal process becomes a virtuous upward cycle, all triggered by the first extension (sometimes leap) of trust.

**Leaders Go First**

In order to increase influence and grow trust in a team, an organization, a community, a family or a relationship, someone has to take the first step. That’s what leaders do. They go first. They lead out in extending trust. In fact, the first job of a leader is to inspire trust, and the second is to extend it. This is true whether a person has a formal leadership role, such as CEO, manager, team leader or parent, or an informal role of influence, such as work associate, marriage partner or friend.

Bottom line, if we’re not inspiring and extending trust, we’re not leading. We might be managing or administering, but we’re not leading. We manage things, we lead people. And real leadership requires trust.

**How Does a Leader Extend Smart Trust?**

Clearly, Smart Trust does not result in a simplistic, “one-size-fits-all” solution for every person or in every situation. What’s Smart Trust for one may not be Smart Trust for another. For example, for Warren Buffet to do a deal for a $23 billion company on a handshake with no formal due diligence is not only remarkable, it’s Smart Trust for him. He’s highly credible. But for us to attempt to do the same kind of deal in the same way would probably not be Smart Trust.

In each situation, Smart Trust requires judgment. It’s an integral combination of heart and head — a synergy between the propensity to trust and analysis that is far greater than the sum of its parts.

**Creating a Smart Trust Culture**

One example of a Smart Trust culture is Zappos, where management trusts employees, employees trust management, and people on every level of the organization lead out with trust. Reflective of the high-trust culture, Zappos extends trust to employees even before they begin work. All new hires go through a four-week training process and, at the end of the first week, Zappos offers to pay them $4,000 to quit — plus wages for the amount of time they’ve already worked. This is a stand-
Summary: SMART TRUST

Creating a Legacy of Smart Trust

As we’ve emphasized, one person’s or company’s act of extending Smart Trust often inspires those on the receiving end to reach out and extend trust to others. Over time, each act of extending trust becomes part of a legacy of trust that increases prosperity, energy and joy in families, relationships, organizations, communities and even countries for generations.

You may not see results immediately. And you will certainly never see the full impact as those you trust, in turn, reach out and extend trust to others … who then extend trust to others … and so on over time. But you will have the deep satisfaction of knowing that you are investing in something magnificently bigger than self — something that can truly affect every relationship in every team, every company, every organization, every family, and every nation throughout the world for generations.

Creating Your Own Renaissance of Trust

Some 30 years ago, in the remote village of Xiaogang, China, a group of 18 impoverished farmers secretly met and “dipped their fingers in red ink,” covenanting to split up the communal land into individual plots so that individual households could be rewarded for their own efforts and success instead of sharing equally across the village what always ended up being far too little. As

John and Doris Naisbitt tell the story in China’s Megatrends, this secret agreement was both revolutionary and dangerous. It was in defiance of decades of rules and communal culture, and the participants were at risk of being “persecuted, dispossessed, or even killed as bourgeois ‘landlords.’”

Not only did this bold action of a small group succeed enormously, but its success came to the attention of Communist Party leader Deng Xiaoping. His subsequent economic reforms resulted in restoring family farms and allowed for market distribution, the cumulative effect of which “changed the course of Chinese history.”

The point is that the acts of one person or one small group of people can change history. Those who are involved may not fully realize it at the time. It may take years for the effects of their choices to manifest themselves in the destiny of people, families, companies, and nations. But no one can deny that there is power in “one” to effect change.

The Smart Trust Choice Takes Courage

There’s no doubt that making the Smart Trust choice takes courage. For some of us, it’s much easier in the short run to choose blind trust; to simply go with our propensity to trust without having to worry about developing excellence in our analytical skill. For others, it’s easier to choose distrust; to simply go with our scripting or tendency to analyze things and not have to worry about changing a deep-set paradigm or gaining the strength to take a leap of trust. Nevertheless, the opportunity over the past 20 years to grapple with critical trust issues with leaders and influencers around the world has convinced us that those who choose to master Smart Trust are the ones who are experiencing increased prosperity, elevated energy and enhanced joy. We hope you will join us as co-catalysts, with countless others, in seeking to bring about a global renaissance of trust for the benefit of people everywhere.

RECOMMENDED READING LIST

If you liked Smart Trust, you’ll also like:

1. The Speed of Trust by Stephen M. R. Covey. Covey provides all the key tools for cultivating trust in relationships, while offering up the wisdom of other great leaders on the topic.

2. The 8th Habit by Stephen R. Covey. Leadership guru Stephen R. Covey writes that accessing a higher level of human genius and motivation requires a sea change in thinking: a new mindset and skill set.

3. The 7 Habits of Highly Effective People by Stephen R. Covey. A step-by-step pathway for living with fairness, integrity, service and human dignity — principles that give us the security to adapt to change and the wisdom and power to take advantage of the opportunities that change creates.