

The Speed of Trust

By Vincent Higgins

Keogh & Associates Consulting, LLC

A few weeks ago Houston was hit by hurricane Ike. I remember visiting Wal-Mart the day before the hurricane was to hit. There were about 600 people in the store, all in a panic, emptying the shelves of food, water and batteries, in preparation for what the storm might bring. Two men were fighting over a flashlight in the sporting goods section. The checkout lines offered more than an hour wait. Then I went next door to fill the tank with gas. The pumps had hand written signs on them that read "no gas". Finally I tried to get some cash at the ATM machine. The little screen read "no cash". After several weeks without electricity, eating canned food, and reading by candle light, everything seems to be back to normal in Houston.

Over the past few weeks a hurricane has struck the US economy, creating panic both on Wall Street and on Main Street. Unlike the hurricane that hit Houston, things won't be back to normal in a few weeks.

Stock prices continue downward, Hedge Funds are liquidating, credit is hard to come by, the price of oil is down by half it's value from July, and retail sales have dropped (for example just today *Linen and Things* and *Mervyns* have closed their doors).

Who is to blame? Many have pointed to the banks that offered mortgage and personal loans to people and businesses that couldn't afford them. Did banks think of the good of the common man when offering loans to those who very possibility could not pay them back?

Others blame the same consumers who have taken on loans irresponsibly, spending based on credit rather than money in pocket. Still others feel that the big financial Institutions are the offenders, taking advantage of situations that them good for them in the short term, but bad for everyone else (including themselves) in the long term.

The financial crisis has turned global, and governments in many countries are shoring up banks and financial institutions by guaranteeing that money will be there for them. What the UK did a few days ago in this regard, just today Russia put into place. It is clearer than ever that we are living in a very globalized economy.

With all of this as a backdrop, let's reflect briefly on the "Speed of Trust".

I believe that trust is the most important element in today's world of business, at the personal, institutional and global level. Why a financial crisis on Wall Street and Main Street? I believe we are living a crisis of trust.

I would highly recommend Stephen M.R. Covey's book, the *Speed of Trust*. Stephen is a Harvard grad, and the son of Stephen Covey, author of "Seven Habits of Highly Effective People". Stephen uses empirical data to show that in the long term the best way to succeed in business is to build trust. He gives many examples of how mergers, acquisitions and other activities are effected by the level of trust.

"For most people, trust is hidden from view. They have no idea how present and pervasive the impact of trust is in every relationship, in every organization, in every interaction, in every moment of life. But once they put on "trust glasses" and see what's going on under the surface, it immediately impacts their ability to increase their effectiveness. Whether it's high or low, trust is the "hidden variable" in the formula for organizational success. The traditional business formula says that strategy times execution equals results.

$$S \times E = R$$

But there is a hidden variable to his formula: trust – either the low-trust tax, which discounts the output, or the high-trust dividend, which multiplies it:

$$(S \times E)T = R$$

(Strategy x Execution) multiplied by Trust equals Results" (Speed of Trust, page 20)

Look at the world economy over the last few weeks. Individuals are taking money out of banks because they do not trust that their money is safe. Banks are not lending to businesses because they do not trust that they will be able to pay back the loans. Shareholders are selling off their stocks creating a volatile market because they do not trust the share prices will stabilize. Individuals are holding off on purchases because they lack confidence that what they have invested will be there for them in the future, so they need to save now.

Renew trust and we will renew the economy.

Next time I will deal with building trust in business relationships and the huge dividends it offers over the long term.

Based in Houston, Texas, Vincent brings extensive experience as a business/personal coach of senior business leaders. He contributes a unique skill set to Keogh & Associates Consulting, LLC and to our clients that need their senior management to be at their very best. His broad international experience has prepared him to deliver our specialized coaching, intercultural training, and international teambuilding.