



The Science, Strategy & Structure
of Extraordinary Leadership

Building a Team You Can Trust

High Performance, High
Innovation Teamwork

Robert Porter Lynch

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Building a Team You Can Trust

High Performance, High Innovation Teamwork

Of all the courses in school you should have taken, Trust 101 is the most important. But you missed it because no one offered it.

Among those who study teams, the lack of trust is widely known to be the most critical element in the success of high performance teams. But trust remains largely a mystery.

How trust manifests in your world changes the destiny of your life and the way you experience everything – the molding of your decisions, the choice of your friends and team mate, the lens through which you now view your world, and the identity you hold as a person.

Knowing who to trust and how to build trust is so vital that you would expect the methods for trust-building would be well laid out for every generation to build upon; but sadly they are not.

We wrote this book to give to you the inner “design architecture¹” of trust to let you experience the joys and exhilarations of trust, especially if deceptions, manipulative behaviors, and betrayals may have jaundiced your view of the world. Trust is a birthright you deserve to experience every day of your life.

By Robert Porter Lynch

Building a Team You Can Trust

Preface

All the great endeavors in human-kind's history have relied on people cooperating in remarkable, inspired ways.

For cooperation to produce extraordinary results, one factor must be present: Trust.

One would expect that trust's central role in the future of civilization would place it in the core curriculum of our schools; it would be spelled out in religious texts, and codified in our basic institutions.

Surprisingly, for all these institutions, trust has remained a vague mystery. Having attended some of our best universities, I never took a course in trust, never read a book on trust as part of a course, and never heard a lecture about it. In business, the importance of trust has never been paralleled by a disciplined and rigorous process of understanding and implementing trust.

Why not? Answering this simple question and filling the many missing gaps in useful knowledge about trust has been the focus of my quest for the last four years.

The main reason so little has been done on the issue of trust is because it crosses so many academic boundaries – political science, sociology, neuro-chemistry, psychology, and economics -- it has been an “orphan” in academic circles.

In this volume we present an “architecture of trust” that unites the many dimensions of trust into one coherent whole. In this short book we have summarized, in brief format, the key factors that came from extensive research, personal experience, and case study analysis.

Every leader, every team member, every educator, and every coach should gain a simple mastery of this subject, because *Building a Team You Can Trust* will make a massive difference in the quality and destiny of a person's life.

Robert Porter Lynch

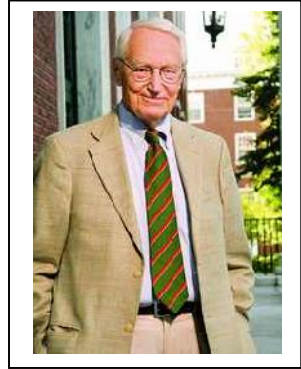
Naples, FL

December, 2013

DEDICATION

This volume is dedicated to the memory of Paul R. Lawrence:

Thought Leader, Mentor, and Friend who first introduced me to the idea differential energy, and whose modern development of differentiation and integration plus the elegant simplicity of the Four Drive Model of Human Behavior has made a massive contribution to the successful functioning of organizations and strategic alliances.



In his last two decades on this planet his personal dedication to developing a useful model of the interactive causes of human behavior exemplifies how “dynamic differential energy” operates in the human brain. Paul epitomized the qualities of the finest criteria of human character: rigorous thought, virtuous action, commitment to the greater good, courage of convictions, humble humility, and deep wisdom. An enlightened realist, Paul’s contributions were always aimed at one ultimate objective:

Raising the World to a Higher Level

Over the years, Paul Lawrence's work always been far ahead it its time -- his thinking has influenced my view of the world for the last forty years, ever since being exposed to his remarkable work on the unique aspects of organizational integration across boundaries. He broke new ground then, and has continued his breakthrough thinking with Driven to Lead.

As a student of both history and organizational behavior, I have tested Paul's 4-Drive Model extensively. When used in assessing political, corporate, or military characters, the 4-Drive Model is proving to be remarkably useful in understanding motivation, predicting behavior, and assessing a person's capacity to succeed in a leadership role.

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What's been sorely missing in the world of human behavior is a useful model for understanding the nature of people -- the core of what drives people to act the way they do. In many ways Paul Lawrence's 4-Drive model is powerful "unification theory" that's far more useful and scientifically based than either McGregor's Theory X/Y, or Maslow's Hierarchy of Needs.

What makes the 4-Drive model so valuable is its ability to derive simplicity on the far side of complexity -- much like Einstein's $E=mc^2$.

Earlier in my career, when designing Strategic Alliance Architecture, Paul's compelling work in the understanding of Differentiation & Integration in organizations stood as the underpinning of what turned out to be the foundational framework for alliances around the world. Now, as I've been focusing more on Collaborative Innovation and Trust Architectures, again Paul's avante-guard insight has laid the cornerstone for a new level of thinking about how to improve the quality of leadership.

For those who serve on Boards of Directors and CEOs, this book is a must before selecting senior executives for the corporation. And for those seeking deeper meaning and purpose in their lives, Chapter 7 on Leadership and Human Meaning is a tour-de-force that masterfully unifies scientific and spiritual thinking. For those in government trying to balance the needs of the private and public sector, Paul's insights into checks and balances and leadership without conscience is outstanding.

This is a book that will forever shift the way you think about leadership, and give you actionable insights into human behavior in everyday life. 30-

Please Note: The content of Chapters Two, Three, and Five are largely from work done jointly with Paul R. Lawrence that was either unpublished or appeared in the May-June 2011 edition of the European Business Review. If any comments in other chapters are not reflective of Paul's deep insight, highest standards of integrity, and quality of thought, I take full responsibility.

DRAFT VERSION
NOT FOR PUBLICATION

This is still in a Pre-Publication Electronic Copy
in DRAFT form, for comment only. Please send your comments
to: RobertLynch@warrenco.com

There are still typos, grammatical errors, and lapses in logic which
the reader may spot. Please forgive any such errors. Permissions
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Not for Distribution December, 2013

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For Further Reading and Team Development

This book has been written to and for the Middle Manager to provide a detailed framework of trust, teamwork, and innovation.

Several “companion” books are available:

1. “CEO’s Executive Guide to the Economic and Innovative Potential of Trust” is for senior executives. It addresses the major issues in this book, but focuses more intensely on the economic value that trust creates in a ‘big picture’ format. It is designed to be a quick read, 130 pages emphasis on senior actions and bottom line impacts.
2. “Economics of Trust” is for financial executives, analysts, risk managers, legal counsel, supply chain managers, and those seeking deeper understanding of the unique economic dynamics that manifest in the conditions of trust.
3. “Leadership and the Architecture of Trust” is currently in the final stages of development. It is aimed at the newly minted MBA leader who wants even more case examples, strategic advice, economic analysis, and organization transformation strategy. It is 475 pages with more analysis, case studies, and deeper insights.
4. “Trusted to Negotiate” is interim development stages
5. “Trusted to Sell” is in interim development stages

Each book contains common “core” concepts which are fundamental in understanding and using the trust material -- including the Four Drive Model of Human Behavior, the Ladder of Trust, and the Eight Principles of Trust. Around this “core” each book builds unique points of view and specialized applications focused on different target audiences.

For more information, free downloads, direct assistance, and for MBA professors desiring to contribute to further work, or receive presentation materials, please visit:

www.TrustedtoLead.com

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PRELUDE

MY BIGGEST MISTAKE IN BUSINESS

One of the reasons why I wrote this book was to offer to others the lessons I learned from the realms of the world I have encountered. Trust always came up as a major issue for failure and frustration in my life. For this reason I embarked on a journey to find out what causes of distrust were and what to do about it.

I've made a lot of mistakes in business....marketing mistakes, operations mistakes, financial mistakes. One of my mentors, a fine gentleman of named Royal Little, who founded Textron, wrote a book "How to Lose a \$100 million, and other Valuable Advice."² (that amount of money would be over \$½ billion in today's dollars). I read the book, cover-to-cover. Royal gave me and other entrepreneurs lots of insights about business. But he left out one important point, and it was that one thing that really bit me hard.

The biggest mistake I made, over and over again, was doing business with people I could not trust -- not just with suppliers or customers, but also with the people I hired.

Like most entrepreneurs, I was indoctrinated to look for *competence* in people I hired. All this sounds pretty smart on paper, but the outcome was not very good at all. I hired managers and staff that stole money, sometimes lots of it. Looking back at those naïve times, I had hired a very competent embezzler, several very competent con-artists, a couple of highly competent antagonizers, several very competent liars, and more than my share of highly competent ego-maniacs. I had customers that either didn't pay or after receiving the invoice started to negotiate the price downward.

The problem with these people is that they didn't just fade into the sunset when I realized my mistake and needed to get rid of them.

Anger from feelings of betray and then law suits often followed (unless I caught them with their hands in the till, which marked the ending of several of them as they were hauled off to jail in handcuffs).

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Finally two people, two dear friends, my legal counselor, Rob Edwards, and my business advisor, Pete Wickersham, pulled me aside, saying:

“You are a very intelligent man, but you are missing one insight that has cost you dearly.

There is no legal contract in the world that can protect you from someone who is not trustworthy.

Who you do business with is just as important as what you do in business.”

Certainly one of the most important decisions you will ever make in your business is who you put on your team – your inside team, your advisors, your suppliers, and your customers.

GREAT LEADERS DO THREE THINGS WELL

Having been an entrepreneur, thought leader, historian, mediator, negotiator, executive consultant, and teacher of business for a number of years, I have come to the conclusion that great leaders do three things really well to create competitive advantage.

1. Strategy:

Set an Inspirational Vision, then strategically chart an Innovative Course that generates a Significant Advantage or Improvement over ordinary alternatives.

2. Trust:

Create a Culture/System of Trust that Unleashes & Focuses Human Energy & Co-Creativity on Achieving the Strategic Vision.

3. Operations:

Establish Excellent Organizational Processes, Measures, & Rewards that achieve #1 (strategy) and coherently reinforce #2 (trust).

The first and third have been written about extensively for many years. I have only a little to add to this voluminous work. It is the second category - Trust - that has had very little rigor applied to it, and consequently is seemingly invisible.

This book attempts to treat the issue of trust from a more multi-disciplined, empirical manner, not based on stories, anecdotes, or euphemisms.

INFLUENCING WITHOUT AUTHORITY

Much of my life I have been in situations where I have had to influence people when I had no authority. (And even in situations where I did have the authority, it was often far more effective not to use authoritative power to impose a decision.) So many leaders today are in this “influence without authority” as relationships have become more important in dealing with customers, suppliers, and alliance partners.

I have I come to learn that there were two predominant factors that would ultimately affect my ability to influence:

1. **Value:** Was I seen as a person who could bring value to the situation?
2. **Trust:** Was I trusted by people to work in either their best interest or in the best interests of all?

Should either of those two conditions not prevail, my ability was significantly diminished. The two factors are inextricably linked, and will be a recurrent theme throughout this book.

Building a Team You Can Trust

CHAPTER ONE: THE NATURE OF HUMAN NATURE

*Trust determines: the course of history,
the fate of nations, and
the destinies of people*

– Paul R. Lawrence³

In business, virtually everything is produced through collaborative efforts: in interpersonal interactions, teams, committees, groups, alliances, and business units.

FOUNDATION OF HIGH PERFORMANCE TEAMWORK

“Not finance. Not strategy. Not technology. It is teamwork that remains the ultimate competitive advantage, both because it is so powerful and so rare,”⁴

...stated Patrick Lencioni in the opening of his best-selling book, *The Five Dysfunctions of a Team*, which ranked “the Absence of Trust”^{*} as the number one factor in team failure. Without correcting the problem of trust, no team can achieve any of its other functions, finalizing in achievement of goals. In our research, we found that many other authorities found trust to be one of the top three causes of a team’s ability to function at the highest levels.

Kenneth P. De Meuse, of executive search firm Korn-Ferry, engaged in an analysis of the seven most popular models of team development. He concluded:

“In today’s corporate environment, it appears the team – not the individual – holds the key to business success.”⁵

“Teams have the potential to be one of the most powerful drivers of success in an organization today. However,

* Author’s Note: There is no universally agreed definition of TRUST. (see Chapter Five) In our approach to trust, three of Lencioni’s other factors: #2: Fear of Conflict, #3: Lack of Commitment, #4: Avoidance of Accountability, are sub-sets of trust. This leaves only two real causes of dysfunctional teams: #1: Distrust, and #2: Inattention to Results.

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highly performing teams simply don't happen. They take time to evolve and mature..... It is up to you to understand how teams function, and then improve the cohesiveness, chemistry, and productivity of the team. Talent is not enough! .. After all, as noted major league baseball coach Casey Stengel said: 'It's easy to get good players. Getting 'em to play together, that's the hard part.'"

He also observed that one of the common core elements for the seven models of high performance teams: TRUST.*

Surprisingly, however, we also found two things that left us perplexed:

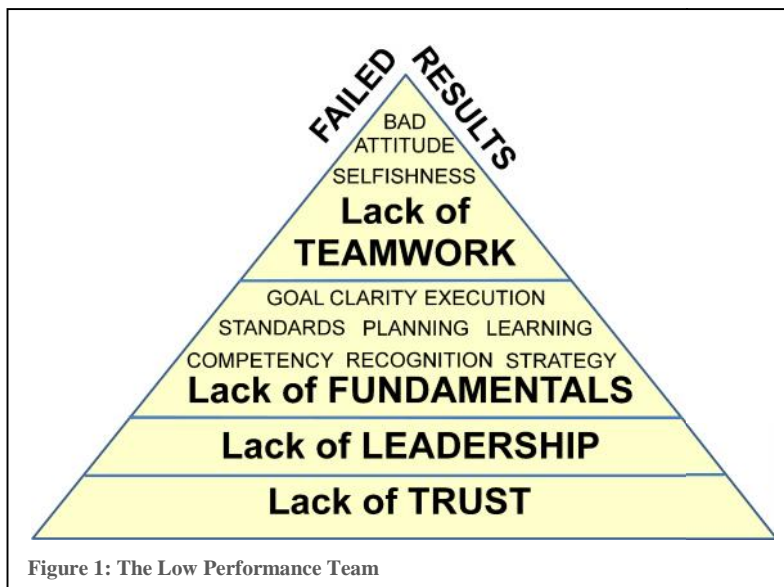
1. While the literature on teamwork stated that Trust was absolutely essential to high performance teams, there was very little written about how to create this trust -- the best practices, methodologies, or basic fundamentals of trust building in teams.
2. Trust building was not considered a *leadership function* residing at the core of a leader's key priorities -- something sports coaches embrace, but not by business. Perhaps this was the result of the fact that trust has always been considered a soft and fuzzy art, with little precision, thus something that could not be mastered.

The purpose of this book is to give trust a level of substance and design architecture that enables a leader to put trust front and center in their leadership repertoire, enabling extraordinary results, consistently and predictably.

High performance teams are very different from low performance teams in many factors.. (see Figure 1)

* Author's Note: In our review of the high performance team models, there was one glaring weakness of all the team models --all called for emphasizing TRUST. But all had an extremely weak framework for understanding the nature and best practices of trust. This led to our rigorous development of the Architecture of Trust©.

Building a Team You Can Trust



In our model of the high performance team, trust and leadership are tightly connected as a precursor to other business fundamentals such as strategic direction, planning, personal recognition, standards of excellence, goal setting, and excellence of execution. The pyramid model is a hierarchical progression of team development in which designates each level as a foundational element of the next level. Poor construction of one level will result in structural deficiencies in each succeeding level.

Trust is Essential

High performance teamwork is essentially the vehicle through which value is delivered in the modern organization; teamwork *without trust* is like a marriage without trust -- it simply won't last.

Organizational performance, whether it's regular work or development of continuous improvements and innovation, is delivered through teams.

Without trust, the teams are apt to deliver mediocre performance, have higher turnover, and suffer the negative consequences of stress.

Where ever I conduct workshops on collaboration, alliances, or innovation across the far reaches of North America, I ask people:

High Performance, High Innovation Teamwork

How important, on a scale of 1-10, is trust in establishing fulfilling, positive teamwork and relationships?

Invariably, participants score trust in the 9-10 category. It's no trivial matter; but trust has been lost in the backwater of disciplined analysis, empirical research, and concrete science. We aim to begin shifting the dynamics of trust from a somewhat "soft" field to one that is far more concrete, strategic, and predictable.

Today's workforce is highly intelligent and inspired to learn, increase performance, and create better solutions given the proper organizational environment, in which trust plays a pivotal role.

Numerous studies⁶ have shown that teamwork has positive impacts on work satisfaction only if the teams had trust and were given a reasonable level of autonomy to make decisions that affected their ability to perform. Teams that only received information from management, but had little trust and little authority, not only did not perform at higher levels, but, in at least one study, received adverse new levels of stress.

Character and Destiny

The power of trust is tightly linked to one's personal character. The ancient Greek philosopher Heraclitus said that:

"Character becomes Destiny"

He understood the critical linkage between how one develops the essential ingredients of character – the ability to be trusted – qualities that embrace honesty, integrity, compassion, courage, and commitment, which together sculpt the key decisions of in one's life that will lead a person in totally different directions than a person who lacks these qualities.

Just as importantly...

"Trust is Identity"

...because identity defines who you are: your vision, your values, your destiny, your aspirations, your longings, your courage, and your commitments -- the song that sings in your soul.

If you cannot trust yourself, you can trust no one. If your integrity – your ability think the right thoughts, and then convert that thinking into daily action – is intact, then you can trust

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yourself to act in the best interests of both yourself and those around you. People can then count on you: "You are accountable"

"Accountability is the external manifestation of internal Integrity"

No place where personal relationships are essential to effectiveness – teams, marriages, families, friendships, organization, community, or nation can thrive without trust as its foundation.

Without Trust, Life is Not Worth Living

Trust is the foundation of true prosperity Confucius, the ancient Chinese sage, when asked what his politics were, replied:

It is to provide people food, protect people with armaments, and gain trust from people.

When asked further "Which should we abandon first if our country is forced to abandon food, weapons, or trust?" Confucius stated:

Abandon weapons first, then food. But never abandon trust. Trust is more important than life. More people can be born, but trust is never regained.

Why Trust is Not Taught in Schools

People get academic degrees an every conceivable field, but not in the field of trust. Even certified professionals -- psychologists, social workers, lawyers, accountants, doctors, and nurses, all who must work with people every day -- aren't certified in trust building.

For something so important, why is trust not taught in high schools or college?

First, trust is multi-disciplinary; thus it's an orphan, cutting across the fields of psychology, ethics, philosophy, political science, neuro-biology, and sociology, but belonging to none.

Second, trust has lacked an inner "architecture" – a design structure that explains how it works, what causes it, and why there are so many anomalies.

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In place of a solid “architecture” for trust, we substitute dozens of aphorisms that attempt to capture some of the varied aspects of trust. Each may have a *grain of truth just like a beach has a grain of sand*; but don’t think of trust in terms of shallow aphorisms like these – each is true to a limited extent, but does not represent a universal truth:

- *Trust but verify*
- *Trust must be earned*
- *Trust means I feel safe in your presence*
- *Trust is based on solid reputation*
- *Trust means committing to an exchange before you know how the other will behave*
- *Trust first, until they prove otherwise, but be wary*
- *Every betrayal begins with trust*
- *Being Trustworthy is the first step*
- *Trust your instincts*
- *Trust takes years and years to build up, but only a split second to come toppling down*
- *Don’t trust people who don’t look you in the eye*
- *Trust only an honest man*
- *The only way to make a man trustworthy is to trust him.*
- *Trust actions not words*
- *Keep your friends near, and your enemies even closer*
- *Only a fool trusts a stranger*

Notice that many of these sayings are contradictory and overly simplistic, representing “trust for dummies” approaches to this vital and essential component of high performance teams and your own life’s personal journey. Trust is not a simplistic phenomenon; if it were, this book would not have been written -- someone else would have already covered the territory years ago.

We will cross boundaries of academic discipline, while laying out an “architecture,” an inner design and synergistic system that will explain the *why*, *what*, and *how* trust works.

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IS TRUST A NATURAL ACT?

I often start my Trust Workshops with a simple question:

Is Trust a “Natural Act”?

This is neither a philosophical nor academic question, because if trust is *natural*, then we should not have an uphill battle to create, retain, and restore it. However, if the converse is true -- trust is *not* a natural act -- then creating trust will be an arduous process that conflicts with the human spirit.

Workshop participants are asked to “vote” affirmatively or negatively on the question. The results of the vote are interesting (and vary depending upon the type of audience). Generally women are more prone to vote: *Yes*, trust is a natural act; and men tend to vote: *No*.⁷ Rather than let people engage in a fruitless debate, I then ask the next round of questions:

“Who was the first person you had a relationship with in your life?”
(invariably people answer: My mother, of course!)

“Did you trust your mother?”

(nearly everyone answers “yes”⁸ as they fondly recall mom)

“Who was the next person you had a relationship with?”

(most people answer: My dad!)

“Did you trust your father?”

(nearly everyone answers “yes” as they reminisce about dad)

I keep up the questioning, digging down several layers, as people explore their relationships with siblings, aunts, uncles, and even their dogs. For the vast majority of people, their trust remains intact through their early childhood. Yes,

“Trust is a Natural Act”

Then some tragedy of betrayal occurs, and suddenly you begin to distrust. Distrust has become a learned behavior.

So, if trust is an unnatural act for you today, think back to the event when there was a betrayal in your life that then turned life around and made distrust a normal way of being for you.

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If we can get down to the roots of what happened, and the post-traumatic stress that lingers from those one or more betrayals, can we then enable you to navigate the sea of life.

Knowing how to discern the early warning signs of dangerous reefs, hidden rocks, false shelters, harbours of refuge, doldrums, stormy weather, ill currents, and fair winds will allow you to discriminate the good, the bad, and the ill-fated relationships in life you have now or will encounter in the future.

The finest destinies are attained by the ablest navigators.

As a skier, I know how to discern the multitude of differences in the texture and quality of snow, which enables me to race downhill better than a novice who sees all snow as the same. Different types of snow – powder, packed powder, boiler-plate, corn snow, powder over boiler-plate, and such – allow me ski under control by varying my style and speed.

So too with trust. Knowing the varying ways people respond to certain actions in differing conditions enables one to navigate the human dynamics of trust far more adroitly.

Infant Trust versus Wise Trust

While trust is natural in infants, for adults it's quite a bit more complex. Adults have been exposed to numerous incidents where trust has been broken, often with deep emotional trauma. For adults, solid trust must also be tempered by wisdom and prudence; it can be neither blind, nor naïve, nor foolish – “wise trust,” which does not put us in situations to be damaged, unmercifully manipulated, or swindled by those who are untrustworthy and prey upon the innocent.

THE POWER OF FEAR

It's essential to understand the opposite of trust to gain a better understanding of trust so as know how to build it. Just as we cannot understand love without understanding hate, nor wealth without poverty, nor light without dark; to understand how to create real trust, we must first understand what *causes distrust*.

The One Big Cause of Distrust and its Effects

In one word, deep distrust is caused by *fear*.

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Test this yourself by reflecting on your own experience. When you distrusted someone, what fear did you have? Some of the types of fear that are particular lethal to trust include:

- Fear of being taken advantage of
- Fear of physical harm
- Fear of being put in a disadvantageous position
- Fear of being hurt financially, emotionally or physically
- Fear of insecurity
- Fear of loss – control, territory, possessions
- Fear of failure
- Fear of Rejection, Exclusion, or Reputational Damage
- Fear of betrayal

It's this last fear that carries with it the most psychic damage. Some of the oldest and deepest fears in humanity are reflected in the ancient stories of the Old Testament's Adam and Eve, and Cain and Able, both about deep betrayals. When one hears the word "betrayal" many images come up, like the classical stories of Caesar and Brutus, Jesus and Judas, King Arthur and Mordred, Washington and Benedict Arnold, Lincoln and John Wilkes Booth, or John F. Kennedy and Lee Harvey Oswald.

For others, betrayal is far more personal: a trusted friend or relative committing some act so egregious it can neither be forgotten nor forgiven. Their actions still hurt, even to this day.

Fear of Betrayal and the Quest for Synergy

For many of us, that memory of a deep betrayal is indelibly seared on the surface of our brain's memory structure to the extent that it is impossible to erase.⁹

The great tragedy of betrayal is that it clashes head-long with our deepest yearning: to create teams, community, family, belonging, and friendships – synergy -- with others. We experience torment when this yearning suffers a horrible treachery, which is often so compelling that even the brave seek protection. For it is the juxtaposing of these two themes – betrayal and synergy -- that has created, on the one hand: wars, divorce, political upheaval,

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and tyranny, and on the other: civilization, technological innovation, institutions of commerce, healing, and learning, and even transcendental glory.

The interplay between the “Fear of Betrayal” and the “Quest for Synergy” is so profoundly and sublimely engrained in our society’s institutions as to be nearly invisible.

For example, our American Constitution maps a wise pathway to create a synergistic nation, while our Bill of Rights expresses the protection necessary to parry our fear of betrayal. Our courts, particularly those administering to criminal justice, are designed to gain retribution (we call it justice) against those who have betrayed society. Our schools, when functioning at their highest level, are designed to create synergy between the graduates and the world into which they are entering.

Fear Drives Out Trust

While philosophy often prescribes that we should let *love drive out fear*,¹⁰ actually the opposite: *terror, anger, and hatred drive out love* is more likely to prevail because of the way the chemistry of the brain functions, as we will later see in the next chapter. Trust and fear cannot mutually co-exist toward the same object, a neuro-chemical “switch” in the brain turns off chemicals that support trust when fear, anxiety, and stress get too high.

Fear is a dangerous force for any person to use, especially if you are in a leadership position, such as an older brother, father, coach, mentor, or team leader. Focused *outward* on a common threat, fear can rally people together, such as when there is a destructive enemy or fierce competitor threatening imminent danger. But focused *inward*, fear will certainly destroy trust and teamwork from within.

People never recognize a leader who has no trust.

Unless you make a contract based on mutual trust and social justice, it will never be carried out smoothly.

*Without Trust,
Life is Not Worth Living*

*-Confucius,
Ancient Chinese Sage*

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Fear may engender certain standoffish respect, as one respects a rattlesnake, but begets not trust. The human species' brain is just not wired to trust what it fears.

Fear is especially dangerous when used inside a team or group, because it has a boomerang effect, returning, usually behind our backs, to hit us when we are least expecting it. In other words, triggering fear in one person usually reverberates as anger or revenge in some, and withdrawal and dejection in others. None of these are effective as a motivational or inspirational strategy. Stomping around, cussing, throwing temper tantrums, and threatening people is not an effective way to produce extraordinary and sustainable results.

While there are times when leaders must use fear (such as in response to real threats, both internal and external), a great leader will, in the vast majority of cases, want to replace fear with a much more inspiring and sustainable dosage of a clear strategic vision built upon a strong foundation of trust.

The first thing we must all learn about trust is that, at its most *basic level*, creating trust is first and foremost, about safety and security (think of this a “basic trust”):

“Basic Trust” is the confidence that I will not be harmed or diminished interacting with another person or group.

It's relying on their dependability, character, integrity or capability to ensure my personal safety and the security of my reputation and status among others.

If we don't feel safe and secure, we simply will not trust.

While “basic trust” is a good place to start our understanding of trust, but there's much more to it, as we will see as our architecture of trust unfolds. Trust is far more than just safety and security, or reciprocity, or any other of the more simplistic definitions of trust. Trust is kaleidoscopic in its dimensionality because it involves the dynamic interplay of four forces or drivers in the brain, (see next chapter) plus key influencers of behavior, including both culture and belief systems, as well as one's past experiences.

Fuzzy Distrust

Not all distrust comes simply from fear; much distrust originates from a very undefined feeling of anxiety or stress; it's the sense of being ill-at-ease in anticipation of fear or harm. The symptoms and conditions of fuzzy distrust are:

- Uncertainty & ambiguity
- Paradoxical complexity
- Continual reorganization
- Continuous change
- Conflicting goals
- Unclear direction
- Fuzzy mission statements
- Mixed messages
- Misaligned rewards
- Mixed leadership styles
- Political cross-fire
- Insufficient collaboration
- Silo mentality (organizational isolation)
- Chaos & turbulence
- Anxiety & stress

These conditions are disturbing to the brain, because the Brain is a "Pattern Recognition Machine;" it looks for logical outcomes, regular sequences, cause and effect, and predictable repetitions. When the conditions above prevail, the brain has no pattern or an incomplete or unaligned pattern.

In these situations, the brain makes assumptions to complete the recognition of a pattern, but the chance of accuracy is based only on experience. If experience or culture has been negative, the assumption is negative.

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This causes people to refrain from engagement, seek protection behind the “castle walls” of departments or professional certification or lawyers, and so forth. Fuzzy distrust and the fear associated with it is inherently *degenerative* – often triggering deeper, more intense fear and resistance to change.

It’s been proven in study after study that stress has a highly detrimental impact on health and well being. Stress is the emotional and physical strain caused by our response to pressures from the outside world or seemingly being out of our control.

Causes of Stress

There are two basic causes of stress: *Fear* and *Loss*.

3. *Loss* includes things such as:
4. loss of a loved one
(death, grieving, betrayal....)
5. loss of financial security
(bankruptcy, job loss,
6. loss of home
(foreclosure, moving, hurricane...)
7. major disruption
(divorce, parents in ill health, child in danger...)

Fear manifests where there is some threat of harm or conflict, whether *physical* (such as a fistfight, being raped, or robbed or attacked by a deadly weapon) or *psychological* (such as heated arguments or verbal abuse or increased competition among co-workers who fear a layoff). *Fear* is typically accompanied by *Anxiety* and *Distress*: (the word *stress* is just a shortening of the word *distress*)

8. Anxiety is the anticipation of being harmed in the future,
9. Fear is the anticipation of being harmed in the present.
10. Distress is the awareness of actually being harmed at this particular moment.

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Lumped together, these forms of *Fear* and *Loss* are termed “*Stress*.” If the *Fear* or *Loss* is related to *other humans* (not natural causes), then *Distrust* is inevitably at play.

IMPACT OF DISTRUST ON WELLBEING

Distrust is not benign; it not only causes economic damage, it can wreak havoc on one’s health, as will be demonstrated.

Fear Can Kill

For example, the theory that fear alone can kill people is backed by compelling evidence from a study of deaths following the 1994 Los Angeles earthquake. Dr Robert Kloner, a cardiologist at the Good Samaritan Hospital in Los Angeles, analyzed the records of the Los Angeles County Coroner's Department for the week before the earthquake, the day of the earthquake and corresponding control periods in 1991, 1992 and 1993.

His team found that on the day of the quake, the coroner recorded five times more sudden cardiac deaths than would ordinarily be expected. None of the deaths were related to people having a heart attack from over exertion as they dug themselves out of the rubble. Dr Kloner said: "The typical story was that a patient clutched his chest, described chest pain, and dropped over dead." Distress and its kindred culprits, fear and anxiety brought about by distrust can cripple and even kill.

Not all Stress is Bad; Not all Stress is created Equal.

While too much stress can be a killer, too little creates boredom and even depression. (we will see in the next chapter how the brain’s chemistry control this). A little stress can do us good—it pushes us to compete, collaborate, and innovate. The type of emotional stress one experiences makes a very large difference.

Many professions, such as business executives, doctors, police, and firefighters live in high-stress environments, and there is no evidence that they have higher rates of cancer, heart disease, or stroke.

But when the effects of job-related stress were measured, researchers found that those people who were unable to exert

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much *control over their workplace destinies* (secretaries, clerks, low-level factory workers, for example) suffered much worse from stress than their bosses.

Why such a difference?

Those who respond well to stress believe they have reasonable control over their lives and the lives of others, and their bosses were attuned to the needs of those working for them. These people believe they have the ability to solve most of their problems, either by themselves or together as a team. They trust those around them to look out for their greater good, not just an individual's personal self interest. They don't feel helpless in dealing with their problems in life. They affirm that what happens to them in the future depends mainly on their own abilities to work together; doing just about anything they really set their collective mind to do.

People who answer positively to questions about being in control of their destinies report very strong satisfaction with life itself. Giving a person some sense of control over their own destiny evidently turns job related stress into something that's exhilarating rather than debilitating.

It's when people don't feel like they have any control over their outcome, or they're victims of an ugly fate, or that life has no meaning or purpose, that stress becomes mentally depressing and can then turn deadly. In effect, these people just didn't trust their bosses or their teammates to make decisions in their best interest, while being deprived of their own ability to do so.

Impact of Stress on Personal Health

The after-effects on health-caused by stress have been studied extensively by the medical profession.

Stress often triggers major physical reactions, including tension, irritability, inability to concentrate, poor decision making, and anxiety, along with a variety of physical symptoms that include headache and a fast heartbeat.

If the stress is prolonged, serious physical effects then damage the immune system, resulting in disease. (This occurs because

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continued stress produces a never-ending release of hormones that, while good in the short run to defend against danger, ultimately turn destructive against the immune system.)

Stress has been directly attributed as a major causative factor in fatalities from heart disease, and stroke, as well as suicides, auto fatalities, headaches, diarrhea, absenteeism, and increased illness, and the ability to recover from cancer. According to the American Academy of Family Physicians, two-thirds of office visits to family doctors are for stress-related symptoms.

In other words, the relief of stress by being able to trust is very healthy, mentally, physically, and spiritually.

Trusting Attitudes & Beliefs Saves Lives

Trust can play an important role in such matters of life and death. There is a strong case to be made that people who are capable of building trusting relationships have more supportive people in their lives that will come to their aid in times of adversity. These relationships make a big difference in mortality. According to one study, middle-aged men under severe stress who lacked emotional support were five times more likely to die within seven years than those who had the same amount of stress but had close personal ties.

People who are trusting tend to be optimistic, and those who distrust tend to be pessimistic. What difference does that make? Optimists live longer, healthier lives than pessimists. Researchers at University of Pittsburgh, led Dr. Hilary Tindle, examined the death rates and chronic health conditions among participants of the Women's Health Initiative study, which tracked more than 100,000 women ages 50 and over for fifteen years, since 1994.

Women who were optimistic were 14 percent less likely to die from any cause than pessimists and 30 percent less likely to die from heart disease after eight years of follow up in the study. Optimists also were also less likely to have high blood pressure, diabetes or smoke cigarettes.

Other studies have shown that people who go to church regularly or believe in God live three years longer and report higher levels of well-being. Researchers have also found that

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married persons have higher well-being scores than divorced ones. Higher levels of trust are associated with lower national suicide rates.

Clearly, the role of trust in the health and well-being of our society is enormous. It certainly points to the conclusion that it should be a vital component of our educational system, and a priority in our workplaces.

Impact of Workplace Trust on Well-being

What is the biggest factor in a person's well-being?

This question was posed by John Helliwell of the University of British Columbia Economics Department. He and his team conducted several studies between 2001 and 2010, and analyzed nearly 30,000 survey responses across the United States and Canada. He found that, surprisingly, it was neither money nor education that produced the highest well-being ratings. He discovered:

"Workplace trust is one of the most important [factors] in explaining well-being, across groups of populations, across surveys, and across countries."¹¹

He also observed that significant trust in workplace colleagues carried over into personal friendships and close relationships with these same people outside of work, and in the community in general, stating:

"Without trust, people are loath to reach out, and to make the social connections that underpin any collaborative action."

He concluded stating simply:

"Trust improves health and saves lives."

Helliwell's findings also noted a difference between men and women:

"Women are significantly more trusting of their co-workers [than men] attaching higher values to workplace trust and choosing workplaces marked by higher trustbut are less likely to place trust in strangers."

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Helliwell's other conclusions were quite revealing, and some might be considered astonishing:

1. Our results show that those who feel themselves to be living in a trustworthy environment have much higher levels of subjective well-being.
2. Household income does not appear in the trust equations, since it was found to have no significant effects.
3. Having high trust in co-workers, which we find to be the largest of all the specific directional trust measures, is associated with 7.6% higher life satisfaction. This is followed trust in neighbors (5%), confidence in police (3%), and a belief that a stranger would return your lost wallet (2.5%). How much higher life satisfaction is for those who have high levels of trust in all these life domains? The answer is more than 18%.
4. After trust, the highest correlations to well-being were good health and a belief in God.

The final conclusion should not be overlooked because it is a profound story about human nature:

5. Increasing trust in management by just one point higher on a ten-point scale has the equivalent effect on life satisfaction as a 30-40% increase in income.

If your family, company, or team has low trust, it probably has a lot of dissent, illness, bad attitudes, high absenteeism, high turnover, labor strife, and poor performance. Just improving trust by a factor of ten percent would remedy many of the ills in organizations. For business, trust increases profitability, and increases people's overall life satisfaction as a 40% pay raise. That sounds like a very powerful return on investment.

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CHAPTER TWO: FOUR DRIVES OF HUMAN BEHAVIOR

Profusion of Distrust

Trust in America is declining; the evidence is everywhere. Recent polls show that by a margin of nearly 3 to 1 we distrust the media and unions, and by 4 to 1 distrust politics and big corporations. Less than 25% of Americans trust banks; even fewer trust Congress. President Obama has announced a “Trust Deficit,” but no one has taken an active role in its cure.

If distrust were a disease, we'd declare it an epidemic.

Not addressing the problem of trust has been plagued for centuries because it is actually quite difficult to get a hold of the constructs that underpin trust because they are multi-dimensional and cross so many academic disciplines.

The first hurdle to overcome to gain a full understanding of trust is to lay the groundwork with an understanding of human behavior. My colleague and mentor, Paul R. Lawrence, served as Professor of Organizational Behavior at Harvard Business School for his entire career. He wrote scores of books and articles on human behavior, but was always disturbed that there was no unified theory that explained why humans do what they do. Psychologists couldn't explain the underlying causative forces of human behavior; neither could sociologists, nor anthropologists, nor political scientists, nor neuro-scientists, nor economists, nor philosophers.

To use an analogy, think of a pot of boiling water. Looking at the surface of the water, you see lots of bubbles; you put a thermometer in the pot and notice the temperature is 212° F or 100°C. Above the boiling fluid steam is rising, which then condenses on a cold surface. But, unless you look under the pot and see a source of heat, you don't know *why* the pot is boiling.

The same had gone on for centuries regarding human behavior. Authorities have *described* human behavior, but were wont to explain its source. When Paul Lawrence retired, he made a

commitment to find the source code. He then spent the last twenty years of his life relentlessly researching and wrestling with the issue. Here's what he found (in brief summary form¹²):

THE NATURE OF HUMAN NATURE

In the last decade a number of breakthrough studies give us a better understanding of what's happening inside our skulls. Knowing more about what's happening in the brain gives a leader clear guidance on how to "turn on the switches" that light up teamwork, joint innovation, and personal achievement. (Don't panic; we're going to make brain science easy to understand.)

While our brains are the most complex mechanisms on the planet, there are some basic circuits that control our behavior in a normally functioning brain, and different parts of the brain are assigned responsibilities for performing these functions. Most things in the brain happen automatically, without conscious thinking, like breathing, heartbeats, and digestion, to name a few.

"Drives" as we use the term are the ultimate, irreducible motives of human behavior. These are like *energy forces*. There are four basic drives – A, B, C, & D -- in all healthy human beings:

- 1) Drive to ***Acquire*** – seeking food, shelter, reproduction, and even pleasure. Attached to this drive are certain very *basic emotions* such as *desire*, *greed*, and *lust*. When other species are on the receiving end of this drive, they perceive it as aggression or domination, and typically respond with the next drive:
- 2) Drive to ***Defend*** – protecting ourselves from threats and aggressors that will prolong individual survival and even prevent our extinction as a species. Attached to this basic drive is the basic emotion of *fear*, and its derivatives such as *anger* and *vindictiveness*.

These basic brain functions together are often termed "self-interest" or "self-preservation." These two drives mostly use evolutionarily-old brain regions that humans share with fish and

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reptiles. Together, the drives to *Acquire* and *Defend* are often called the “ego drives.”

When a leader triggers these two drives excessively, however, other circuitry in the brain is inhibited, as will be explained below.

Important Characteristics of All Mammals

Because humans are mammals, our brains share certain functions that are common among all mammals. The most important one for our immediate purpose is:

- 3) Drive to ***Bond*** --the drive to live and work in groups, such as teams or herds.¹³ This “communal instinct” starts with our nurturing of our young. Associated with this drive are some of emotions exhibited by humans and a few higher mammals –*love, empathy, happiness, playfulness, loyalty, and gratitude*, to name a few. The bonding impulse is especially strong in humans. It started with the pair-bonding that gave us the nuclear family and later tribal cohesion. It is extremely important because it provides the natural desire for humans to *collaborate*, coordinating their actions for their mutual benefit, and the desire to work for the “greater good.”

In any group or organization, a leader must consciously work to meet the needs of every human to balance or align the drives to *Acquire* resources and *Defend* one’s turf (self-interest) with the needs of humans to *Bond* with others to achieve something they could not accomplish alone (mutual-interest). If these leader creates situations putting these drives into conflict then the leader must resolve this or cooperation and group performance will be diminished. (in Chapters Five: Trust Principles & Six: Trust Skills Building, we provide more this on how to do this guidance.)

Unique Human Brain Circuitry

Human beings have very high-order cognitive capacities that allow us to create, comprehend, find meaning, and learn. Located primarily in the comparatively over-sized prefrontal cortex, this

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capacity gives humans the ability to weigh, balance, and align the drives to *Acquire*, *Bond*, and *Defend*. We term this capacity:

- 4) Drive to *Create* – the unceasing impulse of humans to comprehend the world around them, to find meaning, to imagine a better future, to solve problems and puzzles, and to build new and better things. Attached to this drive are emotions we often call *spiritual* such as *inspiration*, *wonder*, and *awe*. We see the drive to *Create* manifesting in children at a very early age; people are just naturally innovative.

It is this very human drive to *Create* that every person seeking to build a better world needs to support and catalyze along with the *collaborative* drive to *Bond*. In tandem, these two drives give people a deeper sense of meaning and purpose, as well as what we often refer to as *conscience*¹⁴ or *soul*. Further, the drive to *Bond* activates the pleasure circuitry of the drive to *Acquire*. This gives leaders a "win-win" way to stimulate new ideas, possibilities, and bold new futures: it benefits both the individual and the group.

We've arrayed the four drives in the form of a "Human Nature Compass." (see Figure 2) The four drives are easy to remember: A, B, C, & D.

All drives operate independently and each must be satisfied in some reasonable proportion, otherwise people will feel unfulfilled. While each drive is independent, they are not fully autonomous in that the exercise of one drive influences the other.

If people feel unfulfilled, they will seek fulfillment of the drive that's lacking in some other way. People who play a leadership role or are in the position of authority trigger responses in each of the drives. Rewards and punishments are designed to stimulate or repress the drives.

For example, by reinforcing the drive to *Bond*, a leader emphasizes *teamwork*, and by simultaneously reinforcing the drive to *Create* the leader stimulates *joint problem solving* and *collaborative innovation*.

Human Nature Compass

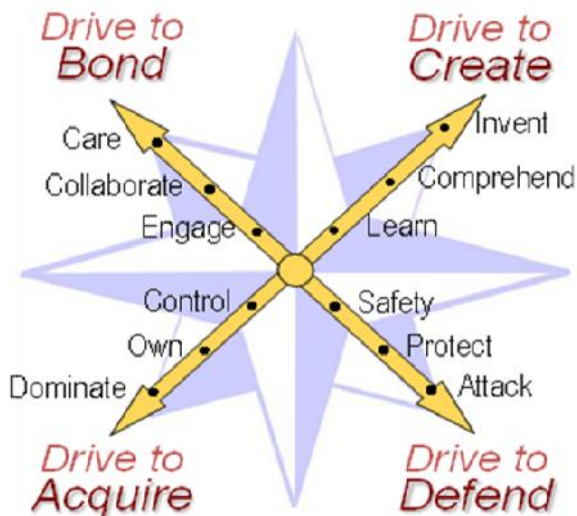


Figure 2: Four Drive Compass

A leader can focus the drive to *Acquire* by aiming at clear goals and objectives. However, by pushing *Acquire* too hard and without the drive to *Bond*, greedy self-interest will prevail.

Providing an environment of safety and security will satisfy the drive to *Defend*. While depriving people of the resources they need to survive will trigger fear, the drive to *Defend* in overdrive.

But exactly how does one know just what proportions of these drives are needed to build trust? How does one steer the ship with the Human Nature Compass? How do we stay on course of integrity and honorable purpose?

The answer lies in *balance* and *alignment* of the drives. When the drives are out of alignment, you will get very strong signals – in the form of emotions. Emotions are “markers” that give us feedback that the drives are *in* or *out* of alignment.

COMPARING THE FOUR DRIVE MODEL TO MASLOW

It will be natural to compare Lawrence's "Four Drive Model" to Maslow's well-known "Hierarchy of Needs."

There are some important differences.

First, Maslow sees humans as having "needs," and thus we strive to meet those needs. Lawrence perceives these as "drives" which are innate in the brain structure of modern humans. We do not have a real choice in some of our behavior because the drive is a causative force for many of our actions.

Second, Maslow's Hierarchy assumes that one's basic needs for food and shelter must be satisfied first before other needs. Lawrence makes a different observation: that the basic needs (which are the Drives to *Acquire* and *Defend*) are not always fully satisfied in all people. In fact, some people are obsessive about these drives, often becoming controlling and dominating in their obsession.

Third, the Drive to *Create (&Comprehend)* is uniquely human and cannot be left to wait until other needs are met. Nor can the Drive to *Bond* be ignored, as these two Drives are inextricably built into the human brain structure. Thus the four drives are always in constant tension to find some *balance* within the context of one's environment; or better: a *synergistic alignment*.

Fourth, unlike Maslow's model that makes the epitome of human existence a sense of "self actualization," Lawrence contends that the Drive to *Create/Comprehend* has no limit, and the Drive to *Bond* is not simply about self, but about the nature of humans as a collaborative species seeking an ever evolving synergy.

Fifth, Lawrence does make exceptions for psychopathic behavior. Lacking the Drive to *Bond*, referring to them as "people without conscience," they behave outside the norm for humans.

Lawrence's model has another added advantage over Maslow's model, which lacks the rigor of both scientific foundations and an evolutionary basis in man's fight for survival and reproduction; Lawrence grounds his model deeply in evolutionary competitive advantage, behavioral studies, and neuroscientific research.

To illustrate, think of your car's front-end when you are

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driving: if the one of the wheels is unbalanced, you get feedback from the pounding the tire creates when it's bouncing, not running smoothly. And when the front end is out of alignment, the car is always pulling to one side, constantly needing correction.

Our brains give us similar feedback if we tune into its signals. When everything is tuned right, we trust; when out of *balance* and *alignment*, we distrust.

Everyone's brain is designed to respond within ¼ second to sensory inputs -- sight, sound, touch, taste, smell, and vibration -- from the external environment. Every time you are in someone's presence, you send signals to their brain that triggers each of the four drives.

HOW BRAIN CHEMISTRY WORKS TO BUILD TRUST

It's important for you to know about how the brain's chemistry responds directly to what is people sense in your presence.

Our brains produce specific chemicals called "neurotransmitters" that signal whether we have too much of one thing and not another, whether we are "unbalanced" or "out of alignment."

Each of the four drives has a primary neurochemical that it utilizes. While all these drives use a combination of neurotransmitters, focusing on the primary neurochemistry of the four drives provides additional insights into how to harness them.¹⁵

Four brain chemicals can be mapped into the four drives (see Figure 3). The drive to *Acquire* primarily uses dopamine, the drive to *Defend* causes the release of norepinephrine (the brain-version of adrenaline), the drive to *Bond* uses oxytocin as discussed above, and the drive to *Create* is driven by the brain's opioids. Here's how they work:

Dopamine & the Drive to Acquire

Dopamine is part of the brain's "wanting system." It orients us to find resources such as food, fluids,

Dopamine focuses the brain on a clear objective and motivates us to take risks to achieve it.

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shelter and a mate. It focuses the brain on a limited objective and motivates us to take risks to obtain this objective. Having a "goal" enables the brain to sort through the clutter of life and stay honed in on something it discerns as valuable. The "wanting system" is rapid and automatic, for example, it activates quickly when a person smells aromatic food, or when someone smiles at us. It's

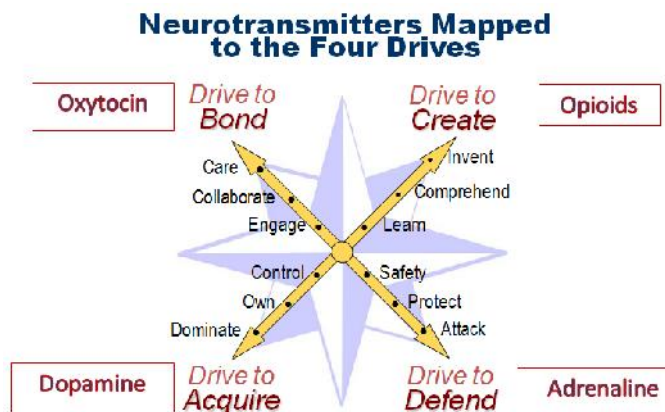


Figure 3: Four Neurotransmitters & the Four Drives

saying, "this is good, do more of it."

People whose brains produce too little dopamine are lethargic, risk-averse and unfocused, while those with too much dopamine become obsessive, possessive, risk-loving, and overly selfish.

To keep dopamine in the "balanced" range - not too much, not too little - we need to align on a clear goal that benefits both you and me., not just me. If only I benefit, but you don't, I will trigger fear (drive to *Defend*) in you, because my self-interest looks like greed to you.

If the goal is not mutually beneficial, the self-centered goal will tend to inhibit oxytocin associated with the drive to *Bond*.

Dopamine makes us "want" the goal by making us anticipate how it will feel when we achieve it. Goals with greater meaning and broader values help this balance.

Building a Team You Can Trust

Oxytocin & the Drive to Bond

Oxytocin is the “collaboration” molecule. When it is present, people link together in close relationships; they trust; they care for each other; they support each other in tough times.

Oxytocin enables trust, caring, and love, especially in tough times.

To build trust in a relationship, you need to understand several key cause-effect interactions.

- Oxytocin is typically released in positive human interactions and motivates us to approach and engage with others, including strangers.
- Oxytocin is the foundation for enabling trust between friends and strangers, but its release is inhibited when one’s immediate environment, either team or physical surroundings, are threatening. Fear has a profound negative effect on the release of oxytocin.

One of the great qualities of oxytocin is that apparently the brain cannot become overdosed on it, thus large amounts are fully tolerated, and there is no dulling effect, meaning that prolonged exposure to it does not require more of it to produce the same effect. In fact, oxytocin-driven bonding is more likely the more the trust-connection brain circuit is engaged.

Every person who wants collaboration – loving relationships, teamwork, trust, alliances, or cooperation -- must pay attention to creating environments that are reasonably secure, because the presence of oxytocin is highly dependent upon not having too much adrenaline caused by triggering the drive to *Defend*.

It is in this type of circumstances when the aphorism: “*Trust means feeling I will be safe in your presence*” has some merit.

It is not a coincidence that the most innovative companies are also the most likely to have reasonable levels of job security. For example, highly rated innovators like Southwest Airlines, Procter & Gamble, Toyota, or Nucor Steel are known for their deep reluctance to lay off employees.

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Security, trust, and collaborative innovation are highly interdependent. High stress/fear inhibits oxytocin release in the brain and the desire to collaborate with others.

But, in an evolutionary adaption that makes cooperation more likely, moderate stress, including the anticipation of a rewarding goal identified by the drive to *Acquire*, tends to increase the release of oxytocin. Having a goal to achieve makes us reach out and trust others in order to reach it.

Adrenaline & the Drive to Defend

Adrenaline is the “fear” chemical. When the leader plays with fear, they play with fire; it can be a weapon or a tool, and must be used with great delicacy.

Whenever a person experiences a threatening situation, within a quarter-second adrenaline begins pumping through the body sending the “high alert” signal. Depending upon the person’s makeup and the situation, the response will be *fight, flight, or freeze*. While it is possible for people to override this response, it is such a powerful human response that it has an almost irrepressible capacity to override every other human desire, including sex, food, and money.

Adrenaline is the “fear” chemical that has a strong tendency to override every other human desire.

It’s noteworthy that fear also has the capacity to “sear” a frightful event onto the brain’s long-term memory. That’s why we remember bad events so clearly, even if they happened dozens of years ago. This is nature’s way of helping us recognize danger and take rapid evasive action if that pattern shows up again. When the brain’s circuitry becomes overloaded with too much fear, people can become paralyzed because it keeps reoccurring in our memory; we call it Post Traumatic Stress Disorder -- one of the terrible after-effects of war, but it doesn’t take a war to produce it. Too much stress at work will cause the same pattern of behavior.

On the other hand, studies have shown that not enough adrenaline makes people lethargic, overly satisfied, and complacent. A small amount of adrenaline keeps people alert, on

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their toes. But too much adrenaline shuts down the *Bonding* neurochemical¹⁶, as well as the *Create* and *Acquire* hormones.

The “executive center” of the brain, the prefrontal cortex, can discern an *internal* threat from an *external* one. Thus, if one’s *inner* team, within the organization, is trusted, and the threat is from an *outside* competitor, then the collaborative circuitry will stay functionally intact. However, as soon as the threat is seen as *internal* – within the *family* – all hell breaks loose; people experience *betrayal* – the worst form of distrust; they get very angry and are loathe to forget. The drive to *Defend* is one of the foundations of healthy competition and therefore should not be avoided, just channeled in a productive manner.

Opioids & the Drive to Create

The brain has an innovation circuit located in the “newer” part of the brain, the neocortex, which has played an essential role of our evolutionary history as inventive beings. This is where the fourth drive starts its action.

The brain’s opioids¹⁷, among these are endorphins, modulate pleasure and pain while releasing dopamine, the *Acquisition* neurotransmitter. The release of opioids causes us to enjoy experiencing the attainment of a goal we were seeking.

The drives to Acquire and Bond can work synergistically to release the opioids for the drive to Create.

In addition, when we exercise, opioids are released, triggering creative imagination as well as dulling pain. Opioid action in the frontal cortex is associated with flashes of insight and creativity which generates a brief “learning high.”

Brain imaging studies of the frontal cortex show that while the presence of opioids varies greatly among individuals (depending upon their number of “mu” opioid receptors), all humans have them.

Flooding the brain with chemicals that “mimic” opioids, such as morphine or heroin, does not improve creativity. Morphine binds to ‘mu’ receptors, giving an artificial high, without the benefit of productive outcomes.

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Some studies explain that it is the presence of this receptor that makes a creative leap so pleasurable.

We praise those with creative insights as this is the “spark” of innovation. Artists, musicians, writers, and inventors have known this for at least two thousand years. What’s more, the drives to *Acquire* and *Bond* can work synergistically to release the opioids for the drive to *Create*.

Interaction of the Neuro-Chemicals

The brain is designed to respond in very special ways to sensory inputs. Figure 4 illustrates how different levels of stress impact the brain. When stress is too low, we are lethargic, not alert, and marginally functional. For most of us, this is how we feel when we are first waking and not very energized. Our brain’s neurotransmitters are in a “slow” state. We are neither creative, nor paying attention to others, nor aimed at accomplishing something.

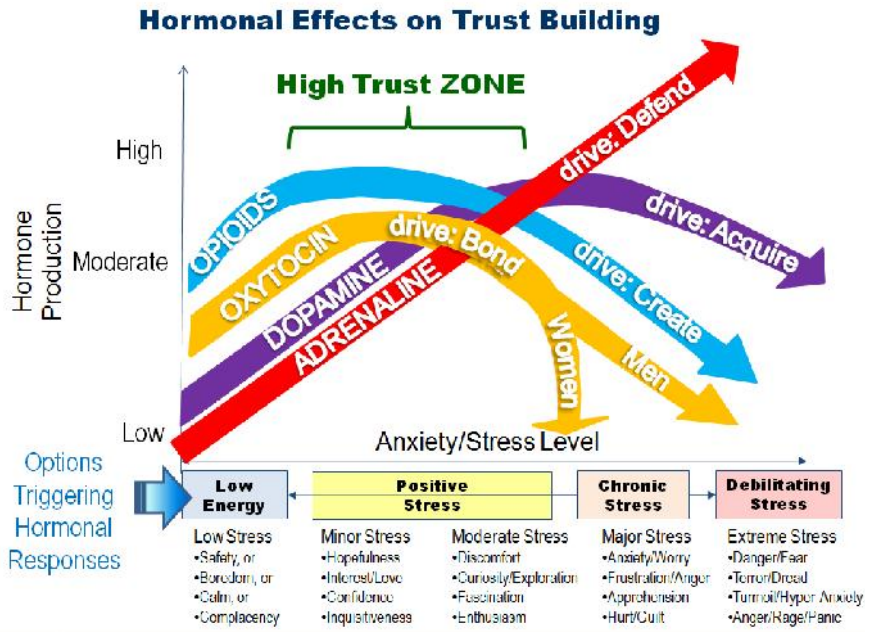


Figure 4: Brain Hormone Interaction under Stress

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So what do most people do when they are in this state of mind? Have a cup of coffee.

Why? Because coffee triggers the production of adrenaline, which, in low doses, has a synergistic effect on the production of the other three primary neuro-transmitters: dopamine, oxytocin, and opioids.

This moves us into the zone of positive stress, where we become more hopeful, interested, caring, confident, and inquisitive. For many people, they assume that if one cup of coffee is so beneficial in “waking up” that a second cup will be even more beneficial. Perhaps the second cup makes you more intense, more curious, more enthused, more focused.

But if you assume that two cups is so good, then some conclude that a third cup in rapid succession will be triply good! You are then surprised the third cup is actually counter-productive producing feelings of high stress with symptoms of anxiety, worry, frustration, apprehension, and even anger.

Why did the third cup of java have a negative effect on you productivity? Because too much adrenaline actually causes the other three neuro-transmitters to decline, and then shut down, (see Figure 4) starting first with oxytocin (*Bond*), then opioids (*Create*), then dopamine (*Acquire:Goal Setting*).

This set of interactions of the brain’s neurotransmitters occurs every time you interact with another person. Your smile, your criticisms, your turn of the eye, your lack of attention, your self-interest, your compassion, your giving another person credit - everything you do is sensed by others that triggers neurotransmission..

If you do something that triggers anxiety or worry or you send signals that result in fear, dread, or hurt in another person, you cannot be trusted - fear drives down the other chemicals upon which trust relies.

WHY MEN ARE FROM MARS

Humans are mammals, and all mammals have a herd instinct: humans are family oriented and tribal, wolves form packs, cows

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herd, dolphin pods. The neurotransmitter that enables this communal instinct is oxytocin (which is not present in reptiles).

While men's and women's brain neuro-transmitters operate in basically the same manner, there is one exception that is quite noteworthy. (This explanation is *not* a "guys are better than gals" thing; it's scientific and proven by innumerable mammalian studies)

Women are female mammals, and all female mammals are designed with a safety mechanism that goes far back into the prehistoric origin of mammals. Unlike reptiles that lay eggs and leave their offspring to fend for themselves, mammals give live birth, then care for the young for a substantial amount of time.

When mammals give birth, the process leaves the female extremely vulnerable. And if danger is present, her birthing process is shut down to ensure that she doesn't risk her own life and protects the life of the new born. It's nature's way of ensuring the survival of the species.

You will note on the chart (Figure 4), that the oxytocin curve for women is different from that of men. This represents the difference in how females diverge from males in their response to high stress (intense anxiety, fear, anger, and such) situations.

Let's illustrate with an example anyone with a few years of marital experience experienced this seemingly mysterious behavior:(this is a composite case history based, not just on my experience, but from interviews of dozens of people who've had similar interactions.)

The Lovers Battle - Case Study

First, think back to a time when you and your loved one had a big fight or argument. You were really upset with him or her, and the verbal exchanges became extremely heated. The woman was so mad she could spit, caught in the grip of anger.

At that moment, the man looks at his woman and says:

*"Aw, come on honey, I still love you!
I know you are angry but we can still hug and make up.
Just give me a kiss to show me you still love me!"*

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He then moves closer, arms open, sad eyes, ready to give her a hug. From the woman's view, she is totally shocked by such crude and unsympathetic behavior. How could her man be so callous? He just doesn't get it! He's clueless! She shoots back:

*"Get away from me! (extending her arms to push him back) Don't you dare come closer to me!
(thinking, "I really want to kick you where it hurts!
After all you've hurt me so deeply!)
Just get away from me.
I can't believe you can be so uncaring!!!....."*

The man is totally perplexed. If he is wise, he retreats with a kind word, and doesn't escalate the fight, until she cools down. He then wanders to his local bar and, crying in his beer, says:

*"I just don't get women.
Gals are supposed to be kind and loving.
We just had a fight and you'd think she'd respond positively when I told her I loved her and tried to hug her to show my affection.
Instead, she wanted to tear my heart out!
I just don't get it!....."*

Meanwhile, the woman is calling her girl friend, equally perplexed:

*"I know guys are clueless, but this one beats them all!
My guy just did (insert the foolish act)
.....and on top of that he (insert second foolish act).....
He didn't seem to care for my feelings at all.
That just sent me over the top!
I told him where he could go and how fast he should get there. Then -- can you believe the insensitivity of this guy -- He tried to hug me and told me he loved me! Sure!
With those big sad eyes!
He must have been kidding! It was a cruel joke!
And, you know, I think he even wanted to take me to bed!
Are all men such jerks?....."*

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If you've ever experienced some version of this interaction, rest assured; it's normal. On the surface, this looks like bizarre behavior. Brain chemistry explains why it happens.

In the story above, when the woman's brain experienced intense anger, her supply of the bonding (love and trust) hormone oxytocin, was shut down, dropping to virtually zero. She had no intention or desire to hug, kiss, or touch. Consequently, she had no brain receptors that would connect to her man; she couldn't believe how a man could respond so inappropriately.

On the other hand, the man's oxytocin level had dropped to only 50% of normal. He was angry, but he still had half his capacity to love and care for his woman, and wanted to express that caring with a hug. And, to complicate matters, his "adrenaline rush" was also a sexual turn-on.

Had the encounter escalated for the worse -- she begins screaming at him and demeaning him -- his oxytocin level probably would have dropped to zero. At that point he might have become violent with her. Then it's time for the police to break up a domestic violence dispute. Venus and Mars are unique breeds!

THE ROLE OF CULTURE ON BEHAVIOR

The Four Drives are common to all human beings around the world, regardless of culture or personality. They might be considered the "natural" or "core" energies of humans. However, explaining why people behave in unique ways cannot be completely laid on the foundation of the natural or core causations.

Culture, the ways our society decides what's "normal:" what's to be valued, what's to be punished, what's to be rewarded, also plays a major role. Culture is so important, that it simply cannot be overlooked or underestimated.

Individual behavior is also influenced by our personal experiences and unique personalities. Together, 1) the Four Drives, 2) a person's culture, (family, community, nation, and so forth) and 3) one's beliefs, along with one's personality and personal experiences together determine behavior. (see

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Drivers of Human Behavior

The Causative Layers

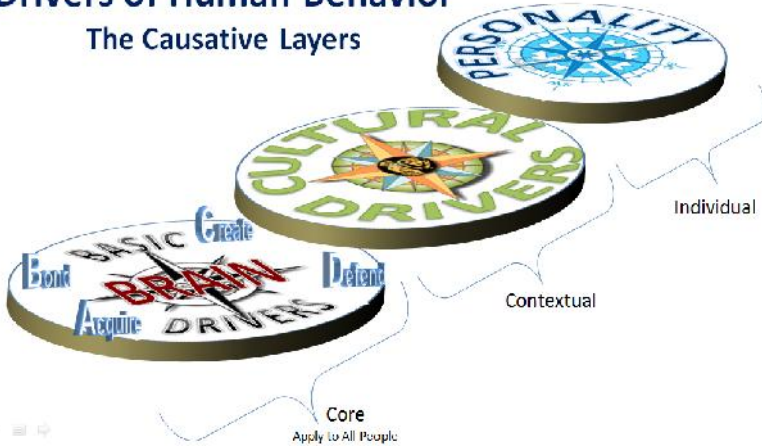


Figure 5). For the sake of simplicity we will only address the Four Drives in this volume because they are common to all humans throughout the world.

Drivers of Human Behavior

The Causative Layers

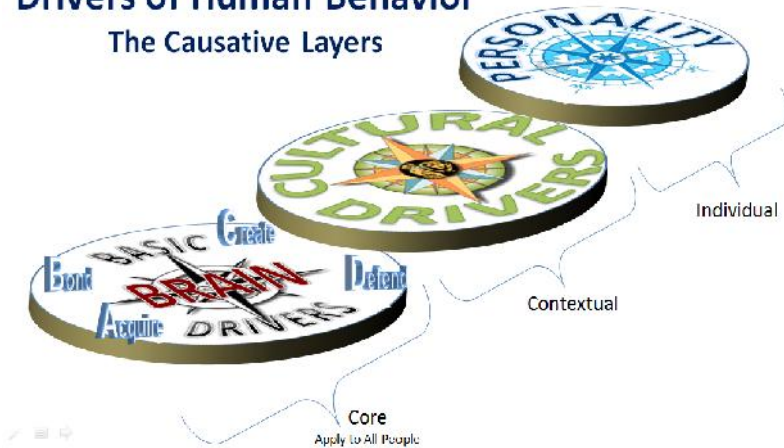


Figure 5: Causative Layers of Human Behavior

NUMMI CASE STUDY:

Management Turned Good People into Monsters¹⁸

After twenty frustrating years, in 1982, General Motors threw in the towel on its plant in Fremont, California, south of Oakland. When GM, Ford, Chrysler lost \$5.5 billion to overseas competitors in 1980-81, a new sense of reality hit senior executives. The Japanese, led by Toyota and Honda, were making better cars at lower prices. Hundreds of thousands of workers received pink slips. GM was convinced that the plant that loomed like a big battleship of three million square feet had become a battleground for labor and management to tussle and squabble daily.

GM saw the union as the problem, after all was the union that was instigating all the turmoil, and protecting the jobs of hippies, drug-addicts, and scoundrels. The United Auto Workers (UAW), who controlled the labor force, also saw this as their worst workforce in any plant in the United States, including GM's competitors. Workers were boozed up or drugged up on the job. The absenteeism was so high that often the production line couldn't be started, which meant production halted. Workers regularly sabotaged cars on the assembly line, putting ball bearings or Coke bottles in the doors and frames so they would rattle around and annoy unsuspecting buyers.

Rancor and distrust was so thick you see, smell, and taste it. Self-esteem was destroyed, and adolescent revolt became everyday adult action. Eventually GM's leadership became demoralized with the workforce that chose to respond with apathy when they didn't show up, and conflict when they did. The conflict had all four drives (Acquire, Bond, Create, and Defend) revved up, supercharged, and in high gear to produce powerful results - the wrong results:

Despite millions invested in updating the plant, labor conflict was remained rampant. "We've been trained to fight with management," proclaimed Tony DeJesus, president of the United auto workers who had dozens of strikes, sick outs, and shutdowns at Fremont. "And management guys were trained to fight with the union. Both sides were good at it; we fought like hell."

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“It was, by far, the worst of GM's plants in terms of quality and productivity: double-digit defects in every car, and far higher than average hours to assemble any vehicle. Distrust ran so high that the labor contract is crammed with over 400 pages of legal doublespeak. But it didn't serve as a basis for mutual understanding. If details were the weapons cache that armed all their flights.

The lack of employee pride and confidence was evidenced by the absence of Fremont-built cars in the employee parking lot. The workers wanted nothing to do with the cars they built nevermind own one.

Labor conditions were militant, toxic, even violent, with multiple strikes and sick outs by the UAW. The plant had a backlog of some 5000 union grievances, absenteeism exceeded 20%, requiring the hiring many more workers on any shift.”

Drug and alcohol abuse was so rampant that a special cleaning crew was required to police the parking lot after every shift change to dispose of liquor bottles and drug paraphernalia. When GM closed the books on the worst disciplinary situation in the whole company, there were more than 800 union-filed grievances and 60 contested firings as part of the baggage they left behind. That's what happens to teams in which everyone's first priority is to first put a shell around his or her position, and to guard that domain against everyone breaking in.¹⁹

When Toyota approached GM in 1984 with an offer to establish a Joint Venture in the United States, GM was faced with a dilemma. Toyota, was a competitive threat and growing quickly, becoming the world's third largest auto producer. “Buy-American” sentiment in Congress meant Toyota should consider U.S. manufacturing, rather than import all their vehicles. A joint venture with their arch rival, GM, would make Toyota look less like a threat, and more like a partner. Toyota would take over the plant, up-grade the manufacturing line, and take back the labor union, but only a handful of the GM management.

On the GM side, this would be an opportunity to learn the Toyota LEAN Management System. (There is speculation that

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behind the scenes that GM also thought, "Let's give them that horrible union, and Toyota will quickly learn it should never have come to America. One year with the plague of locusts that union will bring, and Toyota will close the plant, never to return again to our shores.")

NUMMI -- also promised to rehire many of the people who worked at the plant before. They even trusted Tony DeJesus, the former strike leader, to help evaluate job candidates.

In return, the union let go of something they had always thought essential. Previously, all the jobs at Fremont had been divided into 100 different classifications. The idea had been to protect jobs, but the effect had been to slow line to crawl several times a day, while everyone waited for the "right worker to come along and take care of a task anyone could have done

Within Toyota, the management team was split on whether they should launch NUMMI. However the Toyota production system was in many ways an outgrowth of Deming's work at quality control, and after all, Deming was an American, so the production system could be tested in another culture.

Toyota hired back 85% of the Fremont hourly union workforce. Workers would have a strong voice in plant operations. A no layoff policy was instituted. Toyota spent \$3 million to send 450 new group and team leaders to Toyota city for training in Toyota reduction system.

Under GM, the UAW had overwhelmed hundreds different job descriptions. Under Toyota these were replaced with one job description: team member. The 14 levels of management hierarchy under the GM regime was pancaked down to three: plant management, group leader, team leader, then team member.

Employees began participating in decisions regarding their work. Team members were trained in problem solving and quality practices to become experts in their respective operations. Employee roles expanded, the primary responsibility becoming one of proactive thinking and improving simply not doing. (dCreate + dBond) team leaders and members began engaging in

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group problem solving. Ideas for improvement were quickly implemented by team members, with successful solutions becoming standardized. All associates were empowered to stop the line at any time to fix a problem by pulling a cord running around the entire facility. Cooperation and confidence replaced coercion and conflict.

By the time the facility was fully operational, quality defects and dropped to only one per vehicle. Cars were assembled in just half the time. Absenteeism dropped to 3%. Worker satisfaction and engagement soared. Operational innovation was on the rise, with over 90% of employees participating in the innovation program and nearly 10,000 ideas were implemented. These were the same people, the same union, the same equipment. But the outcome was radically different. All in under two years.”²⁰

After two years in operation, the once antagonistic NUMMI workers had built more than 200,000 cars and were winning national recognition. The United States Department of Labor highlighted NUMMI as a model of positive labor management relations. *Newsweek* magazine spotlighted it as “a model of industrial tranquility.” *Fortune* pronounced it “the most important labor relations experiment in the US today.” *Industry Week* ranked the plant among America's 12 best manufacturing plants.²¹

However, even though the GM managers trained at NUMMI learned Toyota’s LEAN Management System, GM was still unable to implement it in rest of the United States. Why? Because the “invisible” part of LEAN is about trust and collaboration, which GM management was loathe to support.

Great teamwork is based on all human energy from the four drives flowing in a single, unified, aligned, and integrated direction. This is the leader’s most important task in building trust, generating innovation, and achieving high performance, day in and day out.

Lesson Learned: Human Behavior is not a phenomenon carved in stone – a trusted leader brings out the best in people.

Great teamwork is based on all human energy from the four drives flowing in a single, unified, aligned, and integrated

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direction. This is the leader's most important task in building trust, generating innovation, and achieving high performance, day in and day out.

ARE HUMANS COMPETITIVE OR COLLABORATIVE?

It's an important question because it lies at the heart of understanding our nature. Fortunately the Four-Drive Model gives us a very clear understanding: We are *both*. Here's the explanation:

We are *competitive* because we evolved having to compete for resources to survive in hostile environments. This is true for every animal species on the planet. It is the core of our drive to *Acquire*. Without this drive we would not be able to maintain our existence, nor propagate the species. The drive to *Acquire* also embodies status and sex, pleasure and power. Our drive to *Defend* evolved simultaneously to preserve what we acquire and to protect our safety. We might refer to these as the "ego" drives; we all have them, and they are inherent in our nature.

At the same time, we are also *collaborative*. Cooperation is inherent to the nature of all mammals, no matter the type. One of the brain characteristics that distinguishes mammals from reptiles is the presence of a "limbic" system that is home the home of the bonding instinct (drive to *Bond*), something not present in reptiles. Mammals congregate in herds or pods, and care for their young, reptiles don't.

What's even more important, humans have a conscience – what Darwin referred to as our most distinguishing and important characteristic. Our higher intellectual powers from our drive to *Create*, combined with our drive to *Bond* gave rise to the development of a conscience. Darwin maintained that a conscience evolved as the key factor in our ability to progress as a species far more rapidly than any other species on the planet. In other words, it was our combined ability to collaborate (*dBond*) and innovate (*dCreate*) that is the essence of our competitive advantage on earth.

Building a Team You Can Trust

Sports are a deep reflection of our inner nature, that's why we love our teams so ardently, and follow them with such great passion. The most successful sports teams, no matter the sport, maximize both their competitive and collaborative drives. Just

Sports provides an excellent example of the relationship between Cooperation and Collaboration in an Innovative Environment.

Basketball is a highly innovative sport. Every moment, every play is improvised to the rapidly changing conditions.

A good illustration of a team with too much competitiveness and insufficient collaboration (teamwork) was the Superstar U.S. 2004 Olympic basketball squad. Playing in Athens, the U.S. Team, stacked with individual Superstars, lost to Puerto Rico by nearly twenty points in the first game for the most lopsided defeat in the history of U.S. Olympic basketball. This "Dream Team" of high-ego stars then lost to Lithuania and Argentina. The humiliation was due to individual competence being defeated by teams with passion, coordination, and commitment.

In the following Olympics in 2008, the U.S. Basketball team was coached by Mike Krzyzewski, an ardent advocate of team-first principles that instill trust.

With Krzyzewski at the helm, Team USA reclaimed the gold medal at the Beijing Olympics, guiding the U.S. squad to a perfect 8-0 record, winning by an average margin of 28 points per contest – a far cry from the 2004 "Dream Team."

Another great example of how the right combination of collaboration and competition can produce extraordinary results is the Ice Dancing competition at the 2010 Olympics. The Canadian Team of Tessa Virtue & Scott Moir trained everyday with their partners, and competitors from the U.S. Meryl Davis and Charlie White, side-by-side, in the same ice rink. Each team lifted the other to greater heights – Winning the Gold and Silver medals – the first Canadians and Americans to do so, as they ended the Russians 30 year reign. And the Canadian pair was the youngest to ever win the title. The right combination of competition and collaboration can produce superior performance

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watch a team sport game – whether it be hockey, basketball, baseball, soccer, football, or even car racing (remember the pit crew). The winner is the best team that combines a great competitive drive and impeccable collaborative coordination. When these two forces are linked and energized, we call it synergy.

The team with the greatest synergy is able to think best on its feet, creating in the moment, responding to breakdowns and unexpected moves by the competition in a rapid and forthright way. This is referred to as being “in the zone;” and it’s pure delight to watch from afar as well as to experience on the field. It’s also the time when all the brain’s hormones have just the right balance to produce optimum creativity, physical performance/endurance, and team coordination. This is what every great coach aspires to do.

Collaborate Internally, Compete Externally

When threats are perceived as *external* but collaboration is high *internally*, the brain modulates its chemistry to enable the drives to *Acquire & Defend* to be on alert, (but not in overdrive) and the drives to *Bond & Create* to predominate.

When threats are perceived as both *internal and external*, the drives to *Acquire & Defend* go into overdrive, triggering behaviors such as panic, fight, flight, freeze, or protect, while the drives to *Bond* and *Create* are subordinated.

No group can be successful when the team members work against each other instead of together. If you have winners and losers inside the organization, you can’t focus on beating the competition outside the organization.²²

Building a Team You Can Trust

CHAPTER THREE: LADDER OF TRUST

Very often I am asked the question:

“What’s your definition of trust?”

It’s certainly a very reasonable question. The person inquiring is looking for something to ground their understanding.

Many others have attempted to posit a definition, but the result always comes up terribly short, with something like: “feeling safe in your presence,”²³ or “having reciprocity in a relationship,”²⁴ or reverting to an aphorism like “trust but verify.”

We’ve researched trust in great detail and found that while there are many definitions, three elements seem to stand out. In the traditional sense, “trust” means:

1. *Reliance* based on certainty, predictability, unquestioning belief, faith or hope in or upon something: to have trust in one's parents.
2. *Security* or *Assurance* or *Dependability* based on a feeling of security, usually with good reasons, definite evidence, or past experience: to have confidence in the outcome of events.
3. *Commitment* or *Dedication* to a purpose or cause or something large, important, or vital.

While these three elements are a reasonable way to define trust, we think it is too vague and too ambiguous to be useful. Many others define trust at level we think is just a very minimum such as: trust is the absence of fear that you might intentionally hurt me. This is just a place to start the trust journey -- simply a beginning – there's a lot more that higher orders of trust can offer.

After all, the system of distrust in this world is so well defined and refined, it presents a formidable obstacle to creating trust. We think it’s necessary to become far more specific when creating a

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system of trust based on sound architecture, best practices, and clarity of purpose.

A simplistic definition of “trust” is akin to a simplistic definition of “love.” For example, from the Greek tradition, the word love can mean *divine love of God*, or *brotherly/sisterly love*, or *motherly love*, or *erotic love*. The definitions of each of those are very different, thus the definition of “love” is multi-dimensional, than thus not at all simplistic. So too with trust.

Fortunately, the *Four Drives of Human Behavior* gives us a very strong tool to understand the multi-dimensional definition.²⁵

Here’s what happens when we interact with other people: we start to generate energies around each of the four drivers. Think of this as a “force field.”

Depending upon what we do, how we react, what is said, the signals we send, our force field will interact with another’s force field very rapidly. Their response/reaction to our force field is not linearly linked.

For example, my drive to *Acquire* will not necessarily trigger a response in your drive to *Acquire*, but instead might trigger your drive to *Defend*, especially if I want to acquire assets you consider yours. This scenario might break our previous agreements for mutual sharing, which triggers your drive to *Bond* negatively. I might then propose a new idea to solve the problem using my drive to *Create*, but because our *Bonding* has been broken; you might see such a move as a manipulative disguise for my own selfish benefit.

Thus by emphasizing, reinforcing, or threatening different human drivers, we can evoke different behaviors in people. In Figure 6 we describe what different “levels” of trust that manifest when we push more and more on either the drives to *Acquire/Defend* (which trigger self-interested behavior) or *Bond/Create* which trigger mutual interest and collaborative innovation.²⁶

In this picture, note we have alluded to the area of “neutral trust” with a “belt,” which is a handy way of signifying good behavior (above the belt) and bad behavior (below).

Building a Team You Can Trust

When you have a clear picture in your mind of the names and descriptions of trustful and distrustful behaviors, the behavior can more easily be brought out into the open, and then pro-active action can be taken to strengthen the good behavior and wipe the bad behavior from the repertoire of your relationship, family norms, or organizational culture.

Trust Ladder

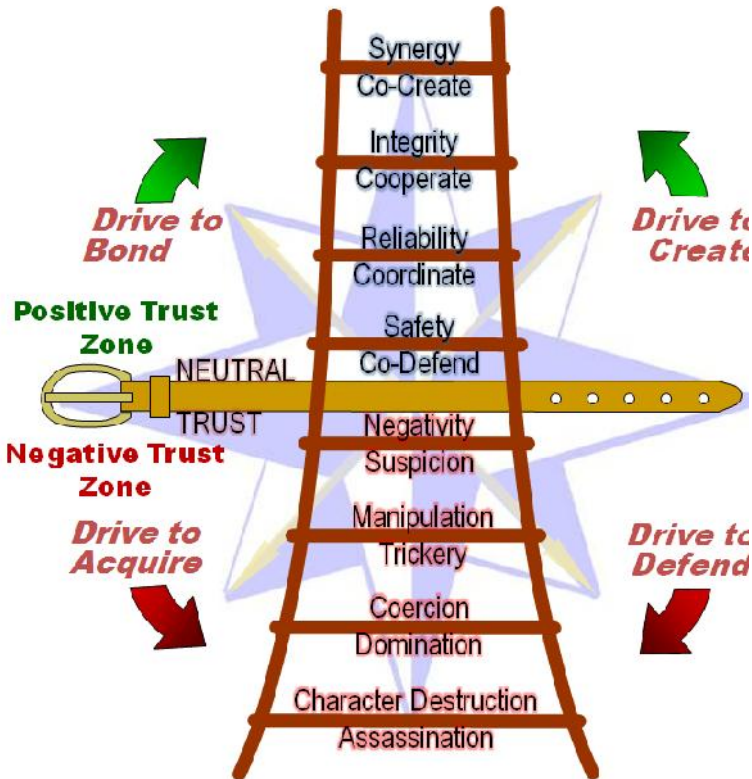


Figure 6: Ladder of Trust
(simple version)

With a *language* through words and pictures and a systematic *architecture* (framework) you can discuss in vivid detail what type of trust is desired, as well as the actions required to eliminate distrust.

Referring back to the earlier discussion about the *definition of trust*: Like the multi-dimensionality of love, trust should be defined in terms of “levels” as described in Figure 6 or Figure 8.

Tornado of Distrust -- Trust Busters

To grasp the multi-dimensionality of trust a more detailed, granular view of both trust and distrust is helpful. In Figure 7: Tornado of Distrust, instead of using a ladder, we are symbolizing the nature of distrust by a tornado because all so often the distrust



Figure 7: Tornado of Distrust

starts relatively benignly with criticism and negativity, but quickly spirals out of control, fed by greed, superiority, and aggression (drive to *Acquire*) along with the need to protect and fight back (drive to *Defend*). We are going to build out the Tornado of Distrust first with a description and symbols of the behaviors associated with the types of distrust. (Later we'll explore the upper zones.)

The multiple ways we've learned to “bust trust” are so well defined in our society they should be considered art forms; terribly expensive habits to support, and a massive drain on human energy. Here's a brief description of each of these types of

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Trust Busters (there are more than six, but these are the most prevalent):

Character ASSASSINATION, Betrayal & Excommunication



While murder may be the ultimate assassination, the more common version in organizations is *character assassination*. This takes the form of persistent efforts to destroy the other's reputation, to scapegoat or demonize the other. *Betrayal* is an even more extreme form of character assassination.

Talk to anyone around you, and ask them "Have you ever been betrayed?" Then watch their response. Usually it's one of intense emotional pain. Their hurt is carried around like a private wound, often with guarded silence as they suffer in the quietude of self-imposed exile. Many respond to betrayal with revenge or demonization.

Historically, betrayal has always been the worst of sins. In Dante's *Inferno* the lowest level of Hell was assigned to those who had betrayed trust.

Purposeful betrayal is all too common in our daily world today. Its corrosive force destroys teamwork, co-creativity, and the spiritual sense of community. In response to betrayal, people typically withdraw into their protective cocoon, or the opposite, fight with a vengeful energy that creates no possibility of reconciliation. When done unintentionally, betrayal usually takes a variety of forms, such as selfishness or insecurity, and often manifests as creeping dissent, an angst of complaint, blame, undermining, resentment, negativity, fault-finding, character assassination, and endless complaints. It's in this swamp of despair that betrayal breeds like mosquitoes – small, hard to see, but voracious, ugly, and disease ridden.

When this behavior occurs at work, daily routine becomes nothing more than bitter-sweet travail with neither victory nor valor, nor honor, nor heroics. In the family, betrayals ultimately lead to divorce, delinquency, despondency, depression, destructive revenge, or even death.

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When done intentionally, the result is usually far more insidious, destructive, and often horrifying. If the ghosts of archetypal betrayal are prolific in your family, community, or organization, look to the top where their spirit may reside. And also look within to see if you are trapped in a culture of intrigue, innuendo, and doubt in which you've become one of the principal or supporting actors.

Have you ever been shunted aside, zeroed out, made meaningless, or marginalized? That's nullification, and it's not pretty. When someone walks out on you, turns their back, or storms out of the room, you are being nullified. How much trust do you have in that person?

Many religious groups use this technique to ostracize those who've broken their rules; Catholics can be excommunicated, Jehovah's Witnesses can be disfellowshipped; other's call it "shunning."

Nullification can happen passively - when you are not responded to in a meeting or your request for assistance falls on deaf ears.

To illustrate the power of nullification, studies have shown that it's more damaging to an infant to neglect them than abusive violence.

Nullification is destructive because it directly thwarts a vital desire in everyone: the need to be needed and the need to make a difference.

AGGRESSION, Threats & Attacks



Aggression is the use of someone's power in a way that seeks to threaten or harm. It represents the extremes of the drive to *Defend* (attack) and the drive to *Acquire* (dominate). The intimidator believes the best defense is a good offense: take the initiative to demonstrate superiority, strength, and power.

For the overt aggressor, it's "either my way or the highway;" and "he who has the gold, rules." They may bellow and bluster. They may vividly demonstrate their power symbolically by sitting higher than others in their office, or telling stories about their

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aggressiveness, or speaking crassly in public, or insisting their answer is the only right one. The outwardly aggressive person believes the best defense is a good offense: take the initiative to demonstrate superiority, strength, and power. It often takes the form of a big ego disguising a very deep sense of insecurity. Trust is destroyed as they always put themselves and their agenda first.

Because outright aggression is pretty obvious, often highly intelligent people quickly learn it's frowned upon. So they develop a trickier game: they become obstructionists by offering resistance that shows up as helplessness, procrastination, upsets, hurt feelings, resentment or inaction even after multiple requests to stop. It's called "passive-aggressive."

The victim of the passive-aggressor may become angry, but because there's no overt attack, they don't fight back. Instead they clam up; shut down; just obey. Commitment and creativity dies; caring and learning halts; despondency and cynicism prevails.

Sometimes the passive-aggressive person has developed such a habitual use of this trick that they are no longer conscious that they do it. For example, the passive-aggressive might be habitually late to anything they don't want to engage in.

Beware of the passive-aggressive - they are usually highly intelligent, often outwardly successful, and very observant of your behavior. They see you as a threat to their position as the best, most powerful, or smartest.

DECEPTION, Corruption, Trickery & Lying



The purpose of deception is to twist the truth. Lies are nearly always the base of deception. It takes a variety of forms from the innocuous to the sinister. Sometimes it's so subtle it's hardly noticeable. Subtle forms of deception create illusions that something is totally true when it's not. Not giving all the information one should have is deception.

Making others believe something with a half-truth is another example. Twisting the truth makes others insecure, uncertain, and unconfident.

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Fraud is another form of deception with the clear intent to swindle someone.

A more insidious version of distortion typically takes the form of gossip, negativity, bad-mouthing, personal attacks, blaming, and forming cliques that twist the truth with the purpose of excluding or discriminating unnecessarily against another. The intention might be more sinister, linked with another form of trust-buster: Assassination – usually character assassination.

While lies are always dishonorable and destructive, in their worst form they can be downright evil, intending to harm, hurt, or damage another person. Lies often place the victim in the unenviable position of having to defend themselves against some allegation that was never true in the first place. The victim then has to go to inordinate lengths to prove that something never happened.

Theft is also an ugly form of corrupt deception resulting in a physical loss of a possession.

MANIPULATION, Maneuvering & Win-Lose



The mind of the manipulator has determined they cannot trust their world to respond in predictable and reasonable ways, so they have to trick their world into responding opportunistically to their advantage, which usually sets up a circular, self-fulfilling prophesy.

Lo-balling one's estimates is a form of manipulation.

The most typical manipulation game is whining or complaining. This method attacks others by focusing attention on how everyone else is wrong, bad, guilty, or incompetent. The whiner is seeking to get their own way by maneuvering others into the "bad guy" role, with themselves as the 'rescuer'. They often get away with it because it is easier to placate them than to confront their dysfunctional games.

Surprises are one of the other ways the manipulator operates. Sometimes the surprise is actually somewhat innocent – they simply have their own self-interest at heart, and don't care an iota about you. In a sense, you didn't exist or weren't important enough to even show up in their mind as something to consider. But the result is

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quite disturbing, creating a “them up – me down” condition of distrust. Our response may be to “get them back” by out-manipulating the manipulator, or perhaps by playing people off against one another, such as using nullification or litigation against them.

At the more sinister level, the manipulator may be actually plotting against you to gain position, authority, or power. Then the manipulator becomes the betrayer.

Regardless of the motive of the manipulator, our egos are designed to protect and defend us against attack, and anything that looks like an incursion on our ability to thrive will be experienced as an attack, prompting a fear response and then either a counter-attack, formation of alliances to defend our position, or a flight from the situation.

PROTECTION, Denial & Withholding



Protection and Deniability (*Defend*) typically comes in two forms: active and passive. Active protectors will often hide behind mountains of legal agreements, non-disclosures, red-tape, and anything that will cover them in the event of a collapse or blame from above. They often have an excuse for everything and a lawyer in the next room.

By being overly protective and by having an infinite repertoire of excuses for their risk-proof behavior, they actually create the very distrust that they attempt to protect themselves from. The legal profession is designed to “protect its clients.” The lower the trust, the greater the thickness of the contracts, riddled with clauses designed to ensure no dishonorable action could produce harm, while the very existence of these clauses actually causes more distrust.

Passive protectors withdraw, flee, hide, or remain silent – making no commitments, avoiding interaction, and taking no risks. Passing the buck is a good way to keep out of the line of fire. Ducking issues is a form of protection. Bureaucrats are professional protectors, deflecting responsibility with obscure rules, convoluted processes, and abstract reasoning.

Other protectors are gate keepers. The secretary that won't let anyone get to the boss is a great example. Unfortunately the boss never gets to see the world of possibilities because he or she is so well protected.

DETRACTION, Negativity & Judgment



Detraction and negativity comes in many forms: the chronic evaluator, the overly judgmental and critical, and the cynical. They are quick to judge something wrong, play holier-than-thou, or subtly find a way to make others look reckless, inexperienced, or unworthy and thus make themselves seem stronger, or make you look reckless, inexperienced, unworthy, or just not part of the club. Critical evaluation is a “one-upsmanship” play that seeks to invalidate another person.

One form of detraction is the put-down. Have you ever accused someone of having “rocks for brains” or a similar put-down? That attack is only intended to demean someone, to make them less than human, making them feel insecure, uncertain, and unconfident.

People have a tendency to weigh negativity far more heavily than praise because it triggers people’s defensive drive, (*Defend*) becoming a corrosive force, eating into the emotional fabric of people who crave to have their drives for collaboration (*Bond*) and learning (*Create*) reinforced. Idea killers will knock the energy out of an organization as it quickly quashes the creativity drive.

Evaluators would rather find fault and deny you rather than join forces to find a better solution. The worst of the evaluators are the cynics who are intensely compelled to say no, and cannot look at the world from a positive point of view. Beware of the cynics – if they are part of your organization they will poison the well of success.

The negligent form of evaluation is the simple act of disrespect by not giving you fairness or consideration or respecting your time and energy. Thus the detractor is so engaged in critical judgment they deprive themselves of engaging your creativity and experiencing your skills. Nor can they tap into your unique talents, insights.²⁷

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(We don't mean to imply that one should never carefully evaluate people nor make judgments. There is a distinct difference between judging people and situations objectively and making it a personality trait.)

Like the smoker who gets a momentary nicotine high, the leader or family member who feasts on a diet of cynicism, and rule by fear may get an emotional power-high, but in the long run, with each passing day, sustainable energy is drained from those around as they wallow in depressive counter-attack, surreptitious spying, covorting, and deceit.

Transaction – Neutral: Neither Trust Nor Distrust



To understand a transaction, think of a toll-booth on the turnpike or bridge or paying the attendant at a parking garage. That's a transaction, pure and simple: an exchange of value -- money for use of their road, bridge, or parking lot. Now, can you remember the name of the tollbooth attendant? Easily forgettable because it was a transactionary experience, one based simply on exchange. There was sufficient trust to do the exchange, but certainly if there were a significant amount of money at stake, you would have wanted the safety and security of a strong relationship based on trust or a good contract. When you buy a house or purchase a car, you do so in a transaction. Often the bank and the seller are not people you know well. But they attempt to protect their loan with a pile of contracts.

This is why we put transactions right on the neutral trust line – neither trust nor distrust. Transactions happen every day: at the grocery store, at the mall, at the gas station. When shopping, we put enough trust in the “brand” or the store's reputation to complete the exchange of goods or services for money, but not enough trust to engage in any form of deeper relationship.

This is the arena where the “deal” takes form. Contracts are the presumed basis for creating the safety and security necessary to transact very large deals. The use of the word transaction is important, because it connotes an action across a boundary.

A large part of our legal profession is based on transactionary trust, and even lower levels of distrust. Just look at the documents

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needed to buy a house today; it's voluminous. Twenty years ago the number of pages needed in a house closing was about one third what we need today, and we still have slimy dealings going on in the housing industry. The size of the closing documents is a reflection of the untrustworthiness of the housing industry.

It's at this level we have placed a "belt" on the Ladder of Trust to indicate that any action below the level of a transaction is off limits: 'below the belt'.

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LADDER OF TRUST—TRUST BUILDERS

People yearn for trust because of their innate drive to *bond*; it's the natural state of human interaction. We were born with trust in our primary care-givers: our parents, and thankfully, this trust was confirmed for most of us by our early experiences. People who had normal childhoods remember the time when the world felt safe. Here are the levels of trust on the Trust Ladder (Figure 8), starting at the bottom, and working upward:



Figure 8: Ladder of Trust

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In this section we'll explore trust, from the minimum positive levels of relationships to the highest order: what might be called *synergistic trust*. Knowing what type of trust is either appropriate in a relationship or desired by someone is essential to your ability to design and discuss how to get there.

Remember, people yearn for trust; it's the natural state of human interaction. We were born into a trusting relationship with our parents. People who had normal childhoods all remember the time when they were young, when the world felt safe, when they were secure in the presence of others.

RELATIONSHIP



The trust journey begins simply with building a relationship with other people by *listening* -- not judgmental listening -- but connected listening that simply validates the other person's point of view. When we listen with compassion, learning, and constructive inquiry, we begin to build trust. People feel like they are receiving *support* because they are heard.

Listening and inquiring with interest and compassion means you start with an open mind (*Create*) and a caring heart (*Bond*) -- no assumptions and no expectations which impair our ability to see things as they really are.

When building a trusting relationship, the minimal boundary conditions must be satisfied – both parties must feel respected, both can be counted on understand the personal interests, needs, and concerns of the other, which gives the assurance that both will be better off from having met. If this does not happen, then the relationship is broken and fallen below the line into the Zone of Distrust.

However, leaders that only engage their teams at this first relationship level, while being appreciated for their compassion, are not going far enough.

When building a trusting relationship the minimal boundary conditions must be satisfied – both parties must honored and respected, you can be counted on understand my personal

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interests, needs, and concerns, which gives the assurance that ultimately I will be better off from having trusted you. If this does not happen, then the relationship is broken and you have fallen below the line into the Zone of Distrust.

GUARDIANSHIP



The next level of trust provides *safety* and *security* (*Defend*) to the other person. A guardianship can be one-way, much like a parent provides to a child, or a mutual guardianship like soldiers on a battlefield. Every employer has a duty and responsibility, both morally and legally, to protect their employees' safety on the job, provide a fair, living wage, pay their unemployment taxes, protect their civil rights, and provide a work environment free of harassment. In return, employees are expected to maintain a guardianship over the work-place by not stealing, reporting hazards, contributing ideas to improve competitive advantage, and ensuring the well-being of their teammates.

Those who don't feel safe in someone's presence will be protective or fearful. As human beings, we aren't wired to trust what we fear. A Guardianship means more than knowing that you won't intentionally hurt me. Safe means we must be emotionally safe and physically safe. But at a deeper and higher level, it's *reliance* -- knowing that:

- you will be there to protect me from harm
- you will be there when I need you
- you won't sacrifice me for your self-interest
- you can be counted on to protect my best interests as well as your own
- you won't be negligent
- we can count on each other to protect each other's safety

At the Guardianship level, the issue of honor and integrity becomes critical to building trust, knowing that I will not just respect you, but more: I will honor your essence and defend you from attack by others, and I can expect the same from you.

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COMPANIONSHIP



Being a companion means trusting enough to work productively in teams – “teamship.” Each individual must feel safe and secure, knowing that breakdowns will not be destructive; thoughts, workspace, and concerns can be shared without fear of retribution, disrespect, or dishonor -- we are symbiotic²⁸

Our group truly acts, thinks, and sees itself as a team. In a companionship or team, we contribute to each other's well-being by keeping our family, community, team or business unit successful, thus preserving my family's future, my neighborhood, my job, my employers business, and my personal integrity.

Confidence stems from placing self interest at least on a par with mutual interest as win-win emerges as essential. Every decision embraces what's in the interests not just of the individual, but in the greater good of the organization, the team, and the future of the business.

At this level the world is seen through a common vision and aligned interests. We expect reciprocity: shared ideas, giving at least as much, if not more, than we expect to take back; everyone begins to give more than they expect in return. Individuals come to the realization, sometimes painfully, that they win or lose together, as a team -- in the same boat, facing the same storm together.

When everyone begins to give more than they expect in return, the symbiosis of an organization is taking its first step to transforming into a synergistic organization.

In the best companies, companionship blends into fellowship and friendship. When you fly Southwest airlines, the sense of fellowship manifests itself in the teamwork, dedication, and sense of humor of the employees. The U.S. Marine Corps has mastered the art of creating fellowship. The most successful churches are dedicated to building a sense of fellowship because of its spiritual connotations.

FELLOWSHIP

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This means much more than “membership” to an organization, company, or club; it's more than a company picnic or sales rally. Fellowship implies a powerful attraction, commitment, and buy-in to the values, hearts, and minds of the other members of the community (common-unity). You might think of fellowship as “belongingship.” It's the group you connect with that feels like your extended home. You feel nurtured, a sense of comradeship – this is my place, my people, my “tribe,” my family away from home where we have a shared dedication to common interests.

Community means “common unity” which means people have high standards, a sense of fair play, a willingness to work and play together and a belief that ethical behavior is prized.

Fellowship creates a brethren bond between people, much like a college sorority or fraternity, or an esprit de corps, such as the U.S. Marines experience. Fellowship is often a spiritual experience that one gains from being a member of a close-knit church or personal growth group.

Because of the weakening bonds of the modern family structure, for many, their workplace becomes a surrogate family, thus the workplace carries with it an additional desire for fellowship. Great leaders capitalize on building companionship and fellowship not just because it produces great results, but because it tends to endure the ups and downs of life -- economic cycles, natural disasters, or personal crises -- like a gyroscope keeps steady when the world rocks around it.

The motto of the Three Musketeers: “One for All, and All for One” would be one description of fellowship.

At the level of fellowship, having a powerful set of common values, a sense of purpose, and a unique frame of reference to view the world generates a dedication and energy that is difficult to defeat.

Friendship



For this level of trust, we use the symbol of the dog. Why? Because the dog is actually a creation of the human being; 10,000 years of selective breeding of what started off originally as a wolf has left us with what we want in humans and can't seem to get. Ask any dog owner, particularly women, what they like in their dog. Typically they will say:

He's always there for me, always happy to see me, loyal, faithful, protective, never carries a grudge or the baggage of unfulfilled expectations, playful, makes me smile.

In other words, the very qualities we wish we experienced in other people! What we are really saying is that dogs are more trusting/trusted than people! (Are we really saying we should be more like dogs?)

The power of friendship lies not just in the bond of familiarity, but in the mutual commitment to each other's well being. For a friend, we are always present and always committed to *their* best interests. When they're in difficulty, we help; when hurting, succor; when in doubt, counsel; when confused, clarity, when self-deceived, honesty.

When we build trust at the friendship level, we embrace all the prior levels of trust, but add some very energizing and vitality-creating forces into the relationship.

First is deep compassion. We are never judgmental nor distant.

Next is protection. When our friend is attacked or harm comes their way, we respond with aid. If they have done something wrong, we stand by them to help them right the wrong. When unfairly accused, we defend them. This is what loyalty is all about.

The dog is the only species on this planet that loves his master more than himself.
-Darwin

Friendship is the only cement that will ever hold the world together
-- Woodrow Wilson

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Friendship often also implies a playfulness that brings out the child within. This playfulness brings us back to our days when we had fewer worries, less concern about achievement or looking good. At this level of trust, we can let our egos melt away and engage at a more soulful level.

In a friendship, trust enables our goals and fears, our deepest yearnings and our personal limits/failures to be put out in the open with no sense of diminishment. We are willing to be open and transparent with no hidden agendas because the trust is firm and strong.

*Friendship is composed
of a single soul
inhabiting two bodies.*

Did you ever wonder why many of us have so few real friends. You've heard the term "fair weather friend" -- a person who is there for you only in good times. But woe the day when you hit a personal crisis -- maybe a divorce, or an illness, or a financial disaster -- the presumed friend is gone with the wind; you had a relationship that you falsely elevated to friendship status.

*He who hath many
friends hath none.
-- Aristotle*

Friendships grow up in organizations alongside trust, but leaders should be watchful that they do not grow into favoritism.

*Trust the man who:
lays down his self-interest for that of another,
tells the truth when it's not to his advantage,
and honors his highest values in times of chaos and strife.*

PARTNERSHIP



A partnership is designed to respect and cherish the differences in thinking and capabilities between two or more people or organizations. It is the combination of *differing* strengths with the *alignment* of common purpose that makes a partnership effective. For example, in business one person does outside sales, another keeps the finances on track, while another runs operations. In a family, the work load of the home is shared fairly by all according to their skills and abilities.

Based on our years of successful alliance formation, we know the level this takes is a step above the rest. Great partnering relationships require a number of things to make them work effectively:

Shared Vision: Trust is built by the power of the commitment to a shared view of the unfolding future. Martin Luther King forged his civil rights alliance with a vision: “I have a dream that my four children will one day live in a nation where they will not be judged by the color of their skin but by the content of their character” – a nation where blacks could trust they would be treated fairly. Great partnerships are always looking one step ahead to find the new opportunity, to design the future, to turn adversity to advantage.

Roy Rogers, commenting on his long marriage to Dale Evans, remarked that a great marriage is not a 50-50 arrangement. Both partners have to give at least 100%. Rogers said both Dale and he were always willing to go beyond: giving 120%.

Strong Trust: No legal agreement can make a partnership or alliance work. It must function because the parties can trust at the highest levels of integrity. Diminish the trust, and the relationship rapidly deteriorates.

Committed Champions: Passionate people who stand for the greater good of the partnering arrangement are essential to hold the vision and the values high above the rattle of daily strife. Absent the person with the honesty and integrity to

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stand for what's right over what's expedient, and the venture will soon shatter.

Shared Values: The winds and tides of change will challenge any partnership. Building relationships on strong values can endure the forces of a fast moving, rapidly changing world. Often this is the critical “anchor to windward” in a stormy sea that keeps our bow headed safely in the right direction.

Investment in the Future: “Pay forward” is our motto for making a commitment to our destiny. Families and businesses that put their money where it will be needed in the long run build a foundation for growth, and demonstrate to their workforce that success the result of investing for tomorrow.

Joint Planning: People support what they help create. This builds trust because those thus engaged are consulted and their ideas are valued, which, in turn builds even stronger commitment to the future.

Shared Resources: Partnerships leverage their capabilities by sharing key assets such as technology, customer base, plant facilities, sales forces, and research, gaining major leverage of precious resources.

Shared Risk and Reward: By sharing risk and reward, the partnership becomes a high-order trust-building vehicle, because people have “skin in the game.” The more everyone shares risks and rewards, the more powerful the level of commitment. This is why employees who have some level of risk in the future of a company and are rewarded for hard or innovative work are the most likely to help propel a company to success.

Aligned Metrics & Rewards: How we measure success is an essential ingredient, because people will aim their actions at what gets measured, and thus rewarded. Misaligned metrics cause dysfunctional actions, poor results, and ultimately distrust.

CREATIONSHIP



For this level of trust we had to create a new word. A “creationship” implies that we can do something extraordinary – we can co-create together. A creationship embraces prior elements of trust-building, and then, secure in the absence of fear, unleashes a connection between the hearts and minds of the co-creators – new ideas generate like spontaneous combustion. Creationships occur when two people’s drives to *Bond* and *Create* form a unified voice, vision, and value structure that lets the go beyond their individual identities – the song of the soul – *synergy*.

For example, if you ever enjoyed the wonderful music of Broadway productions such as *My Fair Lady*, *Camelot*, *Sound of Music*, or *South Pacific*, you have heard and felt the powerful synergy of musical composer teams of Lerner and Loewe or Rogers and Hammerstein. The co-creative force can also be seen in science with the Watson-Krick discoveries of DNA, or in the NASA teams bringing a man to the moon.

Virtually all the great discoveries and innovations in today's world are happening in-between industries and technologies. Take the Genomics Project as an example; it's the confluence between medicine, mathematics, informatics, and computers. Or in an automobile today, 25-40% of its value is now in electronics, (not mechanics), up from just 1% twenty five years ago.

How does one foster creationships? Here are some ways:

Purpose and Destiny: Some of the most co-creative people on the planet have a deep central sense of personal purpose or destiny. This kind of purpose gives meaning and value to whatever we do – there is a reason for *being* and *doing* in our daily lives. Destiny means we aim our purpose higher, to achieve something worthy of our collective effort, something we and our children would be proud of. To accomplish this mission, we must engage others. If you have one or more of these rare people in your organization, nurture them.

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Contribute and Build on Ideas: Encourage everyone to offer at least an idea-a-day. Ideas are the fuel of the innovation engine. When someone offers an idea, reinforce a culture that builds on the idea. If everyone builds on other people's ideas, refraining from being judgmental, joint imagination light-bulbs are turned on like spontaneous combustion. It's not nearly as important who originates an idea as how many people contribute to its evolution into action.

Noble Cause: People are turned-on by dedicating themselves to a cause larger than themselves. It can be as simple as breaking a time record or cutting out waste. Or it can be greater, like finding a cancer cure.

Synchronicity: Coordinated *timing* creates a sense of unity, teamwork, and synergy. This is *synchronistic trust*. You can see synchronistic trust anytime you watch a double play combination in baseball, or a perfect pass in football. When synchronicity occurs, people's energy jumps higher as they sense confidence in themselves and in their team. Synchronistic timing is an enervating flow and inspiring unity.

No Evaluation or Criticism: Negativity, blaming, judgmental critiques, and skepticism all contribute to a culture that discourages a creationship. Studies all over the world show that the most important thing an entrepreneur can do to build a trustworthy innovation engine is to create a culture in the company that encourages innovation day in and day out. Be sure to focus metrics and rewards on collaborative innovation, not just people working independently.

No such thing as Failure, Only Learning: Be careful not to punish what might look like a failed attempt at creative solutions. Be sure to encourage learning from failures. Remember, high performance teams fail more often than low performance teams; the difference is how they learn -- then innovate from what's learned.

Cherish and Synergize Differences: It's been said that we build communities with people who are similar, but learn from people who are different. The collaborative entrepreneur's

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task is to join these two forces together – cherish the differences and build a fellowship that thrives on differences in thinking. Remember, if everyone thinks alike, there is no innovation.

Use Conflict to Advantage: Whenever there's change, conflict is inevitable as systems, strategies, roles, and perspectives shift, even in a trusting environment. Don't shove conflict under the rug, but use it as a learning mechanism. Focus on shifting perspectives; prevent people from becoming entrenched in one point of view.

Laugh! Creationship teams are not all grinding labor; it's having fun with what they do and laughing a lot, spontaneously creating in the moment – that's magical. Research shows that laughter releases endorphins that trigger creativity. Laughter expresses the absence of fear.

Building a creationship can be one of the most rewarding experiences in life. It can happen between two people, or within a family, community, team or even a company.

When people engage in a creationship, they seem to abound with an endless source of regenerative energy. Some people describe this as *entering a fourth dimension* – it's invisible but quite real.

*In everyone's life, at some time,
our inner fire goes out.
It is then burst into flame
by an encounter with another human being.
We should all be thankful for those people
who rekindle the inner spirit.
– Albert Schweitzer*

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Using the Trust Ladder

We've found that one of the most effective uses of the trust ladder is simply to make it visible and accessible so that people can make an honest assessment of where their relationship now exists on the scale (it can exist simultaneously on multiple points on the ladder or tornado because many relationships are multi-dimensional), and where people want it to be.

Later, address what actions must stop, and which actions need to prevail to meet the goal.

Groups (families, couples, teams, alliances, task forces, departments, supply chains, and top executive committees) need to identify what types of behavior are prevalent in their experience, specifically what actions are either "above or below the belt line." The discussion often reveals people inadvertently trapping each other in the nether regions of distrust, with no means of escape.

It's often been disheartening to learn how many groups report that the preponderance of business is stuck in the levels of distrust. In fact, this has been the norm for so long that it's considered acceptable behavior and has become an acceptable art-form in the business world -- symbols of modern era capitalism.

Avoid being Sucked into the Tornado's Downward Spiral

When even one person engages in the first level of distrust, it is tempting to respond "tit-for-tat," or worse, going one level deeper. This, of course, can trigger a never-ending downward spiral of deepening distrust. This must be avoided at all costs.

By opening a discussion of how one distrustful act triggers another, we can then address what must change to head in the right direction. Those who courageously resist tit-for-tat and make the commitment to engage in higher level discourse will unearth disarmingly productive discussions. But such action is not easy - we are so programmed to retaliate, not reinvent.

Being a leader means you must play a pro-active role in reframing engagements, and ferret out those interactions, including their own, that reinforce distrust. Shifting out of the

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distrust mode for deeply distressed organizations is by no means an easy task; it's like trying to cure advanced cancer, because distrust has become deeply embedded in the organization's culture. But all is not bleak. The human spirit yearns for a better way, optimism can reign over cynicism, trust can be rebuilt -- provided leadership is truly committed.

Honor Codes & Operating Principles

Our advice to those who want to move up the Ladder of Trust is quite specific:

First, start every interaction assuming that the other parties have all four drives intact as the ultimate motivators of their psyche -- motivated by opportunities to not only *acquire* more resources and *defend* themselves, but also by opportunities to be *creative*, and to develop *bonds* of trust with others.

Many organizations have created "Values Statements." While there is nothing wrong with value statements, the values often are weighty and abstracted from everyday life. That's why we suggest the second step:

Second, create a set of Operating Principles based on our Four-Drive Honor Code. (see Figure 9) Ask people/teams to create day-to-day Operating Principles (typically 1 page or less, see following example Figure 10) that will govern their interactions.

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Framework of a Four Drive Honor Code

In honor of another's drive to ***Acquire***:

- Enhance People's Capacity to Acquire necessary Resources to Succeed.
- Give People the Autonomy and Authority to Solve Problems
- Reward People for their Contribution and Commitment to Overall Goals

In honor of another's drive to ***Bond***:

- Keep Promises and Commitments,
- Seek Fair exchanges rather than cheating.
- Don't forsake the "Greater Good" in favor of one's "Self-Interest"

In honor of another's drive to ***Create***:

- Tell truths rather than falsehoods
- Share Useful Information and insights rather than withholding it.
- Respect Other's Beliefs, even in disagreement, rather than ridiculing them.
- Honor Diversity of Opinions and Points of View that stimulate new ideas

In honor of another's drive to ***Defend***:

- Help Protect Others, their loved ones and their property.
- Detect and Punish cheaters.
- Insist on a Reasonable Level of Safety and Security

Figure 9: Four Drive Honor Code

Operating Principles of Cooperation -- Condominium

As a Member of our Community, I hereby pledge to:

- 1. Build a Spirit of Cooperation among our Community**
 - Work for the Greater Good: “All for One, One for All”
 - From Chaos Seek Unity, From Discord Find Harmony
 - Tolerate No Divisiveness, No Polarization, No Back-Biting
- 2. Engage & Embrace all Members with Respect**
 - Respect Everyone’s Need for Solitude, Peace, and Tranquility
 - Respect and Listen to those with a Different View
 - Seek Always to Bring Out the Best in Others
- 3. Build Relationships based on Trust, Integrity, & Ethics**
 - Speak only the Truth, Otherwise be Silent
 - Give People the Benefit of the Doubt
 - When wrong, Acknowledge, Apologize, then take Corrective Action
- 4. Speak Only the Language of Cooperation:**
 - Seek Solutions, Not Blame
 - Neither Speak nor Spread any Gossip
 - Forgive those who Apologize for their Transgressions
- 5. Disagree without being Disagreeable**
 - Be Critical without Criticizing
 - Never Threaten, Attack Issues but not People
 - Do whatever Can Be Done, and Gracefully Accept what Can’t
- 6. Try to Bring a Spirit of Joy to All**
 - Dwell Not in Negativity
 - Complain Not about Petty Things
 - Receive Everyone with a Cheerful Face and Open Arms
- 7. Keep a Positive and Caring Attitude**
 - Listen with Empathy and Compassion
 - Hold our Responsibilities as Dearly as our Rights
 - Respect the Minority’s Needs, even though the Majority Rule
- 8. Live by the Spirit, not just the Letter, of the By-Laws**
 - Live with the Intention of Peace & Harmony

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Just the very act of creating Operating Principles is a very energizing, unifying, and aligning process.

By addressing all four drives, people's needs have a high likelihood of being fully met. This is amazingly simple -- but it works. Operating Principles become a guide for new people who enter the group to abide by because it aligns their energies.

By sticking closely to these operating principles, the group will move up the ladder of trust, releasing energy for collaboration, high performance, and creative thinking that's off the chart.

Nonetheless, all should be alert to identifying distrustful behavior, calling it out, making it unquestionably clear what won't be tolerated.

Taken together, these are the acts that will build a strong structure of trust.

We are confident that the *Bond* and *Create* forces are, at worst, just dormant in our culture's collective psyche, and at best ready to blossom from the bud.

Trust is a Choice

How much trust exists between people is a choice everyone makes. The problem is that most people make the choice reactively or unconsciously without discussion or interactive design. This is a large mistake that has kept relationships - both personal, organizationally, and even internationally - stuck the mediocrity of mistrust.

The level of trust that exists in any relationship should be a *mutual choice*. Rather it's most powerful when it's the result of choice of how you want the world to work. For example: suppose you've had a situation where a business associate or friend just betrayed you.

You might be thinking: "I didn't *choose* to be stabbed in the back by what I thought was an honest man." True enough, to an extent. But that person did make the choice to betray you either:

- *Intentionally* or *Maliciously* -- it was done after some deliberation or desire to hurt or harm you, or

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- *Unconsciously or Negligently* -- their mind made a choice to repress any thinking about their motives for action or its consequences, or
- *Reactively* -- triggered and driven by emotions, not rational thought

Also consider: perhaps you set up conditions that drove their choice, or made it easier, or because they felt there would be no dire consequences for the betrayal. Neither person discussed the rules of engagement for trust or the consequences for violation.

The art of building trust should not be something that “just happens” reactively, thoughtlessly, or invisibly.

Be proactive: discuss, design, and destine the relationship to its highest possible level.

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CHAPTER FOUR: TRUST DEFINES YOUR IDENTITY

In the opening passages of this volume, we cited Heraclitus, the ancient Greek philosopher who said:

“Character becomes Destiny”

This is a deeply profound thought, because in one’s passage through life, we are faced with thousands of decisions, large and small, each of which serve as cross-roads in our destiny.

Cross-Roads of Destiny

Those who have poor character continually make bad choices when they reach these cross-roads. The poor choices may include a wide variety of things, starting early in life:

- who we associate with,
 - how we treat others,
 - where we spend our time
 - what we decide to learn
 - the future we seek
 - the choice of friends and partners
 - the commitments we make
 - how we honor others
 - the way we respond to pressure and stress
 - choices to believe in one thing or another
 - where to live
 - use of drugs or alcohol
 - what employment to seek
 - the choice to go on to college,
and what college and what courses
 - should I join the military or public service
-the list is endless.

How we answer each of the choices in life, it might be argued, depends upon three key forces: 1) who *influences* us, 2) our *belief systems*, and 3) the *values* we hold dear. And that is the crux of the issue of character; for the person with character is consciously aware of these three forces and makes decisions about his or her life with the best inputs from these three forces.

THE ROAD LESS TRAVELED

Two roads diverged in a yellow wood,
And sorry I could not travel both
And being one traveler, long I stood
And looked down one as far as I could
To where it bent in the undergrowth;

Then took the other, as just as fair
And having perhaps the better claim,
Because it was grassy and wanted wear;
Though as for those passing there
Had worn them really about the same,

Oh, I kept the first for another day!
Yet knowing how way leads on to way,
I doubted if I should ever come back.

How the woods are lovely, dark, and deep.
But I have promises to keep,
And miles to go before I sleep.

I shall be telling this with a sigh
Somewhere ages and ages hence:
Two roads diverged in a wood, and I --
I took the one less traveled by,
And that has made all the difference.

-Robert Frost

(Author's note: I have inserted a stanza from Robert Frost's Poem "Stopping by the Woods on a Snowy Evening" into this poem because it helps illustrate my point in this chapter.)

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If you look at anyone whose life has been a failure, the decision points about their lives were multitudinous; many times they could have made critical turns that could have avoided having their pathway of life run headlong into a ditch.

*Character is the Inner Foundational Alignment
that displays your trustworthiness to the outer world.*

It is in this way that trust is not just a quality of your life:

“Trust becomes Identity”

People truly know you when they can trust you. If those around you can't trust you, they don't know you well enough to put their faith, love, caring, or material assets in your trust. You are a mystery, and not a good one.

To be trusted by others, you must first be able to trust yourself. If you cannot trust yourself, you cannot really trust anyone else, and no one can trust you.

In Search of Integrity

To trust one's self does not happen with the wave of a magic wand. It happens by taking a journey that creates two key alignments that produce “Integrity”:

- *Aligning Conscience & Ego*

By listening to the soft voice of the conscience we learn our highest and best destiny.

The Conscience -Ego Alignment is directly related to the alignment of our Four Drives.

The Ego Drives (Acquire and Defend) must tune into the Conscience Drives (Bond and Create) to form one aligned set of driving energies (synergy) that work in unison -- they are “integrated.”

This is half of the journey.

- *Aligning Inner & Outer Self*

A trusted person has high “Integrity”

This means not only is their inner alignment of the Conscience & Ego drives, but there is outer alignment with the outside world where there is no need to project an “image;” all that’s needed is what’s real, true, and honest, what people often blithely call “authentic.”

When you finish the “inner integrity,” the outside world can count on you – you are “accountable;” you take responsibility for your life, your decisions, and for your actions that impact others. You don’t waste time blaming others. This is the other half of the journey.

Integrity is Inner Alignment

The first part of integrity is to assess all the elements of how you describe yourself to the outside world, then *discount all of them*.

This doesn’t mean fully reject or deny the outer world, but don’t put too much credence in it. The outer world, namely other people, puts stock in symbols and images of success, but these are mere illusions. People will believe what they see, just ask any magician. It is just as wrong to create a false image, as it is to create an image that is unfathomable or inscrutable.²⁹

Identity & Experience

Answering the question: WHO AM I? is one of the core-questions of one’s very existence because one’s identity has massive impacts on one’s fate. This question is central to the formation of your identity, your level of integrity, and your perception of self-worth in your world.

If you ask one hundred people the question “Who Are You?” the chances are that well over ninety percent will answer the question very superficially, based on their *outer* view of the world.

Here are some examples of how most people would answer (or evade the answer) to the core question: WHO AM I?

- Experience – 40 years doing....
- History – come from a family that

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- Financial Success – made a lot of money
- Affiliation – member of
- Highlight Event – the only one who....
- Education – graduated with honors from
- Military – served 20 years in
- Neighborhood – from Shaker Heights....
- Profession – doctor, lawyer, hairdresser....
- Survival – cancer survivor of 5 years....
- Age – 72 years old and retired....
- Role/ Profession – mother, doctor, plumber....
- Status – own \$ million home in....
- Sex – male, female, hetero/homo....
- Physical – weightlifter, sexy....
- Sensitivity – tough, gentle....
- Interests – car collector, skier....
- Marital Status – married, single, divorced....
- Nationality or Ethnicity – African-American...
- Employment – employed, between jobs...
- Financial condition – rich, poor, middle class...
- Pride – inducted into the Hall of Fame....
- Goals – will own two houses and boat.....
- Social Status – leader of my team....
- Illusion – successfully accomplished
- Victimization – I was raped when I was
- Struggle – I've never been able to...etc, etc...
- Religion – I'm an Evangelical Christian

Think about all these answers for a moment. What are these people saying? What's their objective?

First, they are creating an image of themselves they want the outside world to associate with them.

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Second, they are totally avoiding what is their *inner core*. What's notable about these common responses is they have nothing to do at all with the most important trait of personal identity – Your CHARACTER; Your Personal INTEGRITY; Your VISION and VALUES; or Your DESTINY.

From the superficial illusion, in not one case do we get any sense that we could trust this person, because we only know what's on the surface, which is what they wanted us to know.

Most of these superficial answers come from the one's Ego, which needs to impress and protect. Not a single answer came from the Soul. (BTW, I don't think the Ego is bad or demonic).

The biggest problem with the “outer” approach to identity is:

Your Experience Becomes Your Identity

When Inner Identity becomes dependent upon Outer Experience, one can never separate what's happening in their daily life with who they believe they actually are. You become a victim or hero based on the experience of your life:

- When you have happy or positive experiences, you are happy and positive. Thus, if your experience is happy or positive, it is reflected in their attitude (which is okay if everything is going well).
- But the consequences are severe should you experience a "bad" day, which results in a "bad" attitude, which in turn creates more bad experiences, and ultimately a depressed or morose or angry identity. When your experiences take a turn for the worse, your identity is now about being a failure, and naturally you become depressed. (Perhaps this contributes to why twenty percent of our population in America suffers from some form of clinical depression).

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If

*If you can keep your head when all about you
Are losing theirs and blaming it on you,
If you can trust yourself when all men doubt you,
But make allowance for their doubting too;
If you can wait and not be tired by waiting,
Or be lied about, don't deal in lies,
Or being hated don't give way to hating,
And yet don't look too good, nor talk too wise:*

*If you can dream -- and not make dreams your master;
If you can think -- and not make thoughts your aim,
If you can meet with Triumph and Disaster
And treat those two impostors just the same;
If you can bear to hear the truth you've spoken
Twisted by knaves to make a trap for fools,
Or watch the things you gave your life to, broken,
And stoop and build them up with worn-out tools:*

...

*Yours is the Earth and everything that's in it,
And -- what's more -- you'll be a Man (Woman),
my son (daughter)!*

Excerpted from the Poem "If" by Rudyard Kipling

Character-Based Identity

A person who bases their identity on the *Inner Alignment* of their Four Drives (which starts with the alignment of the Ego to support the Soul's destiny and purpose) thus becomes far more resilient to the twists and turns of their experience/fate.

They do not attach an adverse experience to their identity. This detachment enables them to bounce back, not weighed down by historic baggage of past experience. Every day is a new day filled with possibility and interesting challenges.

Sadness, depression, and glumness are just fleeting emotions that have nothing to sustain them. This is not a knee-jerk Pollyanna style "oh everything is beautiful" approach to the world, but a deep, *inner knowing* of why and how the world works.³⁰

The real potential here is not just to bounce, but to use the adversity experience as propulsion to a higher level. In other words, let the adversity become a transformational experience -- to be born again at a higher level.

How do people who've had this kind of transformational experience view the world?

This person of wisdom, who has "integrated" their inner dynamics - the good and the bad, the light and the dark, the strong and the weak, the enlightened and the realistic - is the one who can truly be trusted.

They answer the question, "WHO AM I?" very soulfully. They define themselves from a place in their souls where character has defined, developed, and refined their identity. Typically these people will be disarmingly humble (soulful) in answering the question with answers along these lines:

- Vision - the possibility that....
- Values - the most important values are....
- Destiny - God put me on this earth to....
- Purpose - devotion to this noble cause....

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- Commitment – dedication to solving....
- Learning – from my failures I now see....
- Quest – seeking the understanding of....
- Giving – serving those who....
- Impact – making a difference....
- Integrity – dedication to walking the talk....
- Conscience – it’s the right thing to.....
- Relationships – aim to be the best friend....

These people’s character is sourced not from their ego, but from their soul. They define success much like what the great sports coach John Wooden advocated:

“Success is peace of mind which is a direct result of self-satisfaction in knowing you did your best to become the best that you are capable of becoming.”

It is in this shift from ego and self-interest to soul and embracing the greater good, that character is formed.

Thus the formation of character involves an “identity shift,” without which a human being is merely a pawn in the hands of a crafty leader or a potentially omnipotent culture.

Integrity is Liberating

Creating trust is not easy because it often means forsaking the expediency of perhaps lying a little here, cheating a bit there, deceiving by creating an illusion or implication, or avoiding the truth to hide under the disguise of silence.

However, the consequences of twisting the truth, failing to keep one’s word, or pushing the blame onto others will be, in the long run, devastating, no matter what the short term advantage.

Trust and Integrity are the threads of the complex relational fabric. Integrity is more than just being honest or trustworthy. Integrity means being true to oneself, true to one’s deepest values, true to one’s word, to one’s

Of all the difference between man and lower animals, the moral sense of conscience is by far the most important.

- Charles Darwin

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conscience, dedicated to telling the truth.

The benefits of integrity are ultimately both a liberating freedom and a divine blessing.

Integrity marvelously liberates us to live our relationships forward into the future, enabling us to experience the present moment cleanly and without fear that our past will undermine us, corrode our vision, and erode our energy.

The lack of integrity inevitably forces one to look back over one's shoulder, haunted by a past filled with historic baggage which will harbor tomorrow's illness, or threaten to destroy one's false illusions that were invented to disguise the sordid realities of a disingenuous life. For those who live with integrity and honorable purpose, their word is their bond, thus engendering loyalty and respect in those who engage with them.

Integrity becomes a divine gift by enabling us to touch the deepest yearnings of others around us, thus creating a new set of possibilities filled with hope and inspiration.

Integrity is thus expansive, allowing us to become more than ourselves, to create with others, to empower others.

If your integrity – your ability think the right thoughts, and then convert that thinking into daily action – is intact, then you can trust yourself to act in the best interests of both yourself and those around you. People can then count on you: “You are accountable”

“Accountability is the external manifestation of internal Integrity”

Integrity as such defines who you are as a person, your vision, your values, your aspirations, your longings, your courage, and your commitments: the song that sings in your soul that sculpts the key decisions will lead you to your destiny's dream.

Trust and integrity enhance creativity, build teamwork, avoid fruitless ego-battles and useless blaming, reduce unnecessary transactional costs (such as memos to protect oneself, lengthy legal documents, and fruitless negotiations), and make any relationship (personal or business) more fun, thereby building human energy. My colleague, Gerry Dehkes, is clear about the impact of integrity:

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Integrity includes setting expectations and consistently meeting them. Doing both is important.

Making sure that your counterparts will know (and be able to trust) that you will act in a certain way in a given situation.

Then meet or beat that expectation consistently.

This extends beyond the individual to the rest of the people in the alliance partners organizations.

*Or better, in an old Minnesota expression:
'Under-Promise. Over-Deliver.'*

View problems or barriers, especially early on, as opportunities to show your trustworthiness, meeting the expectations you've set with your partners. These have strong impact beyond the decision of the moment. They engender trust that later on you will indeed act that way, thus inviting reciprocal actions.

Integrity resides in the ability to constitute yourself as your word.

As such it is a home, an anchor, a self-generated and continuing commitment to honor your word -- despite contrary thoughts and feelings if need be.

It is a consistency of being, speaking and acting that shapes who you are -- to yourself and to others."

-Anonymous

Trust and Ethics

The journey into the inner dimensions of identity, while inspiring, is also challenging. One's experience and outmoded beliefs have been molded over our lifetime. We are creatures of habits, many of which are not terribly beneficial. Old thoughts and beliefs can be like junk food – momentarily satisfying, but ultimately devastating. Realigning what culture and habits have formed can be frustrating, time consuming, and even painful.

Realignment can also cause difficulties with those who are our closest friends. Defining those who can be in our inner circle by a tight, exclusive definition of the inner journey to integrity leaves us with a wrenching dilemma: "What do we do with the vast majority of people on the 'bell curve' between integrity and evil? Do we exclude them from our realm of relationships? Of course not.

The role of ethics is to set standards that enable the majority of people to function in an environment that balances the individual's needs with the greater good of everyone else. However, in the final analysis, ethics serves only as second-rate glue creating a standard binding together those who have not done the inner work to build true integrity. If all had integrity, ethics would not be needed.

Ethical standards³¹ are essential to the proper functioning of all societies institutions. Most people will be willingly to abide by a strong standard of ethics that bind them to behaviors that enable a reasonable level of trust. However, the untrustworthy person will always find a way around ethics, contracts, and any form of binding agreement.

The biggest problem with ethics is the misconception that good ethics will cure the problems of distrust. Ethics actually creates a dilemma for building trust.

*While the lack of ethics will definitely destroy trust,
the presence of ethics may only bring trust to a neutral point.*

Good ethics implies "I won't do something wrong;" it takes the fear out of the picture. But ethics doesn't mean "I'll be effective," nor "use sound judgment," nor "be collaborative," nor

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“compassionate,” nor “spontaneous,” nor “willing to bend as circumstances change.”

We all know ethical people who are ornery, dispassionate, inconsiderate, self-righteous, or uncooperative; thus while theoretically “trustworthy,” they are not able to generate a trusting relationship in real life. Trust embraces far more than ethics.

Real trust comes from people who are willing to be highly cooperative and compassionate as well as ethical. In addition, we trust people who also have good character, good competence, and good collaboration. When we see great trust, we see people who know that their self-interest must always be put into a bigger picture: what’s in the mutual interest of the relationship itself.

Recently I was asked to help rebuild a relationship between two business partners where the trust had broken down. The older of the two partners said it so well:

“For me at this stage of my life, I find it very difficult to separate friendship from business.

The qualities of a great friend are quite similar to those of a great partner. Frankly, I don’t know where the dividing line is any more.

The qualities of trust, integrity, mutuality, loyalty, and commitment to a larger mission are inherent in both a friendship and business partnership.

As we embark on the threshold of a noble destiny together, I want these qualities to be present between us. In fact, this is more than a “want,” it is an “essential ingredient.”

CHAPTER FIVE: PRINCIPLES OF TRUST

WHY TRUST IS COMPLEX TO DEFINE



Virtually every definition I've seen for trust is grossly inadequate. Some people define trust as a sense of well-being, others as safety, others as reciprocity, and some define it as predictability.

Because the brain engages in a multi-dimensional assessment of conditions *and* engages in a two step process to determine whether to trust or not trust, simplistic definitions of trust are actually half-truths at best.

It's better if we understand trust almost as a "checklist" of factors/assessments that the brain makes to determine first, whether one can trust, and second, to what degree.

To start, it's important to understand there are two main circuits in the brain:

- the "fast" circuit does a rapid *pattern recognition* and *predicted outcomes* test to determine if it is okay to proceed (this takes only a few seconds at most) , and then.....
- the "slow" circuit in the brain does *logical, rational assessments* (if the "fast" circuit says it's okay or not sure, then a slower, more analytic assessment takes place to verify the fast test).

Brain's Fast Circuit Test

Let's look first at the brain's "Fast Circuit," which does a *pattern recognition* test on the circumstances at hand, and makes a *prediction about the outcomes* from engagement with this person. For this

1. Safety & Security: Will I be safe and secure in this person's presence? How risky is this person/situation? (drive to *Defend* is tested)
2. Transparency & Openness: Are there any hidden agendas, deceptions, manipulations intended to damage me? (drives to *Bond, Create & Defend* are tested) Is everything I perceive the bona-fide reality?

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3. Truthfulness: Is what I am hearing the full truth, a half-truth, or a lie? (drives to *Acquire, Create, & Defend* are tested)
4. Fairness: Am I going to get my "fair share?" Am I receiving "favorable treatment?" or am I "going to get 'gypped'?" (drives to *Acquire & Bond* are tested)

At this point, the brain has compared its *perceptions* with the *patterns of past experience* and made a quick determination as to basic options: whether one should *proceed*; be *afraid*; *skeptical*; be *cynical*; be *aggressive*; or *escape*. All this may happen as rapidly as only 1/4 second per step, totaling as fast as only one second for some people.

The "fast" circuit test acts like an "on-off" switch: either "yes" I trust or "no" I don't trust or "not sure" test more.

The brain is designed to make this test quickly as a survival mechanism to thwart danger. But because this test happens so quickly, it is prone to perceptual error. Initial perceptions can be wrong or distorted by one's emotional state. This first test is basically "self-centered." One could refer to this type of trust as "reactive trust." Thus the next stage of testing is in order, which we can refer to as "wise trust."

The next stage is done by conscious choice. If this test is omitted, the accuracy of the trust test is severely jeopardized.

Brain's Slow Circuit Test

When the "slow" circuit of the brain's prefrontal region is called up, it commences doing a rational, logical assessment of the circumstances to test the validity of the "fast" circuit's assessment. Then another four-step process commences, which can take minutes, hours, or even days, depending upon the person and complexity/ambiguity of the circumstances.

5. Respect: Does the other person truly respect me. Do they have any compassion or empathy for my circumstances/situation? Is this respect and empathy

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real or contrived? (drives to *Acquire & Bond* are tested)

6. Honorable Purpose: Is the situation we are engaged in have, at its core, a meaningful and honorable purpose, or is this a "shady or corrupt" deal? (drives to *Acquire, Bond, & Create* are tested as the human "conscience" does its analysis). Is there an alignment of purpose and shared vision of the future?
7. Accountability & Integrity: Does the person with whom I am dealing have a strong inner sense of integrity; and will they stand accountable for what they say? (all four drives are tested on this one -- a person with "integrity" has "integrated" the drives to *Acquire, Bond, Create, & Defend*)
8. Ethics & Excellence of Standards: Will this person do what's "right?" Is this person or venture a "class act?" By engaging with this person or venture, will I/we produce outstanding results? Be successful? Be mediocre? Or fail? (*all four drives* are tested) Do they have a strong work ethic that will stand the stress test?

Trust Principles are Holistic

Obviously these eight steps must be a *holistic* process -- each of the factors must come up positive to create the highest levels of trust. If only a few of the positive factors prevail (and the fear factors are absent), trust will only be partially achieved - the

Trust Definition

Trust is the sense of well-being in a relationship expressed (and enhanced) by the consistent presence of *fairness, reciprocity, respect, truthfulness, empathy, personal integrity, honor, commitment, ethics, loyalty, security, and openness*.

Trust is diminished (or destroyed) by the presence of "fear factors" such as *suspicion, detraction, protection, manipulation, deception, or aggression*.

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middle levels on the Ladder of Trust. As with all principles, these are to be taken as a complete set, not cherry-picked to suit.

Why? Because the brain is designed as a pattern recognition computer, it looks for predictability and consistency. If you use all the principles as a whole, others will see you as a coherent person with integrity. It's just like if you go to an Italian restaurant and order your favorite meal from the menu. If the chef left out just one of the ingredients – not enough basil, for example – you would sense immediately that something was missing, out of balance, not up to par. Or if you went to a piano concert and were familiar with the music, you would quickly recognize if one of the piano keys was out of tune, even if all others were perfect.

CLASSICAL TRUST –“FARTHEST” PRINCIPLES

Operating Principles of Great Leaders

During my career building strategic alliances around the world in a wide variety of industries, one of the most important joint trust-building exercises the potential alliance partners would do was to jointly develop a set of ‘operating principles.’ The operating principles were intended to serve as honorable rules of engagement for their interaction.

In the analysis of their actions, there was a clear pattern of thinking shared by virtually all the leaders. This pattern could be thought of an inner set of “guiding principles” – the essence of their belief system about how to inspire and treat others.

Historic Perspective

Going back more than two thousand years, a tried-and-true approach to building trust was first developed in the third and fourth centuries, B.C. by the Greeks. They were quite perceptive on what built and sustained trust, as well as what destroyed it. The Greeks designed a culture that reinforced behavior that proved extremely effective in producing the highest forms of human behavior and innovation that had been known to man at that time. That's why these principles are referred to as “Classic Principles” which harness and align the driving energies of the human spirit. At the most fundamental level, the *Classical Principles* aim at the

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original ancient Greek objectives of *building character* and *creating positive, sustainable relationships*.

Today, the *Classical Trust Principles* still remain embedded in many military organizations; their presence has a lot to do with the fact that the U.S. military is one of the most trusted institutions in the U.S. government (see Marine Corps Values, Figure 16, at the end of this chapter), rating more than four times higher than Congress. The Boy Scouts also practice the Classical Principles and these principles are being reinstated in *Fairness in all your dealings to be sure that everyone gets a fair shake*. *Successful leaders are perceived as being even handed, good listeners, and balanced in their approach*.

Fragment: some public schools by organizations like Character Counts.

The Classical Principles enable a leader to begin climbing the Trust Ladder by establishing a basis of safety and cooperation.

The framework for the Classic Principles is epitomized with the acronym “FARTHEST:”

Fairness & Reciprocity for the Good of All

Accountability (external)& Integrity (internal)

Respect, Empathy, & Honor of All

Truthfulness, Candor & Honesty

Honorable Purpose & Aligned Commitment

Ethics & Excellence of Standards

Security (social & economic) & Safety (physical)

Transparency & Openness

Together these form a *covenant* of trust.

(The order we present them here reflects the acronym “FARTHEST” which is not intended to imply that the principles

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should be used in a sequential order – they must be as an integrated whole – no cherry-picking!)

Here are some leadership practices you can use for building trust in your organization that yields enormous rewards for all stakeholders. These most aptly embrace the multi-dimensional richness of TRUST³². Bear in mind that these principles are ‘holistic’ in that they should be used in concert with each; used singly they may prove ineffective or counter-productive:

Principle #1: Fairness & Reciprocity

Trustworthy leaders are fair, impartial, and ensure everyone gets compassionate justice. They are good listeners. They ensure people are rewarded for their hard work. They focus on balancing the self interest of everyone with the greater good of all.

High trust companies place a strong emphasis on playing fair. At Nucor Steel, Employee Relations Principles emphasize fair treatment:



Figure 11 Balancing Self Interest & Greater Good

1. Management is obligated to manage Nucor in such a way that employees will have the opportunity to earn according to their productivity.
2. Employees should feel confident that if they do their jobs properly, they will have a job tomorrow.
3. Employees have the right to be treated fairly and must believe that they will be.
4. Employees must have an avenue of appeal when they believe they are being treated unfairly.

Ken Iverson, Chairman of Nucor Steel states,

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“Workers know if they have a suggestion, their idea won't get buried in bureaucracy. When a complaint does come up, Nucor has a straightforward way of handling it: Nucor allows any employee to ask for a review of the complaint if he or she feels the supervisor has not provided a fair hearing. The employee can move the appeal quickly to the general manager and then to the corporate office for consideration.³³

Lou Gerstner, in commenting on his transformation of IBM in the 1990s, stated that the powerful culture, sense of community, values of fair play and hard work, and ethical standards of IBM were the foundation which kept the company from shattering when it's business strategies needed a massive shift. Gerstner stated he had one major advantage: the pre-existing culture held several major strengths he could build upon based on IBM's founder dating back into the 1920's:

“The defining ethos of Thomas Watson, Sr. was everywhere. He left his imprint on every aspect of IBM. It became part of the company's DNA. His personal philosophies and values – hard work, decent working conditions, fairness, honesty, ethical behavior, respect, impeccable customer service, jobs for life – defined the IBM culture. A sense of integrity, of responsibility, flows through the veins of IBM in a way I've never seen in any other company. IBM people are committed – committed to their company, and committed to what their company does.

“All leaders face the inevitable challenge to maintain an environment of fairness and principled judgment.³⁴

Darwin recognized conscience as the single most distinguishing factor separating humans from the rest of the animal kingdom, and the most important force that propelled the human species to evolve more rapidly than any other. Highly effective organizations, such as the U.S. Marine Corps, recognize conscience as the inner voice that gives courage the moral strength to do what is right regardless of the conduct of others.

“Fairness” is probably the first quality displayed by our conscience as our mind weighs our own self-interest (drive:

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Acquire + drive: Defend) with the interests of others (*drive: Bond*). The brains of all normal people (representing 95% of the population) are hard-wired to think this way. Certainly we have all been outraged when we experience something that just wasn't fair. When we see such injustice we scream "foul," or "that's just unfair!" We all want a "level playing field" or a "square deal."

We trust people who we can count on to balance self interest with the mutual interests, looking out after our interests as well as their own,

There is a price attached to fairness. When we make decisions that embody a personal sacrifice of our self-interest in favor of the greater good, we also establish an expectation the sacrifice will be worth the effort. We expect reciprocity – our magnanimity will be returned *quid pro quo* – measure for measure. This is frequently referred to as win-win arrangement. All normal humans are both capable and desirous of addressing both the 'self-oriented' and the 'other-oriented' aspects of conflicted issues simultaneously, given the capacity of the brain which has evolved to search out win-win solutions to these conflicts.

Bottom Line: Always treat everyone fairly and justly to be perceived as trustworthy.

Principle #2: Accountability & Integrity

Accountability means you take responsibility for your actions, never engaging in blame, deceit, or manipulation. When you make a mistake, admit it and move on.

This is where the adage: "Actions speak louder than words!" came to be. Trust those people who take actions committed to trustworthy results. While the action *may not always produce* the intended result, you can determine what is in the heart and soul of an individual by the actions they consistently take and the commitments they predictably make. Words can be hollow or even deceptive, whereas actions can be verified and measured.

Accountability is the external manifestation of internal Integrity. Accountability and Integrity represent the flip side of each other. Integrity is what's happening with one's *Internal*

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Alignments; accountability is the *External Manifestation of Integrity*. Leaders without integrity are quickly dismissed as hypocrites.

What does it mean to be accountable? People typically respond with comments like these:

- Responsibility for getting results
- Meeting Expectations and Going Beyond
- Where the “buck stops”
- Ability to be counted on in tough times
- Keeping Your word
- Never blaming someone else
- Stepping up when no one else does
- Assisting others when they encounter difficulty

These address the many elements of Accountability. It’s an issue that makes or breaks a person, because of its deep connectivity with results, for a person who gets no results is ultimately judged impotent; no matter the inspired loftiness of mighty words, nor the beauty of moral intent, nor the love and appreciation others.

“Integrity is an important factor in the performance of top-level executives and middle-level managers” and “at the heart of integrity is being consistent, honest, moral and trustworthy....A leader’s character shapes the culture of his or her organization and also public opinion about an organization.”³⁵

Trust only works when it is reciprocal. In order to be trusted, we must extend trust to others In his article *Creating a High Trust Organization*, John Mackey, CEO of Whole Foods says

“I know that in virtually everything that I say and do, our team members are always studying me, trying to determine whether they can trust me and the mission of the company. I’m always on stage. So walking the talk is very important...High trust organizations and hypocritical leadership are mutually exclusive.”³⁶

“Many leaders make the mistake of believing that the key to increasing organizational trust is to somehow get the

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work force to trust the leadership more. While this is obviously very important, it is equally important that the leadership trust the workforce.”³⁷

Lou Gertner, the turnaround CEO at IBM observed:

“Top-rung executives have to ensure that the organization they lead are committed to a strict code of conduct. This is not merely good corporate hygiene. It requires management discipline and putting in place checks and balances to ensure compliance.... I believe the vast majority of our business leaders are good, hard-working people who live up to the standards of integrity that we expect of all those whom we entrust with power and authority.”³⁸

“ No one should be entrusted to lead any business or institution unless he or she has impeccable personal integrity.”³⁹

Much of what a leader does requires the ability to influence, often without (or with limited) authority. To influence without authority, one must be *valued* and *trusted* – trust enables influence.

In their book, *Bridges of Trust: Making Accountability Authentic*, authors David Levine and Jim Reger explain the breadth of accountability:

*Accountability is more than working hard, being busy, or doing your best. It is delivering the result you promised. It's carrying through to completion the responsibilities entrusted to you. It's standing up for your actions and for the results of your actions.. It is the reason that accountable people think carefully, even if briefly, before making a commitment. They don't make promises lightly, because they know that making an agreement means they'll follow through – regardless of the circumstances that arise. In so doing, accountable people exhibit integrity and trust.*⁴⁰

Bottom Line: Be accountable: When you make a mistake, admit it and move on. Avoid the blame game at all costs.

Principle #3: Respect, Empathy & Honor

To be respected, one must first respect others, especially those with differences in skill-sets and points of view. Without respect for others, trust cannot be built.

People who bitch, blame, gossip, and complain are disrespectful. Giving respect is a critical step in gaining trust – then moving forward to build a bond with those who have differences in thinking and values.

There is a well-worn adage: “Respect is not given; it is earned.” The reality is the best way to earn respect is to *give* respect. Talking trash, belittling others, and demeaning people in public will produce one inevitable result: you will be despised and certainly not trusted. In our research the word “trust” was more frequently linked to the word “respect” than any other word. The two go hand-in-hand.

There are two kinds of respect – one comes from *fear*, the other comes from *honor*.

In the first kind, we give someone respect because we fear what they might do if we are disrespectful. A person who strikes venomously, (injecting fear like a rattlesnake) may be respected, but will also find it unleashes venom in those who have received it -- returned in the form of subterfuge. Fear begets anger, which begets revenge – a very dangerous cycle that can only end in a plague upon all.

The other form of respect is derived from honor. By respecting others you win their respect; respect must be given before it’s received. Any person or leader who dishonors those in their range of influence has descended “below the belt,” and will more than likely trigger dishonorable behavior in midst.

Saying “please” and “thank you;” treating people as you would wish to be treated – with dignity and respect begins to shift your world from mistrust to trust.

Listening is an essential skill in showing respect. When we listen with compassion, learning, and constructive inquiry, we begin to build trust. People feel like they are receiving *support*.

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Executive that stop listening stop caring. When leadership doesn't care, the workforce reciprocates. In his book "From Worst to First," CEO Gordon Bethune, describes how he had to combat a plague of distrust in his dramatic turnaround at Continental Airlines:

"An incipient bankruptcy, our third, which would probably kill us.... The challenge was to try to save a company desperate straits. Continental employees were disgruntled, angry, mistrustful, but straightforward lot."⁴¹

"We tried to improve our relationship with customers, suppliers, and creditors by treating them with a little respect. The most important change to make [was with our employees]. I could tell what was wrong with this company the minute I walked in: *It was a crummy place to work*. Not just because of the bad pay and distrust of the managers and the lousy service and the angry customers. But because, in that environment, the employees no longer trusted even each other -- and they treated each other like [\[RPL: Fix missing links here\]](#)

whole team is what got you to the top, and if you discard them because you're at the top, you will go to the bottom in a hurry Communication is often they didn't.

"Always listen to your employees and your customers, and remember that nobody can do this alone: your one of the first things to go ... Management stops listening to the people who helped them in the first place and those people stop telling them what's going on"⁴²

"Nobody likes being miserable or being mistreated by anybody Therefore, one of the most important points in our management philosophy was that it was time to start treating each other with dignity and respect."⁴³

Leaders aspiring to build trust simply do not tolerate dishonorable, disrespectful actions, not so much for ethical or philosophical reasons, but because disrespect is the poison that kills collaboration. A person without honor has no interest in either doing the right thing, nor in respecting the dignity of other people, nor in working for the greater good of the whole

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community. In the ancient Greek tradition, a person who was solely interested in their own personal gain was considered dishonorable and ostracized from the community.

Bottom Line: Trustworthy leaders always respect others, even those with whom they disagree.

Principle #4: Truthfulness, Candor & Honesty

Truth builds a sense of reliability, while reducing energy-depleting uncertainty. Truth is an absolutely essential component of building the type of trust that triggers teamwork and innovation.

Getting the highest level of performance from any group is highly correlated to honesty and truth. Why? Because in order to perform at the highest levels and to innovate effectively, people must know the difference between reality and possibility, between today's results and tomorrow's expectation, between what's happening and what needs to happen. If people cannot trust others, nor rely upon the facts, nor have faith in their leader's commitment to be trustworthy, then families, teams, and organizations unravel as blame, excuses, finger pointing, illusions, vagary, and negativity fill the trust vacuum.

Being open and transparent is not enough without also being open to input from others about how the organization and its leaders can improve. When someone in the organization raises a concern about leadership, leaders in high-trust organizations welcome it. They listen to understand, rather than becoming defensive, and respond to expressed concerns with a willingness to change if that is what is needed. This willingness to change requires humility and the ability to set aside ego for the success of the organization.

The first task of a great leader is define reality, for without the truth, no vision, no strategy, and no trust can be built that will move the organization forward. When Gordon Bethune assumed command of the ailing Continental Airlines, he found trust embedded in the rocks of despair, with lying rampant everywhere:

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"When I took over this airline, what the employees had learned from us often turned out to be inaccurate. We had to change from a culture where leaders instinctively kept information from employees into one where we naturally shared it with them, constantly telling the truth. Unless there was a good reason not to share information (it would have broken the law, or a ruling or a negotiation), it caused misunderstandings or misinterpretations.

"We told our employees everything we knew about Continental. We changed from a culture where much of what management said was misleading or just plain faulty to a place where we simply told employees the truth -- all the time.

"Never lie to your employees.... You must promise to tell the truth, the whole truth, and nothing but the truth. If you want to be honest with your employees, you have to do that. Not telling them stuff that will deeply affect them is just like lying to them in a sneakier, less overt way.

"We stopped lying to our employees; we stopped withholding information from them.....In fact, there are three golden rules about lying: Never lie to your doctor. Never lie to your attorney. *And never lie to your employees.* Don't lie to the people who are going to save you, because if they don't know the whole story, they might not be able to save you.....We don't lie to our employees.⁴⁴ ... The truth isn't always fun, but if you work for Continental, you know you can get the truth about your company, you know where and how to get it -- always."⁴⁵

Remember, your emotions or perceptions are seldom real truths. Stick to the facts - things that are measurable or concrete. And remember, a critical comment has about five times the impact as a positive comment. So balance your truths carefully.

[RPL: Add paragraph on candor & courage]

“A leader must be honest with himself and the people he is working with. In the long run, honesty will pay off.

“I never tell a team anything that I don’t absolutely believe myself.

“I always tell them the truth. I can’t even try to deceive them, because I know they’d know.

“Faithfulness and truth are the most sacred excellences and endowments of the human mind.”

– Coach Vince Lombardi⁴⁶

Trust is never gained in a world of untruths. The face of truth is always simple, but deceit wears a thousand disguises.

It is not the outright lie that is most disconcerting, but the half-truth, because it makes falsehoods seem true. When a person in authority makes a statement, of which the first half is a known truth, most people will conclude that the second half of the statement must also be true. The truth portion was always verifiable, and the false conclusion, which seems to be the logical outcome from the preceding real facts, is hard to certify.

Deceptive leaders will use half truths to cover their deception, seldom outright lies. Lies may be quickly exposed, but the danger in the half-truths is that they are twisted to look real.

Bottom Line: Trust is never gained in a world of untruths. The face of truth is always simple, but deceit wears a thousand disguises. The problem with falsehood is that it occurs not just in business, but in even the most vaunted organizations. Stick to the facts – things that are measurable or concrete. And remember, a critical comment has about five times the impact as a positive comment. So balance your truths carefully.

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Principle #5: Honorable Purpose

Honorable purpose brings meaning and shared vision to high performance teams. If people perceive your purpose for innovating as strictly for selfish purposes, without a component impacting the ‘greater good,’ you will not be perceived as trustworthy.

The heart and soul of every person holding down a job yearns for knowing that their daily labor contributes to something much more valuable than just a dollar in their pocket. They want to know that their job has some value, some meaning, and some larger purpose. When people find no meaning and purpose in their work, they lose a sense of trust in the organization they work for. This can be thought of one essential part of “institutional trust.”

The idea of organizational purpose transcends a mission statement. It communicates value to the world it serves. This can range from the *villainous* (such as a crime ring), to the *detrimental* (tobacco companies), to the *honorable* (such as fixing truck engines, shuttling passengers, or moving trains, etc.), and extending to the *noble* (such as finding a cure for cancer, or reducing the impact of global warming).

“Honorable” embraces the commitment to honesty in intentions and actions; truthful with integrity; ethical (as opposed to cheating, deception, or fraud) and courageous enough to stand for the principles of fairness and win-win.

“Purpose” is the reason for which something exists or is done, made, or used; the objective toward which one strives with determination and resolution.

Honor is the *means*, and **Purpose** is the *ends*.

When a family, team or organization starts with *Honorable Purpose*, they agree to do the right things for the right reasons.

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Focusing on Honorable Purpose means leaders at all levels of the organization are being entrusted with the responsibility to create win-win interactions. All normal human are both capable and desirous of addressing both the 'self-oriented' and the 'other-oriented' aspects of conflicted issues simultaneously, given the capacity of the brain which has evolved to search out win-win solutions to these conflicts. Continental's Gordon Bethune understood this leadership responsibility of honorable purpose:

"Every Continental employee has learned over the several years since I took over from the old regime that Continental Airlines is an all-for-one kind of proposition; not having internal winners and losers, making sure that everybody wins and loses together.

"It wasn't any good to us if pilots were happy and the gate agents weren't, or if the baggage handlers were getting paid and reservation agents weren't, or if the mechanics were getting awards and the people in accounting didn't come to work -- or if the big shots were taking home the canvas bags with dollar signs on the side while flight attendants were taking pay cuts. That kind of stuff breeds internal dissension, unhappiness, and eventually, poor performance. *Everybody* had to be winning, or Continental wasn't going to fly successfully.

"I think that when we started to tell them -- and show them -- that they were *all* part of what we were doing, they truly started to believe it -- to believe that we could be a different kind of company, that this could be a place to enjoy coming to work."⁴⁷

Negative, cynical interpretations of reality are just as devastating, such as fear losing so much you become overprotective, letting anger or revenge or retaliation interfere with rationality, failing to prepare for a big event, doing everything yourself because you trust no one else, and putting your faith in deceptive, Machiavellian actions.

To prevent long-term problems that erode trust, we need to stop untrustworthy behaviors as soon as they happen. According to a Harvard Business Review article,

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“Workplaces lacking in trust often have a culture of ‘every employee for himself,’ in which people feel that they must be vigilant about protecting their interests. Employees can become reluctant to help others because they’re unsure of whether their efforts will be reciprocated or recognized.”⁴⁸

Honorable purpose is the reason great sports coaches emphasize “There is no ‘I’ in ‘TEAM.” Keeping everyone focused on the ultimate purpose – winning together – is the honorable path.

Aligned Commitment & Shared Vision

[RPL: Add paragraph on Alignment of Purpose & Shared Vision]

Power of Alignment

The first thing any organizational leader must do to trigger the synergistic impact of co-creativity. According to Robinson & Stern, authors of *Corporate Creativity*. (p 13)

Alignment is often overlooked; it is intangible and elusive, and as far as corporate creativity is concerned, its effects are readily visible only when a company is either extraordinarily well aligned or misaligned.

Companies can function with relatively poor alignment, but they cannot be consistently creative unless they are strongly aligned.

Whenever we try to balance forces, not align forces, we are probably introducing a compromise, which means no one is happy. Anything that is compromised is “at risk.” Balancing means we can decide, so we split the baby – art of muddling through the muddy middle.

Being trusted requires the foundational principle of honorable purpose, because, in the larger sense, no one, except those without a conscience, relishes engaging in activities that are dishonorable. Without an honorable purpose to guide life’s decisions, it’s likely the wrong decisions will multiply upon themselves, cycling downward into more and more risky outcomes, filled with far more strife angst, and piles of protective legal verbiage.

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Corollary for Honorable Purpose: Create a Four Drive Honor Code (see Figure 12)

Bottom Line: If people perceive your purpose as strictly for selfish purposes, without a component impacting the 'greater good,' you will not be perceived as self-centered, greedy, and untrustworthy. As a leader, emphasizing Honorable Purpose has the added advantage of giving employees a greater sense of meaning and purpose in their lives.

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Create a Four Drive Honor Code

In honor of another's drive to ***Acquire***:

Enhance People's Capacity to Acquire necessary Resources to Succeed.

Give People the Autonomy and Authority to Solve Problems

Reward People for their Contribution and Commitment to Overall Goals

In honor of another's drive to ***Bond***:

Keep Promises and Commitments,

Seek Fair exchanges rather than cheating.

Don't forsake the "Greater Good" in favor of one's "Self-Interest"

In honor of another's drive to ***Create***:

Tell truths rather than falsehoods

Share Useful Information and insights rather than withholding it.

Respect Other's Beliefs, even in disagreement, rather than ridiculing them.

Honor Diversity of Opinions and Points of View that stimulate new ideas

In honor of another's drive to ***Defend***:

Help Protect Others, their loved ones and their property.

Detect and Punish cheaters.

Insist on a Reasonable Level of Safety and Security

Figure 12: Four Drive Honor Code

Principle #6: Ethics & Excellence of Standards

High Performance and innovation is propelled by the idea of always getting better, improving continually, reaching for the highest level of performance – it's called the "power of progression."

Ethics is, first and foremost, about *morality* – doing the right thing for the right reasons. It means that you know the boundaries between right and wrong and won't cross the line. This is essential for trust, because team members need to know they won't get screwed behind their backs.

However, ethics alone is not sufficient to build trust, because trust is about *relationships*. An ethical person can be cold, self-righteous, uncompassionate, and bureaucratic, all factors that do not instill trust. Thus the absence of ethics will kill trust, and the presence of ethics is a boundary condition for trust

In their book, *Triple Crown Leadership*⁴⁹, authors Bob and Greg Vanourek make ethics and excellence the foundation stones of enduring organizations. They document in detail the power of ethics and excellence to transform failing companies, resurrect dying dreams, and launch powerful new ventures. They maintain, however, that in none of the successful cases was ethics sacrificed for excellent results – they had to go hand-in-hand.

Ethics simply means acting in accordance with accepted principles of right and wrong. It means paying attention to *how* the results are achieved doing the right thing.... Most ethical letdowns occur because there is pain or discomfort involved in ethical behavior.

Often the ethical path is the harder one Ethical fortitude relies heavily on courage to face adversity and social pressure. [Great] leaders make ethical decisions after analysis, reflection, and consultation with colleagues and confidants. It helps to apply simple standards such as: "Would this violate any of our core beliefs?" "Can I live with this on my conscience?" "How would I feel if this were on the front page of the newspaper?" "What would my family say about this decision?"⁵⁰

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Setting high standards ensures that everyone on a team knows that others are giving at least 100% effort. Once any one person stops giving an all-out effort, trust begins to erode. This can happen even to the best teams. Ethics and excellence is not a constant, it must be forever renewed by vigilance, always asking the question:

What is the use of living, if it be not to strive for noble causes and to make this muddled world a better place...?

“How can we, as a team or group, do better, more, quicker, safer?”

Winston Churchill

These types of questions are designed to push people into vigilance and renewed innovation. Standing still in a fast moving, rapidly changing world is actually falling backward relative to the competitive landscape.

Success does not necessarily breed success, it can also give birth to complacency. Continental CEO Bethune explains:

"It's a lot harder to *keep* things going great than to get them going great in the first place.... continuing to work at the same level of intensity is harder, because the Wolf isn't so close to the door anymore and the consequences of slowing down doesn't seem so dire.

“ It's something that doesn't have to do with money at all. It has to do with human nature. I can't say often enough that *business is about people*, so it's the human nature stuff that you really need to keep your eye on.

"Little mistakes came out of one big mistake: taking success for granted.... It's human nature to want things to get easier. It's human nature to think that good things happen to you it must be *you*, not your hard work on your long hours, not your coworkers and your team and everything else that went into making a successful. [When you think this way everything could] stop in the blink of an eye.

"You can't win forever unless you excel forever... it gets harder to keep up, and that's the next challenge you have

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to focus your business on..... Keep raising the bar... never losing track of the things we gain that made us good in the first place... The best way to keep the bar going up is measuring. I can't emphasize it enough: a company can't just stay in good. It has to keep getting *better*.

"If you ignore your employees, your cash flow, your service, or your product, it'll disappear on you. It happens that quickly -- and that's simply.You can't take your eye off the ball it simply means living by those principles instilled during the turnaround from mediocrity to success."⁵¹

When complacency sets in, a team begins to lose its edge, to lose trust and confidence in itself, it begins to remember its failures, then the seeds of doubt sprout about its leadership, and ultimately each individual starts to question everything.

When standards fall, people stop trusting the world around them along with those responsible for maintaining it. Low standards means people no longer respect those around them; they disrespect their world, including people and the physical space. The decline affects teams and entire organizations, as famed basketball coach Pat Riley observed:

"Whenever people on a team decide not to trust, everyone will gear down their effort until they're doing just enough to get by. They want, subconsciously, to enroll everyone else in their cycle of disappointment."⁵²

It's a vicious cycle as diminishing standards further erode trust. This is what happens when neighborhoods become slums.

This diminishment of standards can result either from success or from mediocrity. It's like gravity; it's always there, invisible, and ready to create a fall. Success can breed the false illusions of immortality, omnipotence, self-aggrandizement, and placing trust in faded glory.

Likewise, failure can spawn despair and despondency as remaining vestiges of quality are replaced by excuses, accepting second best, expecting an entitlement, persistent denial, and blaming others. Either will foster distrust as each member of the

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group or community shrinks away from their commitment to both excellence and the greater good, while retracting into their own protective shells of self interest and arrogance; an insidious process which then breeds upon itself.

Setting high standards ensures that everyone on a team knows that everyone else is giving at least 100% effort. Once any one person stops giving an all-out effort, trust begins to erode.

Trust is not a constant, it must be forever renewed by vigilance, always asking the question:

“How can we, as a team or group, do better, more, quicker, safer?”

Bottom Line: If anyone sloughs off, they must realign to the highest measures, otherwise others will be resentful or fall off in their performance.

Principle #7: Security & Safety

Safety & security are the essence of a solid foundation of trust for all human beings. This includes ensuring that there is “No such thing as Failure, Only Learning.” Be careful not to punish what might look like a failed attempt at creative solutions; encourage learning from failure. And always avoid the Blame Game. Fear does not produce innovation. You will know when people feel safe – they will be laughing. Creativity is not all grinding labor; it’s having fun and laughing a lot, spontaneously creating in the moment – that’s magical. Research shows that laughter releases endorphins that trigger creativity.

Those who don’t feel safe in a leader’s presence will be protective or fearful. As human beings, we aren’t wired to trust what we fear. Feeling safe means more than knowing that you won’t intentionally hurt me; safe means they must be emotionally safe and physically safe. That’s why safety and security are at the root of so many labor disputes.

But at a deeper higher level, it’s reliance -- knowing that a leader will be there to protect me from harm; you will be there

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when I need you; you won't sacrifice me for your self-interest; you can be counted on to protect my best interests as well as your own; you won't be negligent; we can count on each other to protect each other's safety. Bethune comments:

"We weren't willing to compromise safety for any other goal. There isn't one person -- not one -- in our company who would sacrifice safety for financial or any other goals. The Main reason is, of course, that safety is just plain important. But if you push the moral importance of safety aside for a moment and presume that we're all greedy super-capitalists here who would gladly set up rattletrap airliners so long as we made a profit, take a look at any other company that has suffered the loss of an airplane lately. Crashing airplanes can put you out of business. Safety is first. Once you lose people's confidence (trust) in safety, they are gone. An unsafe airline is the worst business in the world."⁵³ (e.g. Value Jet)

*Southwest Airlines' Number One Priority
is to ensure the personal Safety of each
Southwest Customer and Employee.
Our vision for our People is clear:*

*We want to protect the Job Security,
Prosperity, and Well-being of all of our
Employees.*⁵⁴

The opposite of *safety* is *fear*. The *Security & Safety* Principle is designed to create the *absence* of fear. If people don't feel safe from threats in their immediate organizational environment, physical or psychological, it is very difficult to build any level of trust. They need to know that their drive to *Defend* does not need to be on "high alert," that the leader will incur no harm.

Fear amplifies, magnifies, distorts, twists and perverts the perceptions of reality in most people. People will remember their

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fears strongly because of the powerful emotional memory attached to them.

Fear enslaves the leader by creating false illusions of power, and limiting her to a limited scope of skills, thus excluding the value of strategy, vision, teamwork, and enthusiasm, to name a few. Similarly fear enslaves the recipient by entrapping their spirit and paralyzing creative action.

On the Trust Ladder, we refer to the creation of *Security* as a *Guardianship* – the active commitment to keeping another person safe from harm. Engaging in a *Guardianship* means the leader is willing to risk personal harm to prevent harm to others, which requires both courage and commitment. It means paying attention to your people to be sure that basic needs for security are assured.

Those who rule by fear create a world where fear, not the leader, reigns. Eliminating unnecessary fear enables a leader and organization to focus competitive energies external against outside threats, not internally on fruitless internal witch hunts.

Bottom Line: Safety and security includes ensuring that there is “No such thing as Failure, Only Learning.” Be careful not to punish what might look like a failed attempt at creative solutions; encourage learning from failure.

Principle #8: Transparency & Openness

Transparency & openness enable everyone to see intentions, share data, and exchange ideas in a culture that supports challenging of ideas and develops new insights.

The word “transparency” is often used today to indicate that one can see to the core of an issue or a person. But perhaps the word “openness” is more appropriate, because it implies that not only are a person’s motives clear and obvious, but they are “open” to scrutiny, and that a person is “open” to new ideas, co-creative potential, and deeper understanding of the needs of others.

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"It's almost impossible to have either [trust or respect] unless people throughout the company are engaged in frank, open, and honest communication about the state of the business.⁵⁵ You can't have trust without honesty and openness."⁵⁶

Being open and transparent helps to build trust in leadership. The strongest trust builders seem to have a humbleness that reflects a very secure ego. Invariably, they give the credit for achievement away to their team members, and take the blame for any inadequacies. Continental's Bethune is a good example:

"I started getting interviewed by newspapers and magazines about what was going right, and every time I talked to someone I said the same thing:

This entire team at Continental, working together, made this change happen.

Not just me, not just Gordon Bethune. I'm the head coach, sure. I'm getting the right players and hiring the right assistant coaches, and I'm listening to them. So we are designing plays we can win with, and recalling the right plays at the right time because we're all together. It's not me -- it's us.⁵⁷

Just as the physical world abhors a vacuum, human nature abhors uncertainty and ambiguity, because it triggers the drive to *Defend* to consider a multitude of situations where anything can happen. Trusting someone means you are willing to leave yourself vulnerable, to lay yourself open with the expectation that you won't lose something, be attacked, taken advantage of, or harmed in ambiguous situations where there's a high level of potential risk.

This becomes even more important in a fast-moving, rapidly changing world that is constantly generating uncertainty, ambiguity, complexity, and paradox. If people add their personal unpredictable behavior onto this heap of confusion, distrust is just around the corner, and it can manifest its presence in any of the range of behaviors below the belt on the Trust Ladder.

Because insecurity, ambiguity, and doubt are harbingers of distrust and insecurity, being open, transparent, and predictable gives others a sense of stability and firmness.

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Simple little things can aggravate the insecurities of the unknown. Just being on time, remembering people's names, meeting commitments, performing at 100%, listening well, and keeping confidences may sound small things, but are basic to the Principle of Transparency and Openness.

Do not mistake humbleness for weakness; trustworthy leaders are tough, demanding, and driven people.

Bottom Line: Leaders must guard against being seen as having hidden agendas, intentions different from what they state, and any action that is defensive, manipulative, disrespectful, or unnecessarily aggressive.

PRINCIPLES OF TRUST(BY % RESPONSE)

Illustrating the Eight FARTHEST Principles
(from the Microsoft Survey of Technicians)

(over 2500 respondents and over 100,000 paired comparisons of 139 possible actions associated with trust -- %= people choosing this answer)

1. **Fairness**

- **Listen before you speak. Understand, diagnose. (73.3%)**
- **Praise publicly, correct privately (65.7%)**

2. **Accountability & Integrity**

- **Model accountability by acknowledging mistakes and the lessons to be learned from it (71.0%)**
- **Hold yourself accountable (67.2%)**
- **Be a role model – have integrity (77.4%)**
- **Demonstrate integrity (74.6%)**

3. **Respect, Empathy & Caring**

- **Respect the dignity of every person and every role (74.3%)**
- **Genuinely care for others – be sincere (and show it) (68.0%)**
- **Show you care; Listen with your ears, eyes, and heart (67.7%)**

4. **Truth & Humbleness**

- **Be honest (76.8%)**
- **Don't presume you have all the answers - or all the questions (69.8%)**

5. **Honorable Purpose**

- **Encourage open discussion (70.7%)**
- **Give freedom to explore and experiment (66.9%)**

6. **Ethics & Excellence**

- **Show sincere appreciation for work done (66.7%)**

7. **Safety & Security**

- **Praise publicly, correct privately (65.7%)**
- **Don't disclose others' private information (61.2%)**

8. **Transparency & Openness**

- **Transparency in decision making processes and actions (71.1%)**
- **Communicate concerns, risks, and achievements transparently (68.5%)**

Go to www.defectprevention.org/trust to participate

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Bottom Line: Ross' teams have a remarkable track record. His high trust teams have outperformed regular teams by factors ranging from 20% to 200%.

Trust Experiment Produces Results at Microsoft

Recently one group leader at Microsoft decided to test the assumption that trust and collaborative innovation are highly linked. It's a "research-in-action" example that perfectly illustrates how the brain responds to the right combination of reinforcements.

Ross Smith is a senior director of software testing at Microsoft who has been with the company for 20 years, developing and testing software on everything from mainframe systems to handheld devices and PCs.

Smith became intrigued with the possible value of trust. He decided to select the members of the debugging teams based on their willingness to act in a highly trustworthy manner. His group brainstormed a list of 139 different *actions* that they believed would reflect high levels of trust. By focusing on those *actions* a group could give feedback and make corrections in behaviour, rather than debating over philosophy and values.

The possible "trust actions" were then put on a website and tech engineers got a chance to vote on the most important factors in a pairing of one factor against another. Over 2500 people have weighed in, with over 100,000 paired comparisons (see Figure 15). It became clear what actions would be the most meaningful in creating trust. It is essentially what the Greeks said about trust 2300 years ago. Technology may have changed, but people haven't.

This survey also substantiated many other studies and our experience that monetary rewards are simply not trust builders. People don't have to be bribed to build trust nor to engage in collaborative innovation. Why?

Because collaborative innovation is a natural *intrinsic* yearning of the human brain; collaboration satisfies our innate drive to *Bond* and innovation satisfies our innate drive to *Create*. The drives to *Create* and *Bond* don't need external (extrinsic) rewards to bring them forth.

Bottom Line: Ross' teams have a remarkable track record. His high trust teams have outperformed regular teams by factors ranging from 20% to 200%.

PRINCIPLES OF TRUST

(by % Response)

Illustrating the Eight FARTHEST Principles
(from the Microsoft Survey of Technicians)

(over 2500 respondents and over 100,000 paired comparisons of 139 possible actions associated with trust -- %= people choosing this answer)

9. Fairness

- Listen before you speak. Understand, diagnose. (73.3%)
- Praise publicly, correct privately (65.7%)

10. Accountability & Integrity

- Model accountability by acknowledging mistakes and the lessons to be learned from it (71.0%)
- Hold yourself accountable (67.2%)
- Be a role model – have integrity (77.4%)
- Demonstrate integrity (74.6%)

11. Respect, Empathy & Caring

- Respect the dignity of every person and every role (74.3%)
- Genuinely care for others – be sincere (and show it) (68.0%)
- Show you care; Listen with your ears, eyes, and heart (67.7%)

12. Truth & Humbleness

- Be honest (76.8%)
- Don't presume you have all the answers - or all the questions (69.8%)

13. Honorable Purpose

- Encourage open discussion (70.7%)
- Give freedom to explore and experiment (66.9%)

14. Ethics & Excellence

- Show sincere appreciation for work done (66.7%)

15. Safety & Security

- Praise publicly, correct privately (65.7%)
- Don't disclose others' private information (61.2%)

16. Transparency & Openness

- Transparency in decision making processes and actions (71.1%)
- Communicate concerns, risks, and achievements transparently (68.5%)

Go to www.defectprevention.org/trust to participate

Figure 15: Principles of Trust

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ANCIENT WISDOM: THE TAO OF TRUST

In the Ancient Chinese tradition, three writers, Lao Tzu, Confucius, and Sun Tzu, addressed the issue of trust and its importance in maintaining a healthy society.

Lao Tzu wrote the *Tao Te Ching*, a short but insightful book on the inner way of being. In the Western world we would think of this as the natural "Divine Way," or the "Path of the Holy Spirit." Many of his insights were developed further by Sun Tzu and Confucius.⁵⁸ These parallel the Classical Greek principles and demonstrate the enduring wisdom of ancient cultures.

The Three Treasures (from *Tao Te Ching* ~500 BC Verse #67)

Great wisdom is noble in its utter simplicity and humility.

That is the Divine Way

There are three cherished treasures to hold and protect:

The first is *Compassion*,

By which one finds *Courage*.

When a man cares he is unafraid.

The second is *Fairness*,

By which one maintains a *Reserve of Energy* to reach widely.

When he is fair he leaves enough for others.

And the third is *Humility*,

By which one finds *Influence* to assume leadership.

When he is humble he can grow....

Those who are fearless

while discarding compassion,

Seek extravagance

while discarding fairness,

Lust for glory

while discarding humility,

Cannot endure -- Living in fatal tension and conflict!

The compassionate warrior will be the winner,

and if compassion is your defense you will be secure.

Compassion is the protector of Heaven's salvation.

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The Three Calamities (from *Tao Te Ching* Verse #36)

There is no calamity greater than greed;
No misery greater than a malcontent;
No fault greater than selfishness.

Great Leaders (from *Tao Te Ching* Verse #68)

The best competitor wants his competition to be at their best,
But does not make competition his goal.
This is how to win the cooperation of others.
So it is said: he shines who rules by uniting with his people,
By placing cooperation ahead of competition.
All embody the virtue of non-aggression.
Not that they don't love to compete,
But they do so in the spirit of play,
Aligning the energy of people
To be in tune with the harmony of others.
This is the ultimate principle of the ancients.

Virtues of Holding Opposites (from *Tao Te Ching* Verse #28)

Know the ideal of the light,
While holding the reality of the dark.
Be the guiding light
By harbouring the highest standard of excellence;
By being the highest standard, you become one
With the primal source of the Divine Way.
Know the glories of greatness,
While holding the humility of the poor,
Be the valley of the world through which all waters flow;
Being the flowing water,
You become the compassionate fountain for others.
The eternal virtue does not depart;
The greater whole is undivided,
Returning to the eternal state of
Simple innocence and child-like boundlessness.

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Empowerment & Trust (from *Tao Te Ching* Verse #17)

The greatest leaders empower others, acting subtly.
Thus people do not know the real source of their power....

When he has accomplished his task, the people say:
"Amazing: We did it, all by ourselves!"

If the leader's trustworthiness is lacking,
His people will become untrustworthy.
If he has no faith in his people,
His people become unfaithful to him....

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MARINE CORPS VALUES

Why are U.S. Marines considered the world's premier warriors? What puts the Marine Corps above the rest? Other military services have rigorous training and weapons of equal or greater lethality. So, why do U.S. Marines stand head and shoulders above the crowd?

The truth lies in the individual Marine. He (or she) did not *join* the Marines. Roughly 40,000 try each year. Those who survive the crucible of Marine basic training have been sculpted in mind and body. They have *become* Marines.

Once he has *earned the title* and entered the Brotherhood of Marines, a new warrior must draw upon the legacy of his Corps. Therein lies his strength. In return, the strength of the Corps lies in the individual Marine. The *character* (often defined as "what you are in the dark") of these warriors is defined by the three constant Corps Values: Honor, Courage, and Commitment.

Honor: Honor requires each Marine to exemplify the ultimate standard in ethical and moral conduct. Honor is many things; honor requires many things.

A U.S. Marine must never lie, never cheat, never steal, but that is not enough. Much more is required.

Each Marine must cling to an uncompromising code of *personal integrity*, accountable for his actions and holding others accountable for theirs. And, above all, honor mandates that a Marine never sully the reputation of his Corps.

Courage: Simply stated, courage is honor in action -- and more. Courage is moral strength, the will to heed *the inner voice of conscience*, the will to do what is right regardless of the conduct of others. It is mental discipline, an adherence to a higher standard.

Courage means willingness to take a stand for what is right in spite of adverse consequences. This courage, throughout the history of the Corps, has sustained Marines during the chaos, perils, and hardships of combat. And each day, it enables each Marine to look in the mirror -- and smile.

(continued on next page)

Figure 16: Marine Corps Values

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MARINE CORPS VALUES (continued)

Commitment: Total dedication to Corps and Country. Gung-ho Marine teamwork. All for one, one for all. By whatever name or cliché, commitment is a combination of

- (1) selfless determination and
- (2) a relentless dedication to excellence.

Marines never give up, never give in, never willingly accept second best.

Excellence is always the goal.

And, when their active duty days are over, Marines remain reserve Marines, retired Marines, or Marine veterans. There is no such thing as an ex-Marine or former-Marine. Once a Marine, always a Marine.

Commitment never dies.

The three Corps Values: Honor, Courage, Commitment, make up the bedrock of the character of each individual Marine. They are the foundation of his Corps.

These three values, handed down from generation to generation, have made U.S. Marines Corps: the most respected and revered fighting force on earth.

(excerpt from *Warrior Culture of the U.S. Marines*, US Marine Corps Press; copyright 2001 Marion F. Sturkey)

CHAPTER SIX: TRUST SKILLS BUILDING

COMMUNICATING TRUST

To begin building trust, we must first avoid the type of communications that happens “below the belt” on the Trust Ladder – communications that is defensive, showing superiority over another, critical and detached from the other person. This judgmental speaking-listening invalidates the other person, and destroys trust.

Committed Listening

Instead, to build a “Relationship” (first step on the Trust Ladder) be sure the other person knows you are listening -- not judgmental listening -- but “Connected Listening” -- that simply validates the other person. Figure 17 illustrates the difference between judgmental listening and listening to build a relationship.

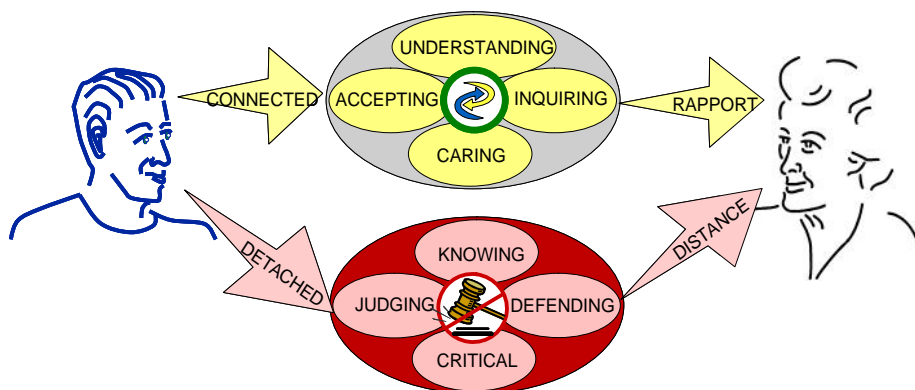


Figure 17: Listening to Build a Relationship

When we listen with compassion, learning, and constructive inquiry, we begin to build trust. People feel like they are receiving support.

Listening and inquiring with interest and compassion means you start with an open mind and a caring heart -- no assumptions

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and no expectations, which impairs our ability to see things as they really are.

The most difficult issue is if the person that you are listening to responds with criticism, judgment, and defensiveness. This is challenging because your immediate reaction is to defend, counter-attack, or blame – don't do it, because it will send the relationship into the death-spiral of distrust. Stay in the trust zone.

Perhaps you can suggest that when the other person is blaming, judgmental and critical, they are not providing the responses that will build trust nor will it produce a productive relationship. Be the light, be the inspiration. But don't tolerate abusiveness or unreasonableness.

The next shift moves us from the “Connected” listening to “Committed listening” and “Appreciative Inquiry. In Figure 18 we demonstrate what happens when you shift merely having a relationship where you communicate, to seeking a co-creative engagement with someone. Committed listening means all the time you are listening to gain understanding and insight (neither judgment nor evaluation nor manipulation):

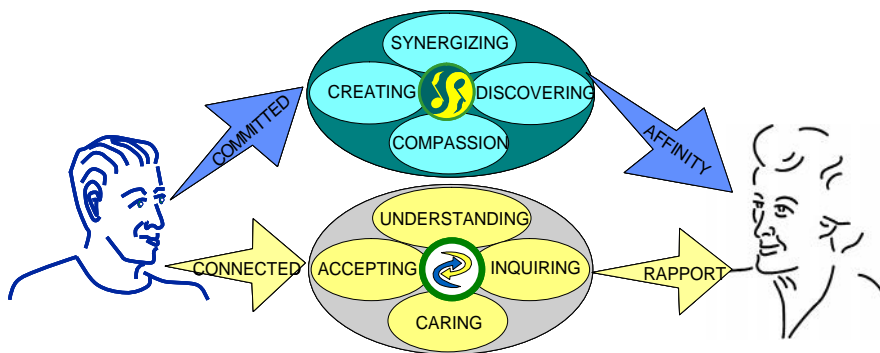


Figure 18: Shift from Connected Listening to Committed Listening

- Listen with Compassion for Connection
- Listen for Insight and Intention
- Listen with Acceptance and Support

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- Listen for Validation
- Listen for Underlying Meaning
- Sense Opportunity and Possibility
- Sense for Shifts in Thinking
- Sense Desire, Vision, and Goals
- Sense Unique or Unmet Needs

When building a trusting relationship the minimal boundary conditions must be satisfied – both parties must honored and respected, the other person must counted on you to understand their personal interests, needs, and concerns, which gives the assurance that ultimately we will be better off from having trusted each other. If this does not happen, then the relationship is broken and you have fallen below the line into the Zone of Distrust.

Appreciative Inquiry

Appreciative inquiry is the process of continuing to ask open, non-judgmental questions. These are far more important than demonstrating that you have all the answers or making demands, or being filled with criticisms. The idea is to draw people in -- curiosity opens awareness of discovery.

With appreciative inquiry, the idea is to let the other person know you value them and their ideas, even if you disagree with them. Their view is not wrong, it's just different --you have a "diffagreement" with them, not a "disagreement."

The purpose of appreciative inquiry is not co-creativity – that comes next – it's simply to generate enough new knowledge and understanding to expand the field of knowledge about what's real right now.

It's a discovery process that gives credence to what people are experiencing, what might make a difference in their lives, how they think, what contributions they are most proud of, and what's "missing" in people's experience that would shift things to a new,

*Our differences should
never divide us,
only distinguish us;
propelling us into
exploration of higher
orders, deeper insight,
and broader
understanding --
differences then
become the energies of
creation.*

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higher level. In this, we start to gather what is in the realm of reality and how that differs from the realm of possibility.

Reflect back on the Eight Pillars of Trust earlier in this chapter. If appreciative inquiry is conducted according to the Pillars of Trust, all will be well in moving up the Trust Ladder. Appreciative inquiry is not an end in itself; optimally it should be the step-stone to the next stage.

Creative Inquiry

In the process of discovering what other people think, believe, cherish, and fear, you can then shift to the next level of creative inquiry. On the Trust Ladder, this brings people into the Creationship zone. At this level you want people to engage in thought provoking questions that cause them to shift their thinking from an older, more entrenched paradigm to something more elevated – “a bold new future of what could be.”

Creativity is More Important than Knowledge

*We Cannot Solve Today's Problems
with the Same Level of Thinking that Created Them*

-Albert Einstein

Engaging in creative inquiry once trust has been established finds people more energized, more aligned, and more likely to find synergistic interaction more possible. In this way people become more passionate, more animated, more free to co-create a new world that converts possibility into reality.

Most of us learn there are two ways to communicate – *speaking* and *listening*. In this section, we will learn there are actually *three* forms: *speaking*, *listening*, and *questioning*. The latter form is so different from the others that it is worthy of being its own unique designation.

Questioning triggers a very different set of responses in the brain, breaking the normal pattern recognition comes from a very

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different part of the brain. Questions pull people into the inquiry, stimulating the creative part of their brain, not the part that “already knows,” providing a standard historically sound answer.

Creative inquiry commences with the process of forming questions. This triggers joint exploration of possibilities, releasing deep creative energies from within, resulting in more and more mutual innovation. As a Cornell University study observed:

- It starts with a pervasive attitude of constant improvement.
- People may be happy, but nobody is satisfied with how things are.
- Nothing is ever truly finished--only in stages, because in the process of building and using what we create, we already see ways to make it better.
- The culture, from top down, has to support and encourage and embrace constant questioning, exploration and experimentation.

Some people are better at idea generation than others who might be better at making the details work. When these people, coming from very different perspectives/skills interact, there is a chance they will pull in different directions, falling back down the Trust Ladder as they argue and try to enforce their ideas, making the other side wrong. It the leaders job to keep things “above the belt,” let everyone be heard, do not let anyone dominate, and move the process down the field of play. The objective is co-creation, which is a collaborative process, not competition to see who can come up with the best idea. Building on other’s ideas is just as valuable as coming up with the idea yourself, because building generates spontaneous sparking of other ideas. And little ideas are just as important as big ideas because the little one may be the stimulus for catalyzing the next big one.

Beware of people who are cynical – they will not contribute anything but negativity, and pull people down the Ladder of Trust. But be careful to distinguish between cynics whose negativity is a personality disorder, and healthy skeptics, who really want the new idea to succeed, but ask difficult questions to be sure the details and contingencies are taken care of.

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Some of the types of questions you might ask are:

Creative Possibility

What's the possibility of?

Is there an analogy that.....?

Interrogatory

Who? What?

Where? When?

Why? How?

Opening

Could you tell me more?

What do you think about...?

What did you experience?

Action

Will you do?

What did you expect?

Can you get?

Analogy

What's this like.....?

Has anyone done something similar....?

Outside Advice

How would Einstein, Edison, or Leonard da Vinci look at this...?

HOW TO RECOVER WHEN TRUST IS DESTROYED

All of us will, at some time or another, be part of a situation when we do or say (or not do or not say) something that damages or destroys trust. No one is perfect, and trust is so multi-dimensional that it's inevitable we cross the line at some time.

Trust is destroyed when you act "below the belt" on the Ladder of Trust. Remember, when you damage trust, the first thing to do is start at the bottom of the latter, which means rebuilding the relationship, and the skills to use are committed listening and appreciative inquiry.

Trust is destroyed far faster than it takes to build it. Years of work in building trust can be decimated in a matter of moments. If you or someone else transgresses the boundaries of trust, it's essential to act quickly; most often time is not on your side, waiting only makes things worse (unless you need to wait to let hot heads cool down a bit.) Try using the "Triple A" approach:

- **Acknowledge**
Fess up, let the other person know you are aware of the transgression and that you are accountable for what happened, and that you have made a mistake
- **Apologize**
Say you are sorry, ask for forgiveness, explain that you understand what you did hurt the other person, and that what you did was perhaps foolish, or negligent, or uncaring
- **Act**
Make a commitment to show that your words are backed by something tangible, visual, or real that display in a concrete way you are serious and genuine about rebuilding trust. Reestablish the "FARTHEST" Operating Principles (See Chapter 4)

Do not blame the other person, make them guilty, make excuses, or find fault. If they were partly to blame, it's their job to do their share to make amends.

Building a Team You Can Trust

How to Avoid a Destructive Argument

Most arguments don't start off that way. They usually start small – as an innocent debate -- then escalate into an ego battle where one party's drive to *Acquire* crescendos into domination triggering the other's drive to *Defend* into dinosauric devastation culminating in a battle royale.

The ensuing conflict becomes a tongue lashing exhibition of the loudest mouth parrying the thrusts of the quickest mind. Conflict is now a gladiatorial win-lose contest, a winner-take-all game of wits as we instantly create manipulations to aggravate the other party into yielding to our superior brainpower. Winning is not the best thing; it's the *only* thing.

Win-lose has defaulted to lose-lose, and now both losers want to get even, both want revenge, and no one feels any better as they get trapped in the tornado of distrust that rapidly swirls down the toilet. What a game?! We've all played it, and never really have we felt any satisfaction.

The wise person, projecting the arguing down the road a few minutes, knows this will only end up as a 'lose-lose' game, with no winners, just the walking wounded. Can this Titanic course be altered? How?

In Volume Two we explored *Dynamic Differential Energy* which gives us an important insight by looking at the situation as *energy flow*. There are basic three options at play here: The energy can be:

- a. Oppositional, at conflict each nullifying the other
- b. Deflected, so as not to clash
- c. Aligned, to shifted and used creatively to multiply

When you see the disagreement as *differential energy* -- as a "disagreement"-- then the possibility exist to turn the polarities

**The French are
fond of exclaiming:
*Vive la Difference!***

It means:

*Celebrate Differences,
There is Life in Differences,
Be Enlivened by Differences*

It's a wonderful expression

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“from heat into light”-- both “enlightened” discourse and more “light-hearted” interplay.

In doing so, one must first respectfully *accept* the difference, then honorably *embrace* the difference, then, shifting to a higher level, *cherish* the difference.

In the ancient Japanese martial art of Aikido, a purely defensive practice, the master positions himself to direct the flow of energy instead of resisting it or being pushed around by it, flexibly “dancing” with the opponent’s energy:

“Letting go of the ego’s need to fight back and be right.

Resolving conflict is rarely about who is right.

It is about acknowledgment and appreciation of differences.

Not becoming a victim of every conflict or getting trapped into a patterned negative reaction.

Instead of reacting out of fear, contracting and tightly closing down your energy, you respond with power and clarity of purpose ...opening yourself up”⁵⁹

It’s shifting from a limiting, rigid belief that “I already know the right answer and you are wrong,” to a process of “discovery and learning where we can reexamine the situation in new light.” The Greeks practiced this adroitly to explore new avenues of thought and innovation (using a process called “metanoia”⁶⁰)

You must be able to answer these questions:

- Is it worth a knock-down, drag-out argument?
- Are you willing to understand their point of view?
- Are you committed to listening and deep inquiry?

Anger is the emotion to which words should not attach

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COMMITMENT TO WIN-WIN

Climbing the Trust Ladder requires, at every step, there is a commitment to *mutual benefit*; and the best way to exemplify it is to create win-win situations that produce win-win results.

Win-Win is the oft-trumpeted rallying call for teams and alliances. But win-win can mean very different things to different people. Consider the striking difference between these statements, all of which represent win-win:

- *We will create a whole new world together with an inspired vision of the future that expands our potential, enables the world around us to win too.*
- *Our Vision is the same; Our Values are Compatible; We are deeply Committed; Let's Create a Breakthrough Together*
- *We augment each other's strengths and weaknesses; therefore together we are greater than we are apart*
- *I will defend your interests from an attack or an infringement from people on my own team because you are my partner and my ally and because we have established firm Rules of Engagement which I will not let my own side violate – I am committed to retaining our trust.*
- *We both have a common goal, so we should work together to achieve the goal together*
- *I am committed to you winning as long as you are committed to me winning*
- *I will let you win because I know win-win is good for us*
- *We must both be willing to strike compromises and make concessions if we are to achieve win-win*
- *I must protect my interests, and, inasmuch as they are protected, you can take what is left*
- *I will fight to win, and you must fight to win, and somewhere in the middle we will strike a balance*

STRONG
Win-Win

WEAK
Win-Win

For synergistic trust to manifest, the relationship must be championed by people willing to make strong commitments to a powerful win-win.

THE “METALLIC” RULES OF TRUST

Trust is the hallmark of the personal relationships between the people who constitute any group, family, or the team. Without this trust, no legal agreement, no strategy, no structure, and no process can achieve its objectives. These personal trusting relationships distinguish great team leaders from their transactional cousins who bring the *Fool’s Golden Rule* into the relationship:

“He who has the Gold: Rules.”

The most trusting relationships tend to use three “metallic” rules of engagement::

Golden Rule:

Do unto others as you would have them do unto you.

Silver Rule:

At least do for yourself what you would do for others.

Iron Rule:

Don’t do for others what they can do for themselves

*Trust is the glue that
binds personal relationships
and the grease that prevents frictional differences
from becoming fractious.*

CHAPTER SEVEN: HIGH PERFORMANCE TEAMWORK

Trust is not an end in itself, it is the foundation-stone of great teamwork, which, in turn is not an end in itself but the requirement for high *performance* and high *innovation*.

Building the high performance, high innovation team starts with selecting the right people to begin with. High performance sports teams and companies, like Southwest Airlines, know that it all starts with people who are *more than just competent* –they have additional qualities that make the difference.

Six Qualities of High Performance People

What first characterizes a highly innovative culture is the quality of the people who lead and serve on the innovation team. There are six factors to consider in the choice of people.

1. **Competence:**

To be trusted, one must be competent at what they do, otherwise you cannot create value, and without value being created, there is no basis for performance. We don't trust incompetent people. Competence is a measure of a person's talent, as judged by their knowledge and experience, education, skills and abilities, analytic capacity, and their ability to get results. For many of the very best performers, however, great coaches and leaders recognize that much of competence can be trained, especially if highly intelligent people are hired at the outset.

Knowing that the members of the team are highly qualified with necessary expertise, make modifications to procedures, and thoroughly comprehend the results is the basic standard of excellence. This is not necessarily determined by the number of academic degrees or the most pronounced resume. Often the most competent people have the most diverse backgrounds

and have the widest variety of engagements, which gives them a deeper wisdom and breadth of understanding.

But competence is not the only criteria. Most collaborations make the first mistake when they assume that all that is needed is a team of highly qualified/competent individuals. After all, without well qualified people, not project will be successful.

While there is a great deal of truth to this assumption, it masks the reality that competence alone is normally insufficient to trigger success. Often highly competent people can become entangled in battles about who gets the credit, or even engage in unethical practices, such as plagiarism or doctored research reports. Machiavellian behavior can destroy a great research team. That's why the next characteristics are so important.

2. **Character:**

The great teams know that competence is simply not enough to produce high performance. It's not just what you know, but who you are inside that really matters. People with the right values, ethics, honesty, sense of honor, clarity of purpose, and excellence of judgment make the best members of teams. They have integrity, and are accountable for their actions. These are the trustworthy people who are disciplined, persevere though adversity, and have excellent work ethic. Individuals with good character are essential to ensuring that team members trust each other and will do the right things for the right reasons.

The most important factor is honesty; does the person tell the truth. Those who bend the truth may skew data, distort reality, or fail to give credit where it is due. Integrity means a person will do what they say they will do, so you can count on them to fulfill their commitments.

Does the person exercise good judgment? Do they have the perseverance to carry on under pressure? Do they have a

Building a Team You Can Trust

tenacious work ethic? Teams without these characteristics can easily fall apart, jeopardizing the research result in the process.

Ethics play a vital role in the assessment of key investigative decisions in bio-medicine. Key questions must be addressed pro-actively, not after damage has been done. Does the intervention create harm? Is it a real breakthrough over other treatments? What are the risks and negative aspects of the new treatment? What is the right dosage? How toxic is it? Who will respond well, or adversely? Unethical decisions can have huge ramifications downstream.

Yet these characteristics alone do not make a great team. More is necessary.

3. **Collaboration:**

Not everyone is a “team” player, regardless of their competence and character. This quality measures how you interact with other. In selecting a high performance team, look for those who will build others, share ideas and resources, communicate positively, listen for understanding, and give credit away to others. In sports, the admonition, “there’s no ‘I’ in ‘team’” emphasizes this point. Giving the credit to others not only acknowledges their role in success, but prevents internal competition from eating away at the team.

Many people who are great innovators are inherently introspective or shy; others possess minds are highly logical and analytic. Many engineers, technicians, and scientists were loners in school, perhaps never participating in team activities, such as sports or group governance. This can present difficulties when a large project requires close coordination and human interaction. Teamwork requires communication, sharing information, understanding the human side of research, and mutual support, particularly in times of adversity.

People without great collaborative skills may engage in criticism, blame, negativity, and back-biting, often when under high stress. They may hoard information for fear it will be used improperly. They may withdraw when others need them

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most, or engage in manipulative behavior to get the attention or credit they yearn for. They many not communicate well, especially listening carefully to understand the human side of technical information.

Collaboration is often the most effective means of pulling success out of disaster. Effective leaders often use a group to find new insights or to build something big out of a perceived failure. Collaboration, combined with cognitive diversity (see Key Factor for Success #4 in next section) can turn the mundane into the magical. Collaboration is the enabling force that opens the pathway to group genius. Keith Sawyer, author of *Group Genius* explains,

“We’re drawn to the image of the lone genius who’s mystical moment of insight changes the world. But the lone genius is [largely] a myth; instead, it’s group genius that generates breakthrough innovation. Our research [demonstrated] that innovations once believed to be the creation of a [single] genius actually emerged from invisible collaborations, and that collaboration was responsible for the famous creations throughout history.

“When we collaborate, creativity unfolds across people; the sparks fly faster, and the whole is greater than the sum of the parts. Collaboration drives creativity because innovation always emerges from a series of sparks – never a single flash of insight ... lot’s of small ideas ... each spark lighting the next ... each critical to the [ultimate] success.”⁶¹

In building a great innovation team, it’s worthwhile ensuring that, at a minimum, the people in it can work productively.

The old adage: “one bad apple spoils the barrel” is a lesson never to be forgotten.

Collaboration is the essence and unseen backbone of great innovation.

“Many stories of innovation, once you get past the smoke and mirrors, reveal a backstage filled with

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other people, ideas, and objects that were as critical – if not more so – than the one presented onstage.

Ultimately, the amount of credit we insist on giving to individuals in the innovation process is absurd.”⁶²

4. Creativity :

Innovation and rapid learning is essential to all high performance teams. This requires imagination, resourcefulness, insight, curiosity, progressive thinking, and the capacity to solve problems. When trust is low, people will not use their creative talents in productive ways

Being creative has a massive advantage for a clinical research team. Creativity, as Einstein advised, is more important than knowledge, because knowledge is rooted in the past – what has become known – while creativity enables our future – what will be.

The quality of creativity is not limited simply to imagination. It includes a variety of qualities, such as collaborative resourcefulness, inquisitiveness, curiosity, progressive thinking, problem solving capacity, and even the desire to jump over any obstacle to see ideas carried through to fruition.

Often the most creative people are not necessarily the most academically qualified, because most academia rewards knowledge, having the “right” answers, and analytic skills.

Highly creative people are often not primarily analytic, but are typically multi-disciplined, eclectic, cross-functional, and filled with more questions than answers. Thus they don’t always fit into bureaucratic, highly structured environments; they tend to like less structure and thus often able to live better on the edge of uncertainty because they use a personal set of internal principles to guide themselves rather than external procedures.

What is sought is a “fluency of ideas and flexibility of approach that characterizes scientifically creative individuals working together on a problem.”⁶³ In highly complex

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environments, Welter and Egmon⁶⁴ point out that collaborative innovation teams will demonstrate five important qualities:

- Freedom to Explore beyond the Mainstream of Conventional Thought
- Ability to Trust using Shared Vision and Values
- Genuine Curiosity and Exploration of Possibilities and Opportunities
- Compelling Commitment to Make a Difference
- Genuine Self-Awareness of Differentials in Thinking and Learning Styles

Some very creative people can lack discipline because they are not easily controlled, preferring to be free spirits. In this case such people may better serve the team in an advisory role.

5. Courage:

Adversity, ambiguity, and difficult challenges are woven into the fabric of all high performance team efforts. Without a championing spirit, members of the team may retreat, be reluctant to make decisions, choose to mitigate risks when bold action is more appropriate, or communicate without candor. Courage enables teammates to multiply their commitment and enthusiasm, be proactive, and respond powerfully under pressure. The champion spirit enables great comebacks and the ability to live on the edge of uncertainty

Great innovation teams face many challenges from inception of their idea through to final delivery of a successful product or procedure to a patient. These challenges can often be daunting, as the team faces adversity after adversity. The ultimate measure of a successful team is how they face the challenges of difficulty, controversy, and uncertainty, while maintaining their honor and integrity. This type of courage sets apart the mediocre who crash or sputter in the face of adversity, and those who rise, and even get better.

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Moving a vision from concept to conclusion requires a championing spirit, a strong commitment to the possibility not yet proven.

The championing spirit is focused on both collaboration and innovation. Champions bring a confluence of passion for the vision, strategy for moving forward together, and commitment to the ultimate result.

“Ideas do not propel themselves; passion makes them go. Passion is the fuel that generates an intense desire to move forward, smashing through barriers and pushing through to conclusions.”⁶⁵

Tenacity and optimism in the face of adversity, and unwavering commitment to ideals in spite of the dark nights of the soul are qualities of the true champion. Edison, in his search for an ideal filament for the light bulb, “for eighteen to twenty hours a day experimented with all sorts of materials....He had to find the best type of fiber.... He tested more than 6,000 materials, and his investigations, and his investigations on this one thing alone cost a small fortune.”⁶⁶ Edison was courageous and tenacious enough experience over 6,000 failed attempts to get one right solution.

The formulation of rubber by Charles Goodyear is equally compelling:

“Goodyear was sick, malnourished, and poverty stricken....living in a third floor walk-up studio apartment crammed with gum and chemicals...Goodyear could not pay his debts. His family was in want, yet he pursued his dream of making rubber a workable product. Millions of dollars had gone into rubber research with no satisfactory results. The problem was that rubber got hard and brittle when cold, and soft, gooey, and smelly when hot....The supreme optimism exhibited by Goodyear while surrounded by the debris of false starts and failures eventually led to the discovery that saved the rubber industry.”⁶⁷

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Resilience is another dimension of courage. Resilient people are typically optimists, holding onto their vision and ideals when the skeptic has given up.

“Great achievers understand intuitively that the human brain is the most profoundly powerful solution-finding mechanism in the known universe. And they recognize that persistence is the key to keeping that mechanism engaged.... Optimists get better results in life; and the main reason is simply because they are less likely to give up. As Dr. Martin Seligman emphasizes, pessimism is self-defeating because it ‘short-circuits persistence.’ The real key is...to maintain our enthusiasm in the face of seeming failure. Resilience in the face of adversity is the greatest long-term predictor of success for individuals and organizations. Persistence in the process of experimentation, when desired or expected results are elusive, is the way that resilience is expressed.”⁶⁸

Dr. Paul Stoltz and Seligman have pioneered our understanding of resiliency in the human predicament. They have found that

“those who respond to adversity as *stable, internal, and generalizable* to other areas of life tend to suffer in all areas of life, while those who explain adverse events as *external, temporary, and limited* tend to enjoy benefits ranging from performance to health....Seligman describes these differences as *pessimism* and *optimism*. ... Optimistic salespeople outsold pessimists by 88 percent, and the pessimists were three times more likely to quit, regardless of talent.”⁶⁹

Further, “those who responded optimistically to adversity *outlived* those who responded pessimistically.”⁷⁰ “Like optimists, resilient individuals possess the ability to spring back from adversity... This ability stems not from the adversity itself, but from how they *respond* to it.”⁷¹ “Those who respond to adversity more optimistically are

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predictably more aggressive and take more risks, where the more pessimistic reaction to adversity resulted in more passivity and caution. People who respond constructively to adversity are more apt to maintain energy, focus, and vigor required to successfully compete. Those who respond destructively tend to lose steam, or simply stop trying. Competition is largely about hope, agility, and resilience, which are highly determined by how one deals with life's setbacks and challenges."⁷²

Resilient people have the ability to flourish on the edge of creative uncertainty -- that ambiguous grey area that rigid people perceive as the lack of control.

The courage factor identifies those with a champion spirit; the resilient optimists with the tenacity to produce the persistent actions that get results, not just good intentions.

6. Compassion:

Often overlooked in high performance is that teammates look out after each other. There is a high degree of caring about other, empathy and sensitivity to other's needs, and a willingness to be supportive when required. Because people on the team also have high character, there is no need to worry that empathy will be taken advantage of as a means of emotional manipulation.

[RPL: [Add more details here](#)]

Ultimately, the team must want to win together, be committed to extra-ordinary results, and be willing to engage in any way to achieve success. Anything less is called: "mediocrity."

Roles Played in High Performance Teams

Every team is different because of different missions, needs, and goals. However it is useful to think of different roles on teams to see beyond the skill sets on the team, and ensure that a variety of "trust-boosting" roles are played that keep the team functioning

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well (see Figure 19). These roles are in addition to their typical functional roles.



Qualities of High Performance Team Culture

What is deeply valued or abhorred becomes manifest within the team's culture. While seemingly invisible, culture should not be left to default; it should be created by design.

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Culture is something so strong, it will affect every person's thoughts and actions; it should never be overlooked. There are four aspects to culture that become key factors for success: (see Figure 20)



1. **High Performance Trust Building:** Without high levels of trust, no amount of effort, strategy, or money will save the day. Trust is the glue that holds people together, and the grease that keeps the gears of interaction working smoothly.
2. **Empowering Synergistic Leadership:** Great teams have empowering leaders committed to focusing on the Key Factors for Success who channel their energies on bringing the best out of people. The emphasis is on *team* responsibility, coordination, and results. [RPL Insert Synergistic Leadership - alignment of the four Drives (energy forces) here as full page sidebar]
3. **Great Fundamentals:** The underlying skill sets of performance remain the things that must be engrained in the team for effective performance: strategy, planning, competencies, among others.

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- **Clarity of Mission & Value:** To gain traction, people need a great strategy provides direction and focuses people on their core purpose and aligns energy on achieving a worthy goal.
 - **Flawless Execution:** Great teams concentrate on processes and practices that produce consistent results, over and over again.
 - **Commitment to Improvement & Innovation:** A team that isn't improving is dying. Innovation means finding new ways of creating value, and reducing any efforts that waste time, energy, or creativity. Learning from mistakes should be central.
 - **Standards of Excellence:** By maintaining the highest standards, great teams always push the edges of possibility. They measure the improvements, and reward results.
4. **Synergized Teamwork:** When the team is focused on the goal, and working in a symbiotic, synchronistic manner, with strong alignment of their drives to *Acquire, Bond, Create, and Defend*, supported by the core Operating Principles, the team is working “synergistically,” – the four drives (energy forces) are aligned and positively interactive. Other strong qualities become manifested in the team, such as:
- **Turning Breakdown into Breakthroughs:**
Adversity, cataclysm, tragedies, and unexpected bad luck are inevitable. Plus, high performance teams have *more* breakdowns than low performance teams, yet they never get caught in the ‘blame game.’ Great teams turn adversity to their advantage, learning from their breakdown, finding new innovative ways to respond; poor teams wallow in woe or blame each other.
 - **Good of the Team:** Team members make decisions that benefit the team as a whole, expecting that “all

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ships will rise on a rising tide.” Each knows that if the team wins, they win too.

- **Positive Attitude:** Teammates see a great future, not dwelling on the negative (while acknowledging reality) and seeing their teammates as great contributors to the effort of the team.

Taking the Next Step: Collaborative Innovation.

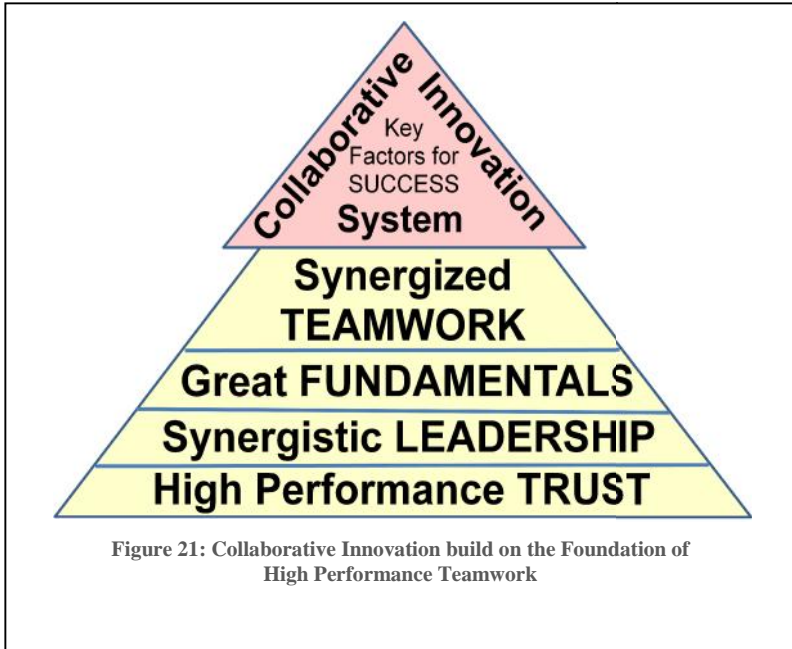
Collaborative Innovation (accessing the energy from the drives to *Bond* and *Create*) is undoubtedly one of the most powerful means of generating new competitive advantage for companies.

Unfortunately, a large number of innovation efforts fail. In general, over 50% of all innovation efforts reportedly fail, and the largest failure rates come from Lean Management implementations. (see end of next chapter).

High performance teams have the opportunity to tackle the most important challenge of the modern era – creating an endless stream of competitive advantage by getting better all the time – every day, every hour, every minute – the process creating a continuous flow of innovation.

However, this can only be done by first creating a high performance. This requires the investment of time and energy in building a high performance team first, and then building an innovation program upon the structure of the high performance team. (see Figure 21) (Revisit the NUMMI Case – Chapter Two to see the clues: Toyota invested time and money in reprogramming the workforce’s mind-sets and skill-sets for high performance teamwork and collaborative innovation.

Low Trust → Low Team Performance High Innovation



And because most innovation implementations are seen as a *project, not a program*, management does not invest heavily in the effort. In the next section, we will further address this issue.

CHAPTER EIGHT COLLABORATIVE INNOVATION

TRUST'S IMPACT ON INNOVATION

The Collaborative Imperative

Technology has not become the great simplifier of our lives, as once predicted. Instead technology has *enabled* and *accelerated* complexity and *change*. Within our fast-moving, rapidly changing world, innovation has shifted its venue from the individual to the group; most all innovation today is done collaboratively, either in teams, networks, or alliances. This is true not only for scientists, but also those who must commercialize innovations, and those who must address the legal complications of bio-ethical decisions.

To grapple with this complexity, multi-disciplinary teams are essential, because, in most cases, it is impossible for one person to grapple with all the intricate information required to create breakthroughs. And most breakthroughs are not happening within a field or specialty, but between fields. These multi-disciplinary breakthroughs are not just complex, they are also very expensive. Thus it becomes imperative for companies, universities, and laboratories to work a seamless, synchronistic, and synergistic manner.

The Lander Laboratory at MIT is a perfect example, as Dr. Robert Langer describes:

“My lab has people with 10-12 different disciplines in it – molecular biologists, cell biologists, clinicians, pharmacists, chemical engineers, electrical engineers, materials scientists, physicists, and others. Many of our ideas, such as tissue engineering – require these different disciplines to move from concept to clinical practice. It makes it possible to do nearly anything ‘discipline wise’ in the lab.”⁷³

Innovation in today’s world, because of the complexities and integration required, requires high degrees of collaboration across boundaries. A 2013 Global Innovation Barometer⁷⁴ published by

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General Electric that surveys 3,000 executives from 25 countries stated:

“Companies are clearly starting to realize that partnerships are the fastest way to achieve scale by delivering critical insights into new markets and customers, and access to better technologies. But a successful business partnership requires both parties to be comfortable with ceding some control, which may push some outside their comfort zones; some fear that trade secrets and Intellectual Property will not be well protected, and fewer than half claimed willingness to share the revenue gains or losses generated through partnership.”

The report went on to say,

“Collaborative innovation has substantial global appeal:

87% of those questioned believe their firm would innovate better by partnering than on their own.

68% claim to have already developed a new product, improved a product or created a new business model through collaboration with another company.”

However, according to the report, companies saw important obstacles to collaborative innovation, the largest of which deal with trust issues:

“Yet, it is not easy to achieve cooperation. Respondents indicated that the main reasons why their company would be reluctant to collaborate are: (see Figure 22 for full listing)

64% Lack of confidentiality or IP protection

47% Lack of trust in partner company

45% Knowledge poaching

39% Lack of tested collaboration process and collaboration tools”

(Note: the top three issues are all trust-related)

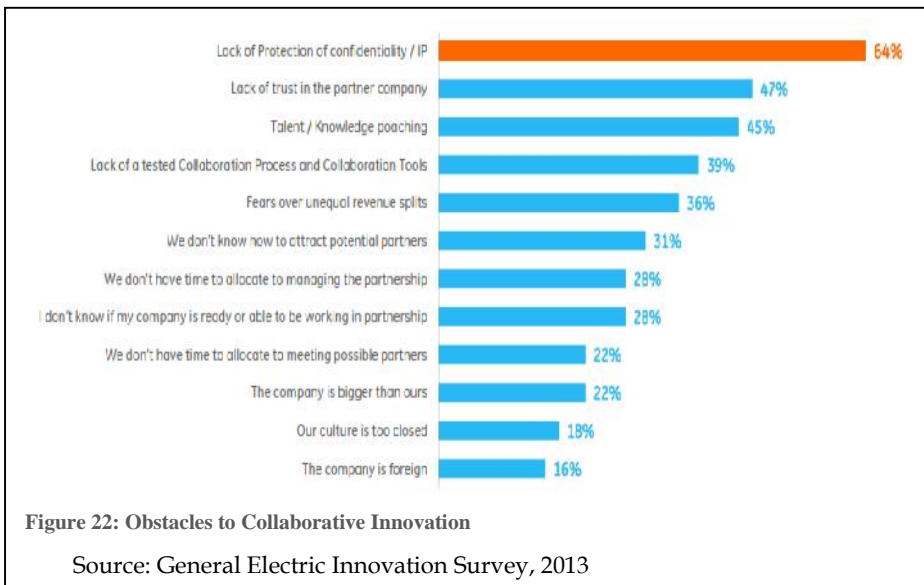
Building a Team You Can Trust

Key Factors for Success for Collaborative Innovation

Having laid the groundwork for high performance teamwork, the high innovation team can then be created (see Figure 21). We have identified six Key Factors for Success (KFS) that are common to great collaborative innovation teams.

1. Create a Collaborative Innovation Culture
2. Develop Innovation Leadership
3. Build an Innovation Engine
4. Engage in Creative Inquiry
5. Drive by the Numbers
6. Dismantle the Traps

We will identify Key Factors for Success (KFS): the insightful thinking, best practices, core principles, and critical processes required to engage these seven factors. As a system, the six KFS also limit the problems from the “Obstacles to Collaborative Innovation” (see Figure 22)



#1 KFS: Build a Collaborative Innovation Culture

One of the biggest mistakes companies make in launching an innovation project is to think of innovation from a “project” perspective, identifying problems, goals, and responsibilities. Seasoned leaders take a very different perspective, seeing innovation from a “strategic program” perspective, making a long term commitment to embedding the mind-sets and skill-sets, and tool-sets deep into the fabric of the organization’s culture. This usually requires a commitment by all the top leadership (not just an “innovation czar”), creating an environment where experimentation and learning are supported, training programs to reorient people, clear metrics for success, and a system of trust-building to enable greater risk-taking without punishment.

Companies that fail at innovation jump headlong into projects without either senior level commitment or a supportive culture.

Generally, surveys of experienced innovators indicate that creating an environment and culture conducive to innovation is the top priority by 80% or more experienced innovators. ⁷⁵

Innovation, because it is a collaborative effort, requires high trust. Without trust, the collaborative aspects of innovation wither and innovation fails to materialize.

Unifying the organization’s culture around innovation typically starts with universal set of Organizational Innovation Values be established that support joint innovation efforts, commit to improving everything, and establish very high standards of excellence. These form the fabric for thinking and behavioural patterns. Firms that embrace powerful cultural values for innovation are able to sustain their focus on the ultimate goal and the way it needs to be achieved – the ends and means are coherent.

A healthy set of values will enable internal adaptation to rapid changes and unexpected challenges in their external competitive environment. This distinguishes cultures that are rigid, rules driven, bound to hierarchical authority, and committed to control and predictability.

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Maintaining the most proactive competitive posture is not easy. Without a clear set of priorities and guidelines to frame the mind-sets of collaborative innovation, the organization wallows in the foggy grey twilight of ambiguity and paradoxical complexity, blinded by reality. Under these circumstances, firms turn to tools, techniques, and control as they stretch to find the lost, and now unattainable, world of predictability, losing sight of how they can create value that is so needed by customers.

The Innovation Values unify people, keeping their eye on the competitive power of collaboration and the strength brought by unified people working together for a common purpose.

From the Innovation Values, collaborative innovation teams can establish specific Operating Principles (based on the FARTHEST framework) to address specific innovation target areas.

#1 KFS Corollary: Eliminate Fear of FAILURE

One paramount fear in all innovators, scientists, researchers, and technicians is the fear of failure. Studies have shown it to be common to nearly all college graduates. This fear, if used mildly, can motivate people to great heights and long hours of work. But over-used or used as a threat, it can paralyze people, causing them to shut down or avoid the possibility of failure, because fear of failure immediately attacks the ego, which never wants to accept the stigma of tragic disappointment.

One paramount priority in a collaborative innovation culture is to make it safe for innovation, which, by its nature, is risky, uncertain, and precarious. Unless people have their drive to *Defend* put in a secure position, they will spend energy in the protection mode, essentially disengaging the collaborative (drive to *Bond*) and innovation (drive to *Create*) modes.

The word “failure” carries the connotations: “loser,” “unsuccessful,” “stupid,” “inadequate,” “unworthy,” and “incompetent.” Brand people with this stigma, and they will behave accordingly.

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In the development of the electric light, Thomas Edison and his R&D team provide a superb example of how to deal with the issue of failure versus learning. Edison did not invent the light bulb, it had been created thirty five years earlier. His development team in Menlo Park, New Jersey worked tirelessly to perfect the design of a commercially successful light bulb. It required new technologies to create a vacuum in the bulb, a totally new approach to filaments, and a structure to secure the filament. Edison's team examined and created experiments based on over 3,000 theses, and conducted over 10,000 experiments.

"I would construct a theory and work on its lines until I found it was untenable. Then it would be discarded at once and another theory evolved. This was the only possible way for me to work out the problem. ... I speak without exaggeration when I say that I have constructed 3,000 different theories in connection with the electric light, each one of them reasonable and apparently likely to be true. Yet only in two cases did my experiments prove the truth of my theory."⁷⁶

Reputedly a reporter asked Edison,

"What does it feel like to have failed 10,000 times?"

Edison's answer is quite intriguing, and very revealing. He said,

"Why man, I haven't failed 10,000 times; I now know 10,000 ways *not* to invent a light bulb!"

Unlike the average human, whose ego would probably have given up after experiencing unrelenting "failure," Edison took his ego out of the game, and made learning his central focus. But the question remains, "how did he get his ego out of the way?" Perhaps the answer is best revealed in his philosophy of life's work: "Bringing out the secrets of nature and applying them for the happiness of man. I know of no better service to render during the short time we are in this world." He kept his focus on destiny's dream, not fame nor fortune (which were secondary outcomes).

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“Edison designed all his experiments to ‘surprise Nature into a betrayal of her secrets by asking the same question a hundred different ways.’ Edison created a formidable database of knowledge. This database, coupled with his [diverse] reading, fueled Edison’s extraordinary creativity in generating a broad range of hypotheses.”⁷⁷

Soviet Innovation Failure

“The most ambitious effort in history to promote creativity occurred in the Soviet Union. It failed.

Fear ruled the Soviet program. Stalin’s purges had the same effect as Roman “proscription.” Fail and the result was either Siberia or death.

The Russian quota system was impossible to fulfill and spawned ‘phantom crops, phony records, false book-keeping, a pyramid of lies, thievery, and bribes.

“The force that drove the Soviet economy – the one ingredient that kept it working despite all that was wrong – was *fear*.

“In a command economy with constant shortages, no manager looked forward to receiving an idea from a subordinate that would result in significant savings... [fearing] he might be accused of not doing his job properly in the first place and being accused of not thinking of that before.”

“Soviet managers were supposed to encourage ideas from their subordinates, it could actually be dangerous for them to receive a very good idea – in fact, they could even be charged with economic sabotage, a crime as serious as treason.”

The regime made failure unacceptable. This fear of failure caused massive levels of unofficial hoarding of critical raw materials inventories. It was not unusual for managers to stock twenty years worth of inventory to ensure they had adequate supplies to perform to their quotas.

Figure 23: Soviet Innovation Failure Case

High Performance, High Innovation Teamwork

Often the presence of too much planning masks the existence of subliminal fear in the innovation team's culture.

"In the early 1990s, Kathleen Eisenhart and Behnam Tabrizi of Stanford's Business School surveyed 72 product development projects that took place in 36 companies in Europe, Asia, and the United States, each with annual sales of more than \$50 million.

"They found that the most innovative teams were the ones that spent less time in the planning stage and more time executing -- instead of planning, they improvised.

"Contrary to what many managers believe, the more time a group spent planning in advance, the slower the project development was. The improvisational teams didn't exactly do either. They engaged in short bursts of planning that alternated with improvisation; in other words, they distributed design activities throughout the execution process. That's why these groups had better market success; because of the frequent design iterations, they could respond more quickly to shifts in the market and to feedback from customers. The improvisational teams were much more likely to finish on schedule, and because on-time projects earn 50% more than late ones, they created products that were more profitable for the company." ⁷⁸

Building a Team You Can Trust

Remember, high performance teams fail more often than low performance teams; the difference is how they learn -- then innovate from what they learned.

Advice from Senior Executives about "Failure:"

- "You only get the ten percent of innovations that succeed if you are ready to accept the ninety percent that fail."
- "If you never failed, you never dared."
- "Relieve failures of their negative aura by calling them 'lessons learned' or 'learning opportunities.'"
- "It's a mistake to punish innovative people for failures, particularly in industries with very short product cycles, where decision-making is invariably faster and often based on incomplete knowledge."
- *When an "Experiment" doesn't work, substitute the word: "LEARNING" for "FAILURE."*

How well does our organization:

1. **Seek Ideas from Outsiders (suppliers, partners, customers, universities, other countries, etc.)?**
2. **Establish Cross Functional Teams? Support People who cross boundaries? Remove Boundaries?**
3. **Respect ideas from contrarians?**

#2 KFS: Develop Innovation Leadership

The Nature of Champions

Scientific research is not easy work. It entails long hours, multiple unknowns, and endless complexity. In the final analysis of success, those who prevail to the end are not the most intelligent (although intelligent doesn't hurt), nor are they the most famous, nor the most endowed with resources.

Rather, success is bestowed upon the most creative, connected, and committed; those who can move from ideas, through strategy, into action. This is the domain of the spirited champion.

Role of Champions

Without champions, the ordinary inertia that plagues most organizations will stifle most innovation, because innovation, by its nature, is change, and change, by its nature, is threatening to most people because it destabilizes the status quo.

To make any innovation occur, three underlying issues must be understood and addressed according to Stanford's Kathleen Eisenhardt:⁷⁹

"First, innovation is the result of synthesizing, or "bridging" ideas from different domains... extraordinary innovations are the result of simultaneously thinking in multiple boxes, not of the oft-prescribed "thinking outside the box." In short, extraordinary innovations are often the result of recombinant invention....while it may be appealing to focus on the future, breakthrough innovation depends upon exploiting the *past*. Combining often well-known insights from diverse settings creates novel ideas that can, in turn, evolve into innovations (for example, the Apple iPod used no new technology. Its meteoric sales were due to using existing technology in new ways that improved the user interface.)

"Second, the organizing *structure* can dominate creativity....Years of academic research suggest that, beyond some fairly low threshold, successful innovators

Building a Team You Can Trust

are not really more gifted or creative than the rest of us. Rather, they simply exploit the networked structure of ideas within unique organizational frameworks.

“Third, breakthrough innovations depend on “building’ communities. Of course, the substance of the innovation has to be there. But the ideas that go on to become breakthrough innovations rely on fundamentally rearranging established networks of suppliers, buyers, and complementers into new networks and ecosystems [alliances]. Otherwise, hoped for innovations never develop. The initial innovation is the starting line of the race, not the finish...Innovation is as much *social* as it is technical. Resistance must be met, and alliances forged, because people often cannot understand innovations, or cannot see how they would benefit if the innovations were adopted.

Accomplishing the tasks associated with these three issues is no job for the mundane manager or outsourced technician. It requires energy, insight, commitment, and enormous resilience – the essential need for and role of the spirited champion. Building support, breaking down barriers, creating implementation networks, bridging differentials in organizations and culture, connecting researchers to marketers, sticking to the goal in the face of adversity, encouraging people in dark times, negotiating deals, discovering resources otherwise unexploited, linking people with resources, finding new ways to address persistent problems, operationalizing untested ideas, and forming lasting alliances requires qualities beyond the ordinary.

Qualities of Champions

Champions are not first designated by higher authority (although they may be anointed later by senior management). Typically, champions self-select themselves because of their passionate commitment to a cause nobler than their own personal self-interest. Nor are champions necessarily determined by rank or seniority, although most are. Earlier, in the realm of selecting the right team qualities, the idea of courage – commitment, persistence, resilience – was highlighted as a crucial element of

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success. Champions are “wired” differently from many others; in particular, they will place the greater good of the team or organization or society at large on a much higher plane than their own self-interest. The issue of “what’s in it for me” becomes trivial or irrelevant (for this reason, many people who prize self-interest above all else become suspicious, and perceive selfish motives where none exist.)

Here are some of the qualities that are found in great champions:

- Passionate Visionary and Crusader who believes there is an innovative or better way, then creates the evidence
- Seeker and Supporter of New Ideas, no matter where they come from
- Builder of Networks of Teams with strong collaborative skills, ethics and who values character more than competence
- Builder and Preserver of Trust with unyielding integrity and ethics who works for the greater good of all
- Articulate Advocate willing to challenge established thinking
- Persistent Networker linking together other supporters and advocates
- Action-oriented shaker and mover intolerant of bureaucratic barriers
- Crusader who will defend an idea or ideal against attack
- Win-Win Negotiator who sees opportunity in most problem
- Energizer willing to be Accountable for Reaching Powerful Objectives
- Fights cynicism, negativity, intolerance and inflexibility

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Earlier, in *Leader of the Future*, I wrote: “Give champions the support and resources they need to be successful. Give them clear boundaries, but let them range broadly within these boundaries. Make them catalysts for change. Push them to behold a breakthrough value proposition powerful enough to break the stranglehold of inertial resistance that stifles most organizations. And always remember: they will ask forgiveness after the fact rather than seek permission before the fact. Consider –

“A true champion without a cause is entrapped energy. A great cause without a champion is but an elusive dream. But a great cause with a true champion is the realization of a vision!”⁸⁰

In the end, establishing powerful innovation champions that embrace and create a culture of innovation is more important than any other set of factors to keep people creative and energized to move ideas and knowledge through discovery, trials, and product development. But a culture of innovation does not imply harmonious stability. As a Cornell University study on innovation reported:

“People may be happy, but nobody is satisfied with how things are.

“Nothing is ever truly finished--only in stages, because in the process of building and using what we create, we are already seeing ways to make it better.”

The culture, from top down, has to support and encourage and embrace constant questioning, exploration and experimentation. [RPL: get source for quote]

Heroic Journey into Innovation

Innovation is a discipline of both head and heart.

Creation is never spawned from an disengaged heart.

Brainpower alone is insufficient to drive the innovative spirit. Any quest for truth begins with the humble admission of personal ignorance. One’s ego must confess to its impoverished nature –

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knowledge is an insufficient midwife to birth the discovery of truth or beauty or insight.

The heroic journey of innovation starts with passionate but humble origins. This requires three difficult steps in one's life:

First, a boldly honest personal assessment of one's own inadequacies and limits, then

Second, the consequent acknowledgement that the roots of innovation come not from the mind alone, and not from the soul alone, but from the interactive frictional challenges of thoughts and beliefs of others, then

Third, the power of enabling the heroic journey into the realm of co-creative innovation to be embraced both individually and collectively.

These are not easy tasks, balancing one's individualism with the collective consciousness to individually and jointly penetrate the depths of discovery.

Over 50 years ago the eminent historian, Arthur Schlesinger laid out the case eloquently for the champion's dilemma – the tension between individual creator and the power of the group mind for either team excellence, or in the worst case, the mediocrity of “group think.” [\[RPL: condense/shorten this passage\]](#)

Our national aspiration has become peace of mind, peace of soul. The symptomatic drug of our age is the tranquilizer. “Togetherness” is a banner under which we march into the brave new world.

We Americans should start worrying as our so-called individualistic society develops a cult of the group. We instinctively suppose that the tough questions will be solved by an interfaith conference or an interdisciplinary research team or an interdepartmental committee or an assembly of wise men..... But are not these group tactics essentially means by which individuals hedge their bets and distribute their responsibilities? And do they not nearly always result in the dilution of insight and the triumph of mish-mash? If we are to survive, we must have

Building a Team You Can Trust

ideas, vision, courage. These things are rarely produced by committees.

A bland society will never be creative. "The amount of eccentricity in a society," said John Stuart Mill, "has generally been proportional to the amount of creative genius, mental vigor, and moral courage it contained. That so few now dare to be eccentric marks the chief danger of the time." If this condition frightened Mill in Victorian England, it should frighten us much more.

For our national apotheosis of the group means that we systematically lop off the eccentrics, the originals, the proud, the imaginative, lonely people from whom new ideas come. What began as a recoil from hero worship ends as a *conspiracy against creativity*. If worship of great men brings us to perdition by one path, flight from great men brings us there just as surely as by another. When we do not admire great men, then *our instinct for admiration is likely to end by settling on ourselves*. The one thing worse for democracy than hero worship is self-worship.

A free society cannot get along without heroes, because they are the most vivid means of exhibiting the power of free men. The hero exposes to all mankind unsuspected possibilities of conception, unimagined resources of strength. "The appearance of a great man," wrote Emerson, "draws a new circle outside of our largest orbit and surprises and commands us." Carlyle likened ordinary, lethargic times, with their unbelief and perplexity, to dry, dead fuel, waiting for the lightning out of heaven to kindle it. "The great man, with his free force direct out of God's own hand, is the lightning the rest of men waited for him like fuel, and then they too would flame."

Great men enable us to rise to our own highest potentialities. They nerve lesser men to disregard the world and trust to their own deepest instinct. "In picking out from history our heroes," said William James, "each one of us may best fortify and inspire what creative energy

may lie in his own soul. This is the last justification of hero worship." Which one of us has not gained fortitude and faith from the incarnation of ideals in men, from the wisdom of Socrates, from the wondrous creativity of Shakespeare, from the strength of Washington, from the compassion of Lincoln, and above all, perhaps from the life and the death of Jesus? "We feed on genius," said Emerson. "Great men exist that there may be greater men."

It takes a man of exceptional vision and strength and will - it takes in short, a hero, to try to wrench history from what lesser men consider its preconceived path. And often history tortures the hero in the process. [Like Prometheus] chains him to a rock and exposes him to the vulture. Yet in the model of Prometheus, man can still hold his own against the gods. Brave men earn the right to shape their own destiny.

An age without great men is one which acquiesces in the drift of history. Such acquiescence is easy and seductive; the great appeal of fatalism, indeed, is as a refuge from the terror of responsibility. Where the belief in great men insistently reminds us that individuals can make a difference, fatalism reassures us that they can't. It thereby blesses our weakness and extenuates our failure. Fatalism, in Berlin's phrase, is "one of the great alibis" of history.

Let us not be complacent about our supposed capacity to get along without great men. If our society has lost its wish for heroes and its ability to produce them, it may well turn out to have lost everything else as well. ¹

Schlesinger's view presents a powerful paradigm and a perplexing paradox. The paradigm of the lonesome hero as innovator is a powerful testimony to the human spirit.

But is not the collective insight also important? One must ask the critical question:

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Can the power of the individual visionary be paired with the power of collaborative insight in any way that would be more effective?

The Innovation Champion is a unique form of hero -- one who has experienced the transformative harnessing of the ego that has plagued the lonesome hero. Harnessing does not mean impotence or the lack of a strong ego; it means balancing and aligning the individual ego with a powerful embrace of the creative insights of others - supercharging a team with a co-creative capacity to be the insightful challenger, to imagine bolder, think deeper, stretch broader, push the edges harder, and climb higher.

With the ego's harnessing emerges the innovation champion as spiritual warrior, who heroically confronts the status quo, is troubled by the artifice of homeostasis, and thus challenges, connects, and inspires others to collectively engage in the creation of a bold new future, and, in doing so, yields their personal self-interest to the greater good.

For, as the spiritual warrior has learned, what is in the greater good (the Greek *kathos k'alagos*) is also in their spiritual good. It is in this transcendent shift of the mind (the Greek *metanoia*) that Emerson knew so well.

The Basic Laws of Innovation Implementation

Innovation carries with a basic sequence of responses that cannot be overlooked:

- 1) *Innovation Creates Change***
- 2) *Change is Disruptive***
- 3) *Disruptions Cause Conflict***
- 4) *Conflict Triggers Control Reactions***
- 5) *Champions are Essential to Lead/Implement Innovation because:* Without Champions of Innovation, the corporate immunal rejection response kicks in, and new ideas are rejected as "foreign bodies."**
- 6) *The Most Important things the Champion Must do are:***

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- *Focus Efforts on a Compelling Strategic Imperative for the Shift*
- *Shift Mindsets, Language, and Architecture to the new Vision*
- *Build a System of Trust among those expected to make a leap of faith*
- *Create evidence to persuade the skeptics on the edge of commitment*
- *Abide by the Principle: People Support What They Help Create*
- *Establish Metrics and Rewards that Support the Shift*

The champion of innovation is a singularly unique individual who is willing to risk his or her career for the best interests of the organization. They possess a singular ability to build trust, while acting as passionate crusader. Unlike many of their less committed co-workers, they are empowered by belief in their vision, despite the lack of evidence. Their commitment to a win-win for all often is misinterpreted as disguised commitment to their own self-interest, causing non-believers to stand idle until results are produced.

Senior executives need to nurture and support these dynamic initiators of innovation, and provide the necessary “air cover” to give them the protection they need from snipers.

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Innovation Champion's Difficult Side

- Live in a perpetual state of enlightened dissatisfaction
- Professional irritants
- Always trying to change things
- Defaults to action -- would rather ask forgiveness afterwards, than ask permission before hand.
- Seldom rewarded for their work because much is "invisible"
- Need "air cover," not just support from conservative cynics
- Vulnerable because they work from dreams and beliefs, not facts and evidence
- Hates status quo, therefore is often not the strongest administrative manager

-

Innovation Champions Require:

- Support, commitment, and active involvement of senior executive sponsors – it’s a “god-father” role
- Without Top Rank Support:
 - It is Not Strategic
 - Resources Will Not be Committed
 - The Alliance will be a Foreign Body
 - Innovation will be a Disruption
 - Not Invented Here will Prevail
- Senior executive sponsors must give champions more than support – they need *Air Cover*
 - Protect them from the cynics
 - Tolerate them even when they don’t play by the rules
 - Give them clear boundaries but let them range broadly within these boundaries
 - Remember, they will typically ask forgiveness after the fact, rather than permission before the fact.

Building a Team You Can Trust

#3 KFS: Build an “Innovation Engine”

Building an “Innovation Engine” refers to the creation of a system of generating and implementing innovation in an rapid, efficient, and effective manner. Innovations that take too long to find their way into reality are doomed to oblivion, and the people who created the innovation to disillusion.

(Note: this section does not presume to give detailed plans on innovation implementation methodologies; other texts are aimed at addressing this issue more specifically. This section’s purpose is to provide insights that are often missing in other books.⁸¹)

Distinguish Innovation from Invention

All too often, leaders jump to the erroneous conclusion that innovation is about new technologies. This is a mistake. Innovation is much broader. Here is a “simple” definition:

People Co-Creating Strategies, Systems, Structures, Services, Technologies, Products, & Processes that Generate New Sources of Value & Growth for an Organization

Focus on VALUE

Without a grasp on what value means, the idea of innovation can never be grasped. Value is usually ultimately leads to either competitive advantage or to something a customer will be willing to pay for.

Value is always something measurable, and is best expressed as an empowering value proposition. Some of the key elements expressed in many value measurements include:

- | | |
|---|---|
| <ul style="list-style-type: none">• Better• Cheaper• Faster• Safer• Easier• More Accurate• More Reliable• More Integrated• More Competitive | <ul style="list-style-type: none">• More Sustainable• Reduced Expenses• Increased Productivity• Improved Efficiency• Improved Quality• Improved Customer Satisfaction• Greater Innovation Flow• Less Headaches |
|---|---|

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Here are a few examples of some very simple value propositions:

Moore's Law

- *The Capacity of a Computer Chip will Double every 18 months and its price will drop by 1/2*

FedEx

- *We will deliver anywhere in the US by the next day*

3-M

- *40% of our sales will come from new products designed in the last 4 years*

P&G

- *50% of our innovation will come from outside sources within 5 years*

Note how metrics power the value propositions. Metrics motivate the mind to action.

Create a Massive Neural Network of Brains

One of the most important structural elements of the Innovation Engine is to create a massive neural network of brains to generate innovative solutions (see **Error! Reference source not found.**) that crosses many boundaries of thinking and perspectives of experience. The three key elements are essential: how well the members of the network are aligned on a clear/common objective, the level of trust that binds the network together, and the fairness rewards are distributed to the members of the network.

*Creativity is more
important than
knowledge.*

Albert Einstein

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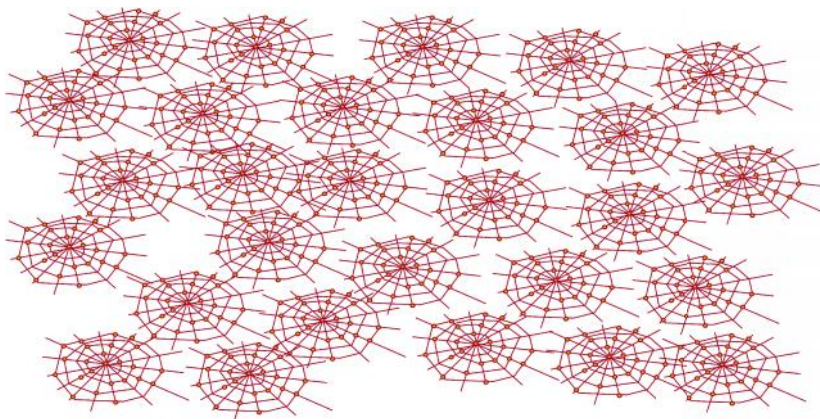


Figure 24: Massive Neural Network of Brains

Innovation Occurs on Edges of Eco-Spheres

Evolutionary scientists have known for 150 years that biogenetic innovation occurs where interfaces of dissimilar systems intersect, such as where volcanoes enter the sea, glaciers touch the plains, or the sea meets the land.

Similarly, in designing an innovation engine, include customers, alliance and channel partners, outsourcers, suppliers, and research institutions in the innovation process.

In designing the neural network, consider the vast array of relationships a business has, both internal and external. If trust is present, all these relationships have the potential to produce innovation. For example, Procter and Gamble set a goal in 2003:

“We will acquire 50% of our products and technologies and from outside P&G (without laying off anyone from our internal Research and development team).”

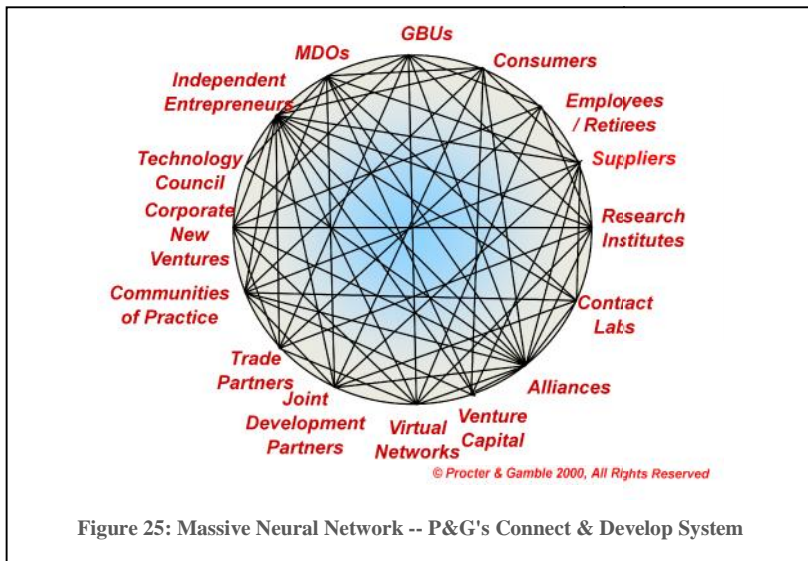
- A.G. Lafley CEO P&G

*LAW of
COLLABORATIVE
INNOVATION*

*Sharing Expands,
Hording Contracts*

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The neural network became the Connect & Develop system that linked internal and external innovation. (see Figure 25)



Connect & Develop augments Research & Development. P&G has fueled its innovation capability by leveraging external innovation assets and partnerships to deliver superior P&G products and services at greater value to consumers.

Seven Different Types of Innovation

Most companies define innovation far too narrowly to gain any traction from innovation efforts. There are at least seven different types of innovation, which are identified in Figure 26. Great innovators engage in multiple forms of innovation, essentially obsoleting the competition from multiple dimensions.

The important things to know about seeing innovation from these seven perspectives is that:

- 80% of innovation is non-technical (solutions, process innovation, new business models, etc.)

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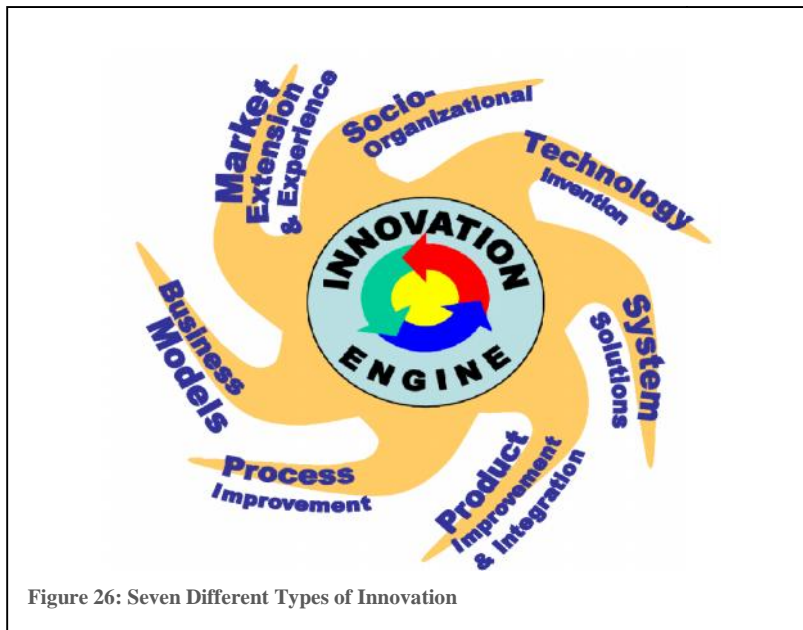


Figure 26: Seven Different Types of Innovation

- businesses must capture multiple forms & sources of innovation to be highly competitive
- focus on innovation first, not cost savings (use innovation to reduce non-value added work and remove value destroyers, which will, in turn, save costs)

Identify Innovation Triggers

Opportunities for innovation are very easy to spot – they are lurking everywhere if one simply cares to look. In Figure 27 we identify a few of the more obvious triggers. Use these triggers to find places where innovations will be useful in adding value and competitive advantage.

Generate & Implement Ideas Fast and Furiously

The beauty of the Innovation Engine is that, because ideas are free and, when the innovation culture is in place, they flow fast and in unexpected directions. Thus the fuel for the engine is limitless.

As Robinson and Schroeder explain in their book, *Ideas Are Free*, it's vital to implement lots of ideas quickly, or people will not keep up their energy.

Because most useful ideas are actually small and only affect the work group that created the ideas, there's no need for a big bureaucracy to put them into place. *Just do it.*

The big ideas can be evaluated more carefully, especially those that have wide-ranging impact.

Small Ideas are just as valuable as big ideas. Why? Because lots of small ideas can make a big difference. Not everyone can create big ideas. Small ideas stimulate an "innovative culture" which leads to big ideas. Small ideas produce fast results, which generates more ideas. Small Ideas remain proprietary, Big Ideas are copied

Innovation Triggers

- In the "Cracks" between Functions & Organizations
- Where people are Frustrated or Under-used
- Customers or Suppliers are Complaining
- Repeating Problems & Breakdowns
- Duplication of Effort
- Dysfunctionalities
- Confusion
- Isolation
- ReWork
- Dreams
- Anxiety
- Breakdown
- Separateness
- Lack of Synergy
- Short Life Cycles
- Non-Value Added Work
- Excessive/Wasted Time
- Adversarial Relationships
- High Total Cost of Ownership

Figure 27: Innovation Triggers

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Toyota's North American Innovation Engine

- **900,000 ideas from employees** each year just from its North American operations
- Over 1,000,000 Suggestions for Improvement from Employees in Japan,
- 65% of its Innovation Comes from Suppliers (who make 80% of the car) It's estimated that two thirds of all the innovation flow comes from suppliers.
- Between the internal employees and the external suppliers, it's estimated that every year over 2.5 million innovation ideas are developed and implemented.
- The implementation rate is 85%.

What Innovation from these categories is Missing/Possible in our Innovation Program?

⇒ _____

⇒ _____

⇒ _____

What New Innovations would create Value?

⇒ _____

⇒ _____

What would be the impact of these new innovations?

⇒ _____

#4 KFS: Embrace Creative Inquiry

Spirit of Inquiry & the Critical Paradox

The objective of collaborative innovation is to uncover new insights into the functioning of systems, natural or physical. Inquiry – posing questions – is the essential beginning point of discovery. All innovation starts with “critical” questions to enhance discovery, much like a trial lawyer or a crime detective, which embrace a strong sense of doubt and skepticism which challenges conventional thinking. To prove one’s thesis, it must stand up to a barrage of skepticism, supported heavily by evidence. Such is the nature of critical inquiry.

This sounds rather simple, but there is a “catch,” often unexpectedly ensnaring research teams, which are the realm of “human” systems.

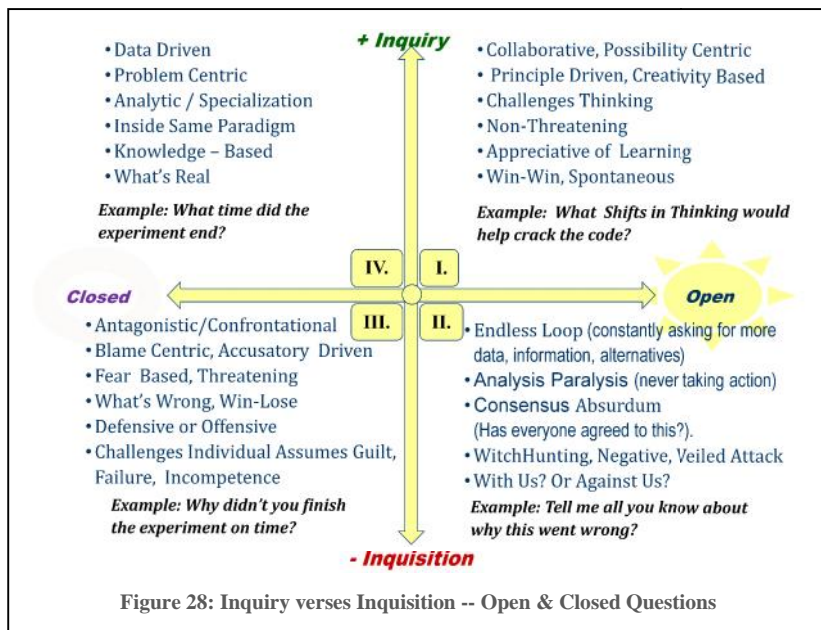
The paradox is that scientific analysis and human behavior do not exactly abide by the same operational rules of engagement. The same “critical” and “logical” analysis that facilitates scientific research can destroy human relationships and the ability to co-create, generate synergies, and speed the ability to produce breakthrough thinking.

The way we ask scientific questions, when applied to people, can be accusatory, threatening, distrusting, or even insulting. Seldom are scientists made aware of this important distinction and its corollary, the need to appreciate people while never lowering scientific standards.

In Figure 28, the different types of questions are charted to help illustrate the distinct differences.

Quadrant I describes questions that qualify as “Open Inquiry.” Questions of this sort tend to let people explore opportunity, possibility, and joint creativity. (See Appreciative Inquiry and Creative Inquiry in Chapter Six) Human interaction tends to be very positive when faced with questions in this context. Many of these types of questions can be used from a scientific perspective to break deadlocks in thinking or shift paradigms.

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Quadrant II works well in forensic work, but it is accusatory in nature. The questioner is not an “inquirer” but rather an “inquisitor.” Something’s wrong, someone has run afoul, and the inquisitor will find out who is at fault. Similarly Quadrant III carries the same inquisitorial context, just asking closed ended questions that only need a yes or no answer. Any inquisitorial questions will evoke fear, defensiveness, and oftentimes anger and reprisal by the listener. Many research teams have errantly travelled down this path, with less than stellar results as human energy was wasted on protection of status, ego, or honor, instead of focusing on the larger, nobler cause which the research team was trying to achieve.

Quadrant IV describes the types of questions that typically constitute much of scientific research. They tend to be tightly bound, based on evidence, focusing on generating knowledge. While these types of questions can work wonders in the scientific context, they can be very limiting in the human context.

Collaborative Inquiry

Asking Diverse People Insightful Questions

(Creates "Frictional Energy")

- Ask a Lot of Questions
- Ask: "Why is this important?" five levels down
- Start Conversations with a question
- Answer questions with more insightful questions
- Ask fundamental (dumb) questions at least once every meeting
- Begin a recommendation or suggestion with a question
- Create a high-order question that seeks meaning and purpose to your work
- Ask a Lot of Uncomfortable Questions:
- Why are we Named? Does it reflect Innovation?
- How are we Organized?
Do we Flow innovation across boundaries?
- Do we Train people for Collaborative Innovation?
- What are we Measured and Rewarded for?
- What is our Fundamental Purpose?
- How could we change our approach to get more innovation?
- How do we build Earlier Partner Involvement?
- Should we Prequalify our Alliances Partners?
- Are we Measuring & Rewarding Innovation?
- What kind of Innovation are we seeking?
- What if.....
- How could...

Being aware of these differences can help the leader of any clinical research team shift the content and style of their dialogue

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to generate a much higher esprit de corps, inspire curiosity, and gain much deeper insight, with an attendant shift in the results produced.

When inquiring, listen to the response with both head and heart, seek solutions, not blame, and attack issues and problems, not people. If people engage in whining, complaining, or criticism of others, focus on solutions, while stopping the negative from destroying trust.

The most transformative creativity results when a group either thinks of a new way to frame a problem or finds a new problem that no one had noticed before. When teams work this way, ideas are often transformed into questions and problems. That's critical, because creativity researchers have discovered that the most creative groups are good at finding new problems rather than simply solving old ones.⁸²

Power of Differentials in Thinking

The value of multi-disciplinary teams is founded on the basic principle that all innovation comes from differentials in thinking:

All innovation comes from "differentials in thinking" - from those who challenge conventional assumptions, ask uncomfortable questions, and see possibilities in the middle of difficulties.

Harnessing the multi-disciplinary power of the differential thinking is the strategic methodology to generate breakthrough innovation. To be creative requires divergent thinking -- generating many unique ideas -- and then innovation demands

*New Paradigm
Generation comes from
people WHO DO NOT
THINK ALIKE*

*If two people think
alike, there is no
innovation.*

*Innovation occurs when
someone decides to think
differently - either by
asking new questions, to
challenge the status quo,
to have a vision that
there must be a
new/better way, or is
dissatisfied with the
results produced by
current solutions.*

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convergent thinking -- combining those ideas into the best result.

Collaboration triggers the sparks between people that brings out their natural (often suppressed) creativity and enables their differentials in thinking to generate a massive stream of idea, then converge, integrate, and align those ideas into real innovations.

People who innovate collaboratively (as opposed to independently) have a greater chance of learning from others and building the networks that actually enable innovation to become implemented.

Making collaboration the central organizing principle for all research, discovery, development, commercialization, and proliferation for innovative new products, services, and business models will result in a far higher chance of producing a breakthrough in thinking and results.

Differentials & DNA

One of the foundational breakthroughs in bio-medicine was the joint insight by Watson and Crick regarding the double-helix structure of DNA in 1953.

Crick had migrated from the field of physics, and Watson was just a young graduate student. They both came from a place of “not already knowing,” an openness to new ideas, rather than thinking of themselves as “experts” in the bio-medical profession.

They never conducted any experiments, instead looking at the data of others, but interpreting it from a fresh perspective; they meticulously integrated work of others in other fields – such as crystallography – and saw the unique patterns in the data that enabled them to envision the double helix.

Because they saw things differently, from another perspective, they could put their minds together to crack the DNA code.

Cognitive Diversity & Differential Thinking

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Innovation energy is much like electrical energy – the greater the differential, the greater the potential power, as Jung had proposed.

Anyone who wants to master collaborative innovation and trust must have a strong understanding and skilful grasp on differential energy, which is like electricity: used right and it becomes the force to drive powerful motors and sophisticated electronics, or the opposite, to electrocute and cause fires.

*Differences are the
Source of
Creative Energy*

Psychologists call an abundance of differentials in thinking by the somewhat complexifying term: “cognitive diversity” and it’s a fundamental ingredient for innovation success.

Innovation is the result of synthesizing [or synergizing] or bridging [or integrating or boundary spanning] ideas from different domains. ⁸³

Harnessing the multi-disciplinary power of differential thinking is a critical strategic methodology to generate breakthrough innovation. To be creative requires divergent thinking -- generating many unique ideas -- and then innovation demands convergent thinking -- combining those ideas into the best result. The intersection of highly spirited people whose own personal identities are often tied directly to their ideas – their “babies” so to speak – is highly charged and emotional. In a distrustful environment, the highly charged atmosphere can create a lot of destructive thunder and lightning; whereas in a high trust environment, the likelihood is that “co-creative” sparks will trigger a succession of new ideas each building on the other.

Collaboration triggers the sparks between people that brings out their natural (often suppressed) creativity and enables their differentials in thinking to generate a massive stream of idea, then converge, integrate, and align those ideas into real innovations.

People who innovate collaboratively (as opposed to independently) have a greater chance of learning from others and building the networks that actually enable innovation to become implemented. With the many challenges ahead for humankind –

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the propensity to solve problems through war, global warming, hunger, and new energy development – the need for a more effective collaborative innovation model could never be stronger.

An early example of the importance of cognitive diversity spurring innovation comes from one of the greatest inventors of all time, Thomas Edison:

“Although Edison was an incomparably brilliant independent inventor, he understood and valued the importance of working with others. He knew he needed a trustworthy team of collaborative employees who could illuminate his blind spots and complement his talents.

“ Over the course of his career, Edison cultivated an inner circle of roughly ten core collaborators, each contributing materially to the technologies generated by his laboratories. Edison brought together individuals from diverse disciplines who he would indoctrinate in his methods, then release to freely experiment without his immediate supervision. The diversity of disciplines added tremendous breadth and depth of insight to the laboratory, allowing them to navigate effectively across industry boundaries....they were extensively cross-trained. The teams were bound together by common values of respect and integrity [trust], and a desire to be the best in the world..... he placed the value of ‘team accomplishment’ at the heart of his laboratory.”⁸⁴

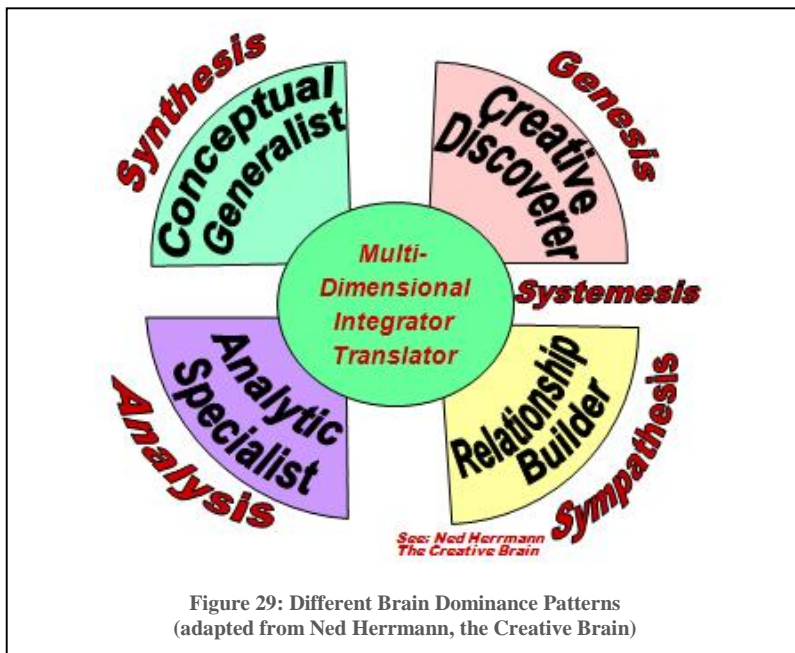
Diversity of thinking, while the stimulus to all innovation, can be a double-edged sword. Many managers are threatened by diversity, desiring instead conformance to a standard set of rules, procedures, and mode of thinking. When organizations are segregated into specialties, such as biology, or marketing, or administration or any other form of segregation, it is often the case that these specialties become fiefdoms of power and isolation, perhaps isolating themselves because “those others don’t think like us.” Conflict and competition characterize these groups. They are stuck.

However, in highly innovative organizations, people cherish the differentials in thinking that spur co-creation as sparks of

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imagination jump the gap between people's minds, in a synergistic outburst of new ideas and new possibilities.

When seeking people for the innovation team, a very useful framework is based on the work of Ned Herrmann's and Brain Dominance.⁸⁵ Every human has a preference for how they like to think and learn. In Figure 29, the four basic brain patterns are outlined.



While the majority of people tend to be dominant in a single mode, a minority people will be comfortable in two or even three modes. A very few will have four modes. These are called "multi-brain dominant. Many of us are thought of as "left" or "right-brainers," referring to whether we are tend to be more analytic (left brain) or more sensitive to people (right brain).

Herrmann's framework is more granular and useful because it makes important distinctions in selecting a great innovation team, which should be made up of people with diverse brain patterns. This diversity enables a research, discovery, or development team

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to see their experiments from all angles, and find opportunities where others who are more narrowly perceptive will get stuck.

One of the important roles on any diverse team is the role of the “integrator,”⁸⁶ the person who can translate across boundaries, connecting diverse thinking from one arena to another. This person typically is multi-brain dominant, which does not make them smarter than anyone else, but enables them to see situations and people from a kaleidoscopic perspective, sorting through data, vision, emotions, strategy, and implementation.

Einstein’s Rules
for Creating Breakthroughs

1. We cannot solve the problems of today with the same level of thinking that created the problem
2. Creativity is more important than knowledge)
3. From Discord make Harmony
From Chaos seek Order
4. In the middle of Difficulty Lies Opportunity
5. There is a simplicity of design behind every level and layer of complexity (if we search for it)

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Diversity in an Acquire & Defend World

But why then has innovation been so hard to get off the ground? Why so many failed attempts?

Diversity of thinking, while the stimulus to all innovation, can be a double-edged sword or a field of landmines. Many managers are threatened by diversity, instead desiring conformance to a standard set of rules, procedures, and modes of thinking. When organizations are segregated into specialties, such as biology, or marketing, or administration or any other form of functional segregation, it is often the case that these specialties become fiefdoms of power and isolation, perhaps isolating themselves because “those others don’t think like us.” Conflict and competition characterize these groups. They are stuck. And the more stuck they are, the more defensive they become, which breeds more distrust of outsiders.

How should a leader turn diversity into advantage?

Command and control has been the by-word of most leadership thinking over the last two thousand years. It comes from the military model (no longer fully used by the best militaries any more.) Command and control is essentially a hierarchical, top down approach to organizations. It works reasonably well in slow moving, highly predictable environments where everyone is expected to conform to whatever the boss commands. Obviously it worked for centuries wherever military leaders or kings ruled, and enabled the establishment of highly effective manufacturing industries in business.

This approach to leadership depends upon the drives to *Acquire* (command & control) and *Defend* (risk management & no deviance from the norm or the past) to be the predominant elements of a business culture. All energies to *Create* were focused on one department – Research & Development ; and energies to *Bond* were aimed at uniting within silos and functional units – thus Marketing would fight Operations, Procurement would wrestle with Finance, and so forth, just like fiefdoms in a feudalistic society.

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Mastering the transformational power of differential energy is the inner secret of both trust and innovation. Once a leader gets “in tune” with differential energy, it becomes synergy.

But if differential energy clashes, the result is conflict. Let’s illustrate:

Great music is a set of differentials used masterfully to create symphony.

The woodwinds may weave a tender melody as the strings are singing a harmony, while the percussions are pounding a mighty rhythm, and the horns are wailing counterpoint tune.

A great symphony is not placid, nor is it conflictive – it’s synchronized differential energy creating a synergy.

Just like in martial arts – if one resists the differential energy, the likelihood is that a war will occur and both parties will be depleted and bloodied in the end; differential diversity carries within itself the seeds of conflictive destruction.

Team members with have different values, priorities, belief systems, and cultural heritages will often identify first with their culture of origin, making the team seem fractured and distrustful of each other. Teams with similar mindsets lack the diversity to be highly creative and may fall victim to the process of “group think,” where conformity becomes a distinct liability.

Conflict and Differential Energy

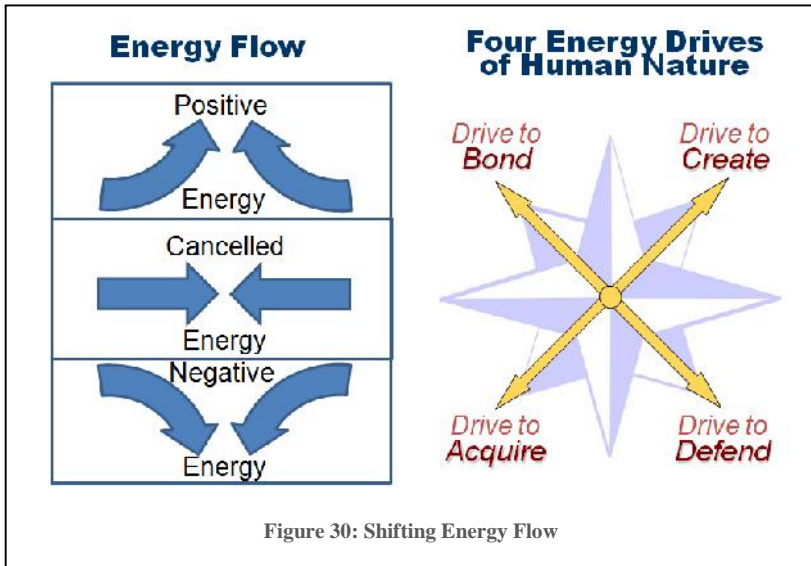
Shifting differential energy is essential when two personalities begin to clash. Unless one of the people is evil, the battle of egos can be highly destructive. There are three fundamental options for how differential energy can flow as illustrated in Figure 30.

Energy in an argument usually starts off as simply a difference in opinion or point of view – one person’s energy is cancelling the other’s. There is no elucidation, no revelation, and no gain of trust. And no one feels they have “won” the argument. More often this energy flow is unstable – ego energy (drives to

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Acquire & Defend) kicks in to try gain ascendancy and protect one's position against attack.

It is exactly at this critical stage that the adroit and perceptive innovation champion will proactively shift the energy by listening, understanding, and creating a sense of safety (using the foundational steps on the Ladder of Trust) to move the energy upward into new insight and personal revelation.



The battler will do just the opposite, engaging in a lose-lose destructive power struggle as egos engage in a dinosauric fight to oblivion.

Attaining the right set of dynamic tensions is very desirable for any leader. In the next section, we will explore the nature of some of those tensions, and their importance to trust and collaborative innovation, and how to create synergy.

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The Case of IDEO -- Differentials in Thinking --

IDEO is considered on the foremost organizations that conceives new innovative products for their clients. Thousands of new products have been first conceived by this organization.

They have mastered the whole concept of using Harmonies & Polarities -- differential thinking -- for innovation.

Just look at one of their innovation teams. Diversity: in creating teams – gathering insightful, motivated people, with a range of expertise; it is likely to be composed of:

- Both men and women, varying in ages
- People from highly differentiated backgrounds, such as:
 - Business (marketing, finance, etc)
 - Sociology or Psychology
 - Engineering or Architecture
 - Design or Art

People also come from different perspectives, some are extraverts, others are introverts, some are thinkers, and others are doers.

In each and every team, however, they all cherish the differences within the team and honor each other's point of view. This is the essence of trust. Without it the innovation teams would rapidly implode.

Harmonizing Differentials -- How IDEO brings it together

It's not great talent nor the best brainstorming technique. The "secret sauce" if the truth be known is a soft, squishy thing that makes hard-nosed business executives uneasy: "empathy."

In IDEO's world, innovation doesn't launch out of hair-brained ideas or super-slick graphics. Instead it starts in the heart before migrating to the head with a very sincere connection with people's frustrations, pains, anxieties, as well as their joys and desires.

Step One in the IDEO method is to comprehend and feel the human condition, empathizing with the people who will be using or servicing a new product.

Figure 31: Differentials in Thinking

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[RPL: Update IDEO Case with new data from Kelly]

True co-creation comes from the frictional effect of differential thinking challenging the status quo. In a world filled with distrust, as we've seen in the American Airlines and General Motors cases, differential thinking was lost, wasted, or channeled into anger and revenge; innovation potential was never converted to positive action. IDEO is a perfect example of how trust supports innovation by enabling the expression of differences in thought. (Figure 31)

Nissan Case: Harmony doesn't Generate Innovation

In 1999, when Carlos Ghosn took over struggling Nissan Motor Company in Japan, it was on the verge of declaring bankruptcy – but “too big to fail.”

Over the course of the previous decade, innovation had faltered dramatically, and customers were finding Nissan to look and feel old.

70% of the car was made by outside suppliers, with whom Nissan had long, trusting, harmonious relationships. The Japanese have a word for it: “Wa” meaning “harmony.”

These cozy arrangements had gone soft – everybody was happy and honest, but not very creative.

When Ghosn shook up Nissan and demanded innovation, he wanted to gain a trusting relationship with his suppliers, but he wanted them to have a creative “edge.” He encouraged people to challenge the conventional thinking, to shorten time frames, to find better ways to translate work into real value. He demanded better cars, more efficiently produced, an more collaborative innovation from suppliers and his internal team.

Within a year, Nissan was back on track and profitable.

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Questions to Ask:

1. *How many New Ideas & Innovations are presented by our team , our partners, our suppliers every year?*
2. *How many New Ideas & Innovations are Implemented every year?*
3. *Are our team, partners, and suppliers Rewarded for New Ideas & Innovations?*
4. *Are people Rewarded for working innovatively with other teams, branches, and outside partners?*
5. *How well do we Train & Support our partners to collaborate & innovate?*
6. *What should we do to put a Partner Innovation Program into place?*

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#5 KFS: Drive Breakthroughs by Numbers

Collaborative innovation needs goals – targets that create either incremental or breakthrough results. The term *collaborative innovation* itself signifies the unification and alignment of the drives to *Bond* (collaboration), *Create* (innovation), with the drive to *Acquire* (goal setting).

This process is not new. For centuries, innovation teams have used measures as the benchmark standard for improvement. In the mid 1700s James Watt entered a partnership with Matthew Bolton to develop the steam engine that powered the industrial revolution, steam boats and trains. Watt began improving an earlier design by Newcomen and soon achieved a 75% improvement in fuel efficiency. The evolution of the steam engine was rapid, as all the inventors were quite aware of the metrics of success.

Competition among development teams fueled the great leaps. For example, in 1830, on both sides of the Atlantic, innovators pushed the limits for their era. A prize of \$4000 in 1830 in the United States incentivized a more than 3 fold improvement in engine speeds on the Baltimore & Ohio railroad in just one year.

In that same year in England, Stephenson's *Rocket*, entered into a competition with other locomotives for a prize of 500 pounds offered by the Liverpool and Manchester Railway. The *Rocket*, best

Capitalism causes “creative destruction,” the incessant replacement of the old by the new. The only effective response to creative destruction is collaborative innovation.

fulfilled all the conditions set by the railroad for practical operation. The primitive locomotive, weighing more than seven tons, pulled a load three times its own weight at the rate of 12.5 mph and hauled a coach filled with passengers at 24 mph.

In the one hundred year period from James Watt's 1781 10 horse power steam engine, its output increased to as high as 10,000 horse power.

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In the mid-1800s, the battle for breakthroughs in light were equally intense. While Edison's lighting system today is heralded as a breakthrough that transformed the way we work and live, the battle over efficiency in light teetered back and forth between incandescent light bulbs and incandescent gas mantles as the best source of illumination until electricity finally was deemed the winner – after the first world war. It took the development of lights that could economically produce the power of 80 candles before a decisive victory could be declared.

Other technologies, such as radio, television, aviation, automobiles, telephones, and later space travel, computers, the internet, smart phones and many other breakthroughs all follow the same path – the comparative power of performance metrics to define value.

5 KFS Corollary: *Speed Up Everything*

In the race for innovation supremacy, one of the most important by-words is to *accelerate*. Pushing the envelope on speed, flow rates, and time will produce create a challenge for trusted innovation team.

But it's not just a matter of acceleration. Often linear processes bog things down, by containing too many steps, too much non-value added work, and too many hand-offs, such as Figure 33.

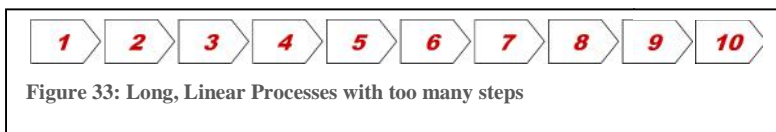


Figure 33: Long, Linear Processes with too many steps

For example, in project with Big Brothers - Big Sisters, it took 22 weeks to find a new Big Brother or Big Sister, which included advertising for new recruits, screening for security checks, and then training new recruits. By the end of the cycle, a half a year had passed, kids went without an adult mentor, and the mentors were disillusioned.

After a redesign of the process, by reducing non-value added work, reducing steps, and reducing handoffs, the time to

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complete the cycle was reduced to 6-8 Weeks, a 70% improvement.

The redesign made the system more integrated, into three basic clusters, as illustrated in Figure 34.

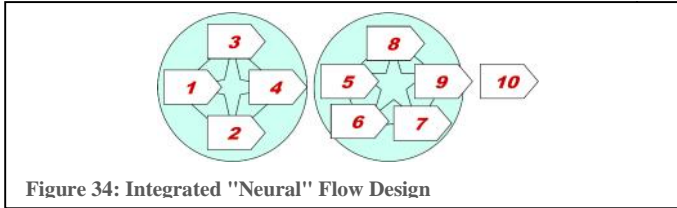


Figure 34: Integrated "Neural" Flow Design

Establish Benchmark Targets

Driving breakthroughs by the numbers requires measuring current performance standards, and then setting breakthrough targets. Often this requires shifting the "currency" being measured from standard costing to value, performance, effectiveness, or efficiency. (See Figure 35)

Performance Metrics

Change Currency from Price to Cost-Effective Innovation

- Product Improvements
- Service Improvements
- Technology Improvements
- Forecasting Improvements
- Productivity Improvements
- Quality Improvements
- Speed/Cycle Time Improvements
- New Processes
- New Products
- New Services Delivery Capacity
- Integration of Solutions & Systems
- New Core Technologies
- New Delivery Mechanisms
- Technology Breakthroughs
- Faster Adaptation

Figure 35: Sample Targets for Performance Metrics

Some Questions to Ask

1. *Where is the Process Flow Too Slow?*

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2. *Where is information or forecasting poor, wrong, too late, or inadequate?*

3. *How could the process flow be redesigned to enable better speed, accuracy, and innovation to occur?*

Measure Collaboration

Because of the importance of people working together in the development of innovation, measuring the level and amount of collaboration can and should be measured. (See Figure 36)

Examples of Collaboration Metrics

to Ensure Cross-Function, Cross-Organizational Synergy & Synchronicity

- Quality of Trust
- # Cross Functional / Cross Boundary Teams
- # Cross-Boundary Meetings
- # Ideas Exchanged Across Boundaries
- # Pre-Research / Early Stage Collaborations
- # Common Metrics across Boundaries
- # Shared Rewards for Joint Effort
(low licensing, variable royalties)
- # Speed of Quality Transfers from Research to Development to Commercialization
- # Private/Public/University Secondments across Boundaries
- # Joint Fundings
- # Frequency of Joint Steering Committee Meetings
- # Speed of Joint Decision-Making & Problem-Solving
- # Senior Executive Sponsor Joint Meetings

Figure 36: Examples of Collaboration Metrics

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#6 KFS: Dismantle the Traps

To enable collaborative innovation to take solid root in a company, not only must a strong foundation be built based on the preceding Key Factors for Success, but the “traps” that already exist in a company’s current condition must be dismantled. Otherwise these traps will undermine efforts.

Two of the most obvious traps have been addressed earlier in the Key Factors for Success methodology:

- *Lack of a Collaborative Innovation Culture Trap*
- *Lack of Innovation Leadership Trap*
- *Unclear Value Trap*

Creating a great collaboration in science does require both discipline and good judgment. There are six critical areas that must be neutralized to prevent collaborative innovation from being booby-trapped.

1. *Resistance to Change Trap*
2. *Mistaking Tools for Best Practices Trap*
3. *Individual Monetary Rewards Trap*
4. *Insufficient Resources Trap*
5. *Misaligned Measures & Rewards Trap*
6. *Risk Management, Legal & Contracting Trap*

Here are a ways to deal with the traps that will contribute to supporting and sustaining synergies within the collaborative innovation team:

1- Resistance to Change Trap

The failure to anticipate and deal with *resistance to change* can be devastating. Innovation, by its nature, challenges current thinking, power structures, communications patterns, accepted ways of operations, among a myriad of other things. This is normal, as change disrupts people’s drive to *Defend* by

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confronting their security and patterns of behavior. Here are some of the factors to watch for:

- *Insufficient Value*

All too often there is not a compelling reason to change – a rationale that lays out the need to do something different, the potential dangers for intransigence, and the gains to be achieved once the innovations are put in place.

- *Too Much Fear*

People fear uncertainty, ambiguity, and distrustful situations. If the leader distrusts, his/her message will also be distrusted. People must feel that ultimately the innovations will provide greater safety and security. All innovation means the loss of something; great leaders have compassion about this loss.

- *Too much Ambiguity & Complexity*

Change will disrupt the brain's pattern recognition system and prediction capability is confounded or says "no!" Without sufficient training, knowledge, and planning, the innovation process will be difficult to digest.

- *Too Little Engagement*

There is a fundamental principle that all seasoned collaborative innovators understand deeply: *People Support What They Help Create*. Those who will be impacted by the change should have some involvement in the details of the shift, enabling them to have a sense of control over their destinies, a joint effort with other team mates, and the ability to contribute to the ideas required for implementation.

- *Too Little Evidence*

To prevent natural skepticism from degenerating to cynicism, many people need evidence – concrete data

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and clear examples of how it was done by others and the cause-effect relationship of strategy, planning, actions, and results. Often it's best to establish a small scale pilot program to demonstrate value and create learning that can then be scaled to a larger program.

- *Too Much Risk*

People who resist change typically have higher needs to prevent/reduce risk than more adventurous risk takers. Typically this means there are concrete, measurable impacts above a key hurdle rate that makes the effort worthwhile, the upside looks greater than the downside.

- *Too Few Rewards -- Rewards & Measures Reinforce Old Behavior*

Rewards and probabilities of success must be sufficient to outweigh the risks. If the old performance measures and rewards are not realigned to the new vision and standards, people will be trapped in a dysfunctional environment between the future and the past.

- *Too Little Leadership*

Ultimately, any innovation effort cannot be relegated to lower levels in the organization. Innovation is a strategic initiative first; then it relies on operational excellence. The strategic is a responsibility of a trusted leader/champion.

2- Mistaking Tools for Best Practices Trap

Managers love tools and techniques; it's one of the things that distinguishes managers from leaders, who will gravitate toward strategy and best practices. This trap manifests in:

- the purchase of software without understanding its use and limitation

- use of tools and techniques without understand the best practices needed for success
- jumping into implementation and action without planning and leveraging resources
- not mastering the mind-sets that enable using the right tools in the right sequence for the right purposes.
- not being clear about the leadership, trust building, and teambuilding required before using a tool.

The high level of failures of Lean Management are attributable, to a large extent, to this trap.

3- Individual Monetary Rewards Trap

Many leaders make the false assumption that by giving individuals a financial incentive, innovation will be stimulated.

First, this assumption presumes that people are motivated to create by money. While there may be a small number of people for whom this is important, most people's primary motivation is that innovation is a natural act of creation (drive to *Create*) which gives deeper meaning and purpose to their lives.

Second, as soon as individual rewards are offered, the collaborative part of innovation is destroyed. And, worse, individual rewards cause people to fight over who gets the credit for the innovation, which can trigger anger and even law suits.

4- Insufficient Resources Trap

If you ask any business, from the largest multi-billion dollar global corporation to the smallest local sole proprietorship, about resources, they will all say they don't have enough resources – money, people, time, or whatever.

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However, studies have shown that, in fact, companies with too many resources usually squander them – it’s the resource constrained companies that tend to be most successful. (just look at how the lack of resources forced Apple Computer or Toyota to be resourceful).

Collaborative innovators find new solutions in spite of limited resources, thus leveraging their resources enormously.

5- Misaligned Measures & Rewards Trap

One of the most frequent mistakes in innovation program design is the failure to realign the organization’s metrics and rewards match the new vision, new mind-sets, and new behaviors required for success.

For example, if innovation is required by strategic suppliers, pushing for price cuts, using adversarial negotiations and hard-nosed contracting may be relics of a by-gone strategy that must be discarded.

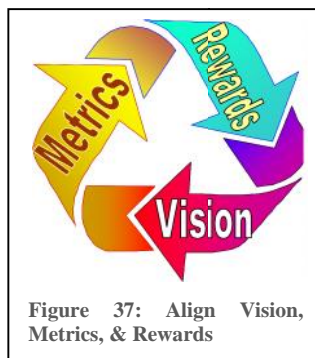


Figure 37: Align Vision, Metrics, & Rewards

Ensure required results are multi-dimensional (financial, attitudinal, behavioral, creative, etc.) (see Strategic Return On Investment -- Figure 38) Be sure to reward and recognize individuals and teams that produce the right results the right way

Some of the metrics to consider are: strategic drivers, measures of “winning,” performance measures, leading indicators, and compensation. Rewards include: recognition, financial compensation, career paths, promotion, punishments, and culture patterns.

6- Risk Management, Legal & Contracting Trap

[RPL: Insert Trap Details Here]

Without a powerful commitment that fully embraces collaborative innovation, a research, discovery, or development team risks:

- Challenge without inspiration
- Desire without a Dream
- Drive without Destiny
- Falling into the Abyss between what's real and what's possible

THE GREAT LEAN MANAGEMENT MISTAKE

Collaborative Innovation (accessing the energy from the drives to Bond and Create) is undoubtedly one of the most powerful means of generating new competitive advantage for companies.

Unfortunately, a large number of innovation efforts fail. In general, over 50% of all innovation efforts reportedly fail, and the largest failure rates come from Lean Management implementations.

Why Lean Programs Fail

Jeffrey Liker and Mike Rother of the Lean Enterprise Institute⁸⁷ state,

“Toyota’s success has inspired tens of thousands of organizations to adopt some form of a lean program. The focus of lean is on the customer and the value stream. You can say it is a pursuit of perfection by constantly eliminating waste through problem solving.....

Certainly an organization that is truly dedicated to becoming lean is on a path toward excellence.

“Yet a large survey conducted by Industry week in 2007 found that only 2 percent of companies that have a lean program achieved their anticipated results.

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“Why is the pursuit of excellence through lean so difficult?.....

“We have both concluded.... that people have had a fundamental misunderstanding of what the Toyota Production System is in practice. We mistook lean solutions for the process that leads to what we see in a Toyota plant. We need to look more deeply at the human thinking and processes that underlie specific practices that we observe.

“The difference between the visible and invisible purposes of [lean processes]and other lean tools is the difference between attempts at implementation of tools, and using the tools as part of deliberately practicing a routine for continuous improvement.

“We missed this underlying skill and mindset development focus of the Toyota Production System.”

Failure to See High Performance Teamwork

The large majority of those who have studied, written about, taught, and tried to implement lean systems in manufacturing, health care, and government have come from engineering and operations backgrounds. As Liker and Rother have stated above, they *missed the underlying mind-set and skill-set development focus*. The implementers failed to see that lean is, at its fundamental level, first and foremost, a system of collaborative innovation.

A great implementation starts with the building of the right mind-sets and skill-sets before attempting to launch an innovation program. This requires the investment of time and energy in building a high performance team first, and then building an innovation program upon the structure of the high performance team. (see Figure 21) The NUMMI Case (see Chapter Two), when Toyota took over the dysfunctional GM plant demonstrates how Toyota management invested time and money in reprogramming the workforce’s mind-sets and skill-sets for high performance teamwork and collaborative innovation.

Low Trust → Low Team Performance High Innovation

Lean Management Failure (Link to 4 factors above) [this is RPL's List]
[RPL: Update & Upgrade & Integrate this chart]

Why Teams Fail: What we need to Learn from High Performance Teamwork

1. *Lack of Trust*

- **Blame game, Complaining, Negativity**
- **Selfishness, No Caring about others**
- **Manipulation, Deceit**
- **Too much Criticism, no respect**
- **Fear (unsafe, disrespect, insecure)**
- **Losing Attitude, Low Standards**
- **Poor Work Ethic**

2. *Lack of Leadership*

- Leadership is NOT Management!
- See Championing Innovation later in this chapter

3. *Lack of Fundamentals*

- *Focus/Goal Clarity/Urgency*
- *Lack of Recognition/Reward*
- *Lack of Learning from Breakdowns & Mistakes*
- *Lack of Competency/Skills*
- *Lack of Standards of Excellence/Measures of Success*

LEAN should have been called “Collaborative Innovation” from the beginning – “people working together to create something of value.”

NEVER Focus on a Single Methodology without understanding how it connects as a System to other Methodologies, and how the Metrics & Rewards are linked.

NEVER build Methods on a Weak Foundation: Leadership, Teamwork, Trust are essential. If the Foundation is missing, then Organizational Transformation is required – must be supported by C-Level

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Why has TRUST been “Invisible” to Lean *Experts*?

[RPL: Update & Upgrade & Integrate this chart]

Context Theory (hiding in plain sight)

- “It should just be understood”
 - Trust is natural in the Japanese Corporation, but it has no methodology
 - If you have to spell trust out, you just don’t get it
- Everything is a process that can be measured
 - If it’s not a process, then it can’t be designed
 - Anything that can’t be broken down into a process is just not important
- The missing element is “learning”
 - Focus on creating a Learning Culture
- Trust is just too ephemeral and “soft” to be designed, tested & replicated

Samurai Theory

- Hide in the Open
- Be subtle to the point of formlessness, be mysterious to the point of silence
- Strategy involves deceiving the competition.
 - When competent, appear incompetent; when strong, feign weakness;
 - when effective, seem ineffective;
 - when clear, look confused; thereby causing the enemy to be unprepared.
- Deception is only for the purpose of achieving victory over a competitor

THREE INVISIBLE “FOUNDATIONAL LAYERS”

1. Trust – Behavioral Foundation Layer
2. Teamwork – Functional Foundational Layer
3. Leadership – Visionary & Inspirational Layer

FOUNDATIONAL MINDSETS: TRUST & COLLABORATIVE INNOVATION

The structure we've outlined about the function of trust in generating collaborative innovation can only be realized when it is converted from knowledge to action, which starts with how one perceives opportunity and how one thinks:

1. Human Nature: People have evolved four drives, ultimate survival motives that need to be satisfied. Their drives to *Bond & Create* must come first if one wants to be collaborative innovators. The drives to *Acquire & Defend* must *support* the first two drives, *not predominate*.
2. Trust: Trust is essential to innovative collaboration. The basic elements of trust are fairness, honesty, respect, integrity, and empathy. When leaders start with command and control as the first principle of alignment, they quickly trigger the *Acquire* and *Defend* drives, suppressing trust. Leaders who fail to create trust limit their range of motivational options to fear and force.
3. Teamwork: Most people want to work together; only five percent are anti-social. Be careful about putting even highly creative lone rangers in charge of innovation teams; they knock out the collaborative side of the innovation equation.
4. Fear: Fear can be a tool or a weapon; it's a tool when the fear is focused *externally* to the organization, but an innovation killer when used *internally*. Don't use fear as a spur, don't create artificial internal crises, and don't punish people

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who are well intentioned. Weed out those who believe that command by fear is the best way to get results.

5. Creativity: People are born creative; it's natural to want to bring new ideas into the work world. Let creativity be demonstrated by small as well as big hits.
6. Alignment: Aligning people on a common goal and purpose requires they can trust each other while they walk the same path. Start first by aligning around the four drives of the customer, and then the four drives of the key stakeholders, employees, stockholders, and suppliers.
7. Synergy: The attainment of synergy is possible only when built on a foundation of trust that honors differentials in thinking and the creative passion of people. If synergy is absent, look for distrust as the first culprit.
8. Eliminate Bad Apples: Remove senior and middle management leaders who rule by manipulation, fear, hoarding, or sheer power. In failing organizations, it is not unusual to find a large proportion of senior management attached to these beliefs. If these leaders are firm in their attachment to this belief, they need to find work elsewhere.
9. Reconfigure Metrics & Rewards: One common cause for failure is putting in place a new innovation initiative, but leaving the old metrics and rewards in place. This leads to dysfunction and frustration, for the reward system doesn't

match what is truly valued. Be sure to measure and reward collaborative innovation.

10. Create a Four Drive Honor Code: Many organizations have created “Values Statements.” While there is nothing wrong with this, the values often are weighty and abstracted from everyday life. Instead, ask people/ teams to create day-to-day Operating Principles (typically less than 1 page) that will govern their interactions. We suggest using the Four Drive Honor Code (see Figure 12) or the Principles in Figure 15 as a starting place, adapting it to their unique needs and circumstances.

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CHAPTER NINE: ECONOMICS OF TRUST

TRUST CREATES PROFITABILITY

Southwest Airlines is widely considered the most successful airline in the industry. (this industry has had a net cumulative loss for a decade). Southwest continues to be profitable year after year. They attribute it more to the people they hire than anything else. So what are their hiring secrets? Most people think it's bringing aboard people with a positive attitude. Yes, that's true, but attitude masks the real strategy.

Just as the great sports coaches have learned that not all talented athletes are created equal; so too, not all competent job candidates are created equal. Southwest employees must be competent, but other qualities are essential: Character, Championing, Compassion, and Collaboration.

Southwest is very particular about who they chose to be part of their team, hiring less than 1% of those people who apply for jobs. As one pilot said:

"What we get from the hiring selection process is mutual respect."

Southwest employees are trustworthy – honest and hard working, and they are team players – collaborative and caring.

Senior VP Matt Ridley put it simply:

"We look for people with integrity, because it is the most critical leadership quality."

We need people with a strong work ethic, they don't ask for anything that they wouldn't do for themselves.

They've got to treat people right, beyond following the rules, they care about others."

Having employees you can trust to do the right thing, every day, every time is one of the most valuable assets that make you a success.

Trust is the Secret Ingredient to Innovation

Most companies today want people who will innovate collaboratively. In the fast-moving, rapidly changing world we live in today, collaborative innovation is the most sustainable source of competitive advantage a company can have.

Innovation doesn't come easily; all-too-often they espouse innovation, yet get the same-old results -- mediocrity.

Why is innovation so difficult to sustain? One reason is because all innovation comes from differentials in thinking. If everyone thinks alike, there is no creative tension, thus no innovation. This is the essence of an innovative organization - one that keeps those differences from devolving into arrogance, insularity, and ego battles arising when the drive to defend past actions and current runs rampant.

And this is where the difficulty begins - people who don't trust each other get caught up protecting their egos and their turf. They take refuge in their silos and with their peer group of specialists. From these defensive positions, they start finding fault with others who don't think like them. Engineers blame the development guys. Marketing gets upset with finance for being bean counters. Sales says engineering is creating the product they can sell. Everyone forgets about the customer.

Respect for *differences in thinking* is critical to getting people to ask the tough question about how to innovate collaboratively.

The second reason is based on the illusion that innovation comes from lone inventors. Nothing can be farther from the truth. With the exception of a few people like Nicoli Tesla, nearly all invention in the last 100 years has been a collaborative effort. Innovation is a team sport.

Innovation comes from cross-pollinating ideas from one arena, specialty, or person to another. Ideas are electric, and thus will flow only if there is a conductive pathway between minds. Close the mind, and close off the flow of creativity. Those who trust each other are far more likely to have an open mind; distrust is threatening, and innovation becomes blocked.

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Einstein observed the most important question for any person to ask: "Is the universe a friendly place?" For if one's universe, the world that surrounds us is hostile and threatening, then we cannot trust our environment, and we close off all creativity

Einstein further stated: "Creativity is more important than knowledge." Creativity is the natural state of being of most humans. Just observe a four-year-old. They are always asking questions as they construct their understanding of the universe around them. This age is also the time of our lives when we trust the world around us.

Building innovation capacity requires people to ask tough questions, to challenge the status quo, to be contrarians. If people are disrespectful in their responses to challenges, any chance of building the collaborative networks required enabling the generation of ideas and the transformation of those ideas into prototypes and products will be undermined or destroyed. Dishonoring others only results in the collapse of collaboration.

It's imperative that innovators today know how to establish a "trust system" that enables collaborators to act honorably with each other, that makes intellectual property safe from incursions, that establishes joint principles of engagement, and that honors the differentials in thinking that stimulates the creative energy so fundamental to all innovation.

CREATIVE DESTRUCTION ENDANGERS SURVIVAL IN BUSINESS

Since 1990, 50% of the Fortune 500 have are no longer on the list, and only 11% remain from the original cast when the list was created in 1955. Nearly 9 out of 10 have either gone bankrupt, merged, gone private, or still exist but fallen from dominance. Of the S&P 500, at the current turnover rate, 75% will be replaced in 15 years.⁸⁸ The cause: like the inevitability of the four seasons, the relentless and merciless force of *creative destruction of capitalism*.⁸⁹ Just look at what happened in five years to high-flyers Nokia, Blackberry, and Motorola when they failed to accelerate innovation in the smart-phone market against rival Apple.

ROLE OF TRUST IN COMPETITIVE ADVANTAGE

Historically trust has been the purview of psychologists and social scientists, which has led to perception that trust is fuzzy and soft, or that trust is about ethics or well-being or altruism.

This Handbook aims to look at trust from a much more disciplined, economic, and strategic perspective that will enable senior leaders to take concrete actionsto produce competitive and economic advantage.

What's more, the evidence tells us: Trust is the wisest means of gaining the *most effective Return on Investment* for any business.

As a business or team leader, you are always seeking ways to master the forces of creative destruction, outperform the competition, and beat the market averages. Harnessing the power of the "trust engine" will prove to provide a continuous stream rewards, both in the short and long term.

And there's one great by-product: High trust enables many managers and employees to find meaning and purpose in their work, which, in turn, improves productivity in multiple ways.

TRUSTWORTHY COMPANIES OUTPERFORM FINANCIALLY

How serious is the "trust deficit"? One index, the Edelman Trust Barometer, points out:

Only 53% of respondents trust business.⁹⁰

Only 18% of the general population trust business leaders to tell the truth regardless of how complex or unpopular the truth is.

This "trust deficit" is not just another sociological slam against business. It has serious and widespread ramifications – two major bottom-line impacts:

Share Price and Profitability

Sustainable Competitive Advantage

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The “trust deficit” acts like high blood pressure – a silent killer from hardening of the arteries – that can go unnoticed for years, but will take you out by heart attack or stroke. If your company suffers from the “trust deficit,” it’s diminishing your revenue, market share, brand reputation, talent turnover, employee engagement, cost levels, stock price, and bottom line profitability.

TRUST & LONG TERM PROFITABILITY BY INDUSTRY SECTOR

To determine if trust really had an impact on competitiveness and financial success, along with the late Paul R. Lawrence, Professor Emeritus of Harvard Business School, we did an analysis of the industries in which exemplary companies do business.⁹¹ The major source of competitive success was derived from trustworthiness. We isolated trustworthy leadership practices from other dynamics that affect performance. We explored five industries in intense competitive environments: airlines, autos, groceries, insurance and steel. For these industries:

- Resource inputs were the same
- Strategy was not a major differentiator
- Advanced Technology was available for all
- Rate of change was reasonably constant
- Product and service outputs were the same

Airline Industry: All airlines buy their planes from predominantly two or three manufacturers, use the same basic IT systems, fly out of the same airports, buy fuel from the same petroleum companies, and have the same unions. Price competition is fierce.

Profitability: In the U.S. the high-trust culture belongs to Southwest⁹², and it has been the most consistently profitable airline. In Canada, there are two primary airlines: Air Canada and West Jet, (which modeled itself after Southwest). West Jet consistently outperforms its rival Air Canada.

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Auto Industry: All have the same suppliers who provide 80% of the parts, build cars with the same configurations, and have similar dealerships across the land. Price competition is fierce.

Profitability: In the U.S. the most consistently profitable companies have been the high-trust companies, the Japanese Manufacturers: Toyota, Honda, and Nissan.

Grocery Sector: All grocery chains buy their food from the same sources, run similar stores, use similar IT systems, and sell to the same local customers. Price competition is fierce.

Profitability: In the U.S. the most consistently profitable companies have been the high-trust companies: Publix, Whole Foods, and Wegmans.

Insurance Sector: All insurance companies offer the same basic products, have access to the same actuarial statistics and customer base, and use similar IT systems. Price competition is fierce.

Profitability: In the U.S. the most consistently profitable company with the highest customer service ratings, highest trust, and lowest cost of delivery has been: USAA

Steel Industry: All steel companies have the same access to iron ore, billets, or scrap, as well as the furnace technologies, have same access to labor pools, and must abide by the same federal regulations. Price competition is fierce.

Profitability: In the U.S. the most consistently profitable company has been the high-trust company: Nucor Steel

Bottom Line: Over the last two decades, the high trust companies gained a major competitive advantage. For the most profitable companies, their success came, not from a technology “big bang,” but engaging their workforce in thousands of small improvements that impacted their overall profitability.

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FINANCIAL SUCCESS AND THE CORRELATION TO TRUST

In case after case, the “investment divide” is marked by short versus longer term gains. Investors committed to day-trading and flipping of stocks will not find this CEO Handbook of value. But those who are in for the long haul and seek to find companies who build value, avoid litigation and corporate scandals, and have a lower cost of doing business will gain great wealth by heeding this advice.

Numerous indirect indicators of trust also show a direct correlation to superior financial performance in detailed analytical reports from companies such as: Goldman Sachs,⁹³ Deutsche Bank,⁹⁴ Colonial First State Global Asset Management,⁹⁵ Global Alliance for Banking on Values,⁹⁶ and Towers Watson Wyatt.⁹⁷ These studies are bolstered by numerous other analyses from respected sources such as the American Association of Individual Investors,⁹⁸ the Dutch University of Maastricht and Erasmus University,⁹⁹ INSEAD in France, and Harvard Business Review.¹⁰⁰

Focus on Leading, Not Lagging, Indicators

In the last twenty years, the “clock speed” of business has jumped to an astronomical level. This means if senior executives run their businesses off their analysis of the Profit and Loss statement they are doomed to looking at the future in a rear view mirror. Financials are an “after the fact” reflection of what other, more significant forces in the competitive landscape, had already caused to happen. P&Ls can be likened to archeology.

Strategic Return on Investment

Over twenty years ago we pioneered the focus on leading, not lagging, indicators as a means of managing the dynamics of strategic alliances. We coined the methodology “Strategic Return On Investment” (STROI).¹⁰¹ STROI is a balanced scorecard tool for estimating the results that a strategy will bring to your company and for determining how your company and its partners derive value. The essential insight behind the STROI scorecard is that success should not be measured only in short-term financial results, but takes into account other measures: (see Figure 38)

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We believe that seeing the trustworthy companies through the performance lens of STROI helps understand how trust first triggered high impacts on the leading indicators, and then later revealed itself on the lagging indicator: Finance. Stated another way, four indicators (Market Impact, Organizational Effectiveness, Innovative Capacity, and Competitive Advantage) are Strategic and Operational Outcomes, and are therefore more important in predicting future success than the financial element, which is a lagging indicator.



The cases and data analyses cited above are a “macro” view, but fail to give sufficient detailed insight to take concrete action. From a senior leadership perspective, the essential questions are:

1. Why do trustworthy businesses have superior financial performance?
2. How did these companies actually produce such success?
3. Exactly where on the P&L line items did trust shift the game?

The answers lie in the strategic and operational advantages built by trustworthy businesses addressed in the next section.

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STRATEGIC & OPERATIONAL IMPACT OF TRUST

In this section we look the corporation:

- *Strategically* – ability to create Sustainable Competitive Advantage,
- *Operationally* – effectiveness in Generating and Distributing Profit,
- *Prudently* – Management & Reduction of Risks

Strategically and operationally, we examine trust's relationship to and impact on:

1. Revenue Growth & Market Share
2. Operational Effectiveness
3. Innovation & Turnaround Performance
4. Acquisition & Alliance Success
5. Value/Supply Chain Advantages
6. Human Resource Strategy

From the perspective of risk management/reduction, we examine trust's impact on:

1. Employee Morale/Engagement
2. Project Management
3. Legal Affairs
4. Insurance

Analysis: "If we increased trust just 10%, what would be the % or \$ impact on?"

REVENUE GROWTH & MARKET SHARE

Revenue growth is the hallmark of every successful company. Revenue growth is enhanced by long-term, trusting customer relationships for joint problem solving and value creation. Customers and suppliers share valuable information for deeper insights into emerging customer needs, industry trends, problem solving, and opportunities for adding greater value.

Brand Reputation

Brand reputation is all about trust. Consumers are 3 ½ times more likely to buy a trusted brand than one they've never heard of or tried before.¹⁰² A brand that's not trusted is not competitive and loses market share. Distrust will either shut down the information flow, or cause the customer to find another supplier. For example, Dell experienced significant loss of market share when they outsourced their customer service activities. They lost trust with users who needed technical assistance.¹⁰³

Market Share

Many industries have powerful examples of how trusted companies increase market share:

1. In the airline industry, the company that has the highest trust among customers and employees is Southwest. Southwest has consistently outperformed its rivals in market share growth and profitability. The turmoil of labor-management conflict that epitomizes low trust companies have severely damaged American, Delta, and United, contributing to their lower levels of service and profitability.
2. Grocery stores have some of the thinnest profit margins of any industry (typically 1-2%), and bankruptcies are frequent.
3. In the highly competitive Florida market, Publix, the high trust competitor, holds nearly a 53% market share compared to only 14% by Wal-Mart. Publix has a compound growth of 18% per year, as opposed to Wal-Mart's 10.5%.¹⁰⁴ Publix's high productivity from its workforce forced Winn-

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Dixie, its oldest rival into bankruptcy and Albertson's out of the market.

4. Wegman's grocery chain in the mid-Atlantic region has been in the top ten of Best Places to Work frequently. They spend a great deal of effort on employee engagement, trust, and employee development. CEO Colleen Wegman, when asked by an analyst how she can afford to spend so many millions of dollars developing people, laughed and said, "How can I afford not to? I save over \$300 million annually over my competition due to lower turnover. That comes from developing the people in the organization."¹⁰⁵

Bottom Line: These two industry examples are not unique; in industry after industry, the high trust leaders hold a substantial market share, and it's usually growing.

Customer Loyalty and Retention

Study after study reaches the same conclusion: Trusted companies will retain their customers at a rate many times higher than companies that don't listen to their customer's needs, don't provide good service, or will sell the customer something unsuitable to make quota.

Bottom Line: Customer turnover is expensive: most analyses peg the cost of replacing an old customer at 4-5 times the cost of retaining an existing one.

Sales Force Effectiveness

Customers are far more likely to buy from a highly trusted sales person, who will close more sales than sales people with whom the customer is hesitant, worried about service, or bound in negative experiences. A trusted engagement between buyer and seller has a 20-50% higher chance of ending successfully.

Bottom Line: The speed of selling will increase dramatically, by similar percentages, regardless of price.

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Customers will not return to buy from sources they don't trust.

Analysis: If we increased trust just 10%, what would be the % or \$ impact on Market Share and Revenues?

OPERATIONAL EFFECTIVENESS

Every time people interact, the level of trust will impact the way people produce work.

Economic Impact of Trust on Organizational Functioning

To assess the impact of trust (and distrust) on how trust impacted the way companies operate, the Warren Company asked over 2800 participants attending its trust workshops¹⁰⁶ to gauge trust against seventeen different organizational functions.

Speed	Innovation
Productivity	Time Wasters
Redundancy	Integration
Shared Resources	Procurement
Joint Planning	Forecasting
Risk Management	Problem Solving
Labor Relations	Strategic Alignment
Coordination	Early Warning Systems
Human Energy	

We asked senior managers in business and government two questions:

First, where there's a high level of trust, what is the "boost" or "premium" an organization receives in each of the dimensions?

Second, in situations of strong distrust, what is the "drag" or "discount"?

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The answers astounded us. The average “boost” ranges between 50-65% above that with just “neutral trust.” And, on the downside, the average “drag” ranges between 50-75% reduction in efficiencies and energies.

Consider the implications of this data for a moment – a high trust environment will produce a powerful “uplift” that will provide a “secret” competitive advantage that competitors can’t see (because trust is invisible). We conservatively estimate that most companies and government agencies, by improving trust 10-20%, they would improve their competitive advantage at least 20-30%, including major impacts on the bottom line.

For example, Southwest Airlines has had 30 straight years of profitability -- which is unparalleled in the airline industry that has, collectively, lost more money than it has made in its seventy five year history. Certainly Southwest has a good strategy, but that alone doesn’t explain its phenomenal success. The economics of trust provide the competitive advantage that makes the difference.

The investment in trust is actually very small, but produces probably the largest return on investment of all, as well as a massive competitive advantage.

How Trust Generates Enormous Economic Value

How does trust produce such enormous competitive advantage? In lean production systems pioneered by Toyota, one of the primary objectives is to remove “Non-Value Added” (NVA) work, such as wasted time moving parts from one location to another, or redundancies, or paperwork.

The term “NVA” makes it seem that these are just benign parasites in the value creation process, and expurgating them will produce high production efficiencies. Distrust, however, creates a very different set of organizational dynamics, which we have named “Value Destroyers.” **Value Destroyers** (VD) are those actions which are far worse than NVA, and actually do significant damage to a system. Think of them not as “benign parasites,” but as “deadly viruses.”

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To understand Value Destroyer and how they differ from NVA, let's look at four key areas for winning in an organization. In each of these situations, we will look at Value Destruction and Distrust, compared with Value Creation and Trust.

1. Time:

- Distrust: Destructive Time is when people use their time to protect, argue, or fight
- Trust: Creative Time is when people are engaged in Learning or Creativity

2. Human Energy:

- Distrust: Destructive Energy is Conflictive, Confused or Depressed
- Trust: Innovative Energy is Harmonious, Enthusiastic, or Synergistic

3. Strategic Direction:

- Distrust: Destructive Direction(s) – Lose-Lose, People working in opposition
- Trust: Integrated & Aligned Direction – Win-Win, Collaborative Innovation

4. Communications:

- Distrust: Malicious, Faulty, / Misunderstood Communications
- Trust: Interactive / Real Time Communications of Information, Knowledge, Wisdom, & Compassion

Bottom Line: According to the senior managers surveyed, the average “uplift” that can be gained by a high trust environment across the 17 factors: 65-68%.

Analysis: If we increased trust just 10%, what would be the % or \$ impact on any of the Organizational Effectiveness factors?

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INNOVATION & TURNAROUND PERFORMANCE

[The cases cited below are just a few of the many we have collected that illustrate how trust impacts success. See the website for more case studies and more details.]

IMPACT OF TRUST ON INNOVATION

One highly impactful aspect of trust is its impact on innovation.

The Microsoft Case

Ross Smith, a senior director at Microsoft tested the assumption that trust and collaborative innovation are highly linked. He selected the members of the debugging teams based on their willingness to act in a highly trustworthy manner, focusing on key *actions* that promoted trust. (see page ___ in Chapter for more detail on this case)

Bottom Line: Smith's teams have outperformed regular teams by factors ranging from 20% to 200%. Just as importantly, the teams want to stick together, bringing the learning from one project to the next.¹⁰⁷

IMPACT OF TRUST ON TURNAROUNDS

Continental Airlines Case

When a company no longer trusts its employees, the effect becomes cyclical: employees stop trusting the company. Distrust and cynicism plagued the company. In 1994 Continental Airlines was ready to file for bankruptcy for the third time in several years. Newly minted CEO Gordon Bethune took concrete action to rebuild trust, throwing out old policies, empowering people to do what was right for the customers and for the company.

"We wanted our employees to use their judgment," Bethune put his faith in trusting people. Every employee was given the ability to solve minor and sometimes major problems. All the little solutions begin to add up into a major profit.

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"Multiply every little solution by more than 2000 flights a day, by millions of telephone calls to our reservation centers, by thousands of bags that might have missed a plane if someone didn't hustle, by thousands of gate agents making thousands of decisions to keep passengers happy and planes moving Suddenly our employees are running a good airline."¹⁰⁸

"Once we started making profits and writing profit-sharing checks -- 15% of our pretax profits are distributed to our employees -- it's their own money " ¹⁰⁹

Bottom Line: Within six months, Bethune's strategy was showing positive performance,¹¹⁰ problems were being solved rapidly, new innovations being implemented, and within one year, a decade of bankruptcies and losses was being reversed by excellent profits and new revenue growth from satisfied customers. Trust unleashed the naturally inherent creative energies of the workforce and the new management aligned those energies on productive activity.

IMPACT OF TRUST ON IMPOSSIBLE SITUATIONS

Rocky Flats Case

The Rocky Flats nuclear site was considered one of the most dangerous locations in the U.S., the onsite workforce was demoralized. Department of Energy (DOE) officials estimated the cleanup task was so complex with so many unknowns that it would cost of over \$30 billion and take a minimum of sixty five years. Many believed it was doomed to fail.

DOE awarded a five-year, \$3.5 billion contract to Kaiser Hill, (a joint venture between CH2M Hill, an employee-owned 111engineering firm and Kaiser Engineering) for cleanup, which would require continuous innovation, a highly motivated workforce, and high levels of trust.

Once Kaiser Hill took over operations, they found a "bankrupt culture of strained relations, mistrust, and lack of

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leadership.”¹¹² Bold thinking dramatically changed the mindset at Rocky Flats; they had to reengage the same workers, reestablishing trust, and getting the workforce to be productive and innovative.

Bottom Line: Kaiser-Hill completed its contract fourteen months ahead of schedule, more than \$500 million under budget. Company leaders shared the financial gains with the workforce; Kaiser-Hill paid out nearly 20 percent of its total project profits -- over \$100 million in incentives to employees. The results beat every estimate and every probability of success. Rocky Flats is now a national wildlife refuge.

IMPACT OF TRUST IN PUBLIC EMERGENCIES

Santa Monica Expressway Case

When the Northridge Earthquake hit Los Angeles in 1994, the devastation to the Santa Monica Expressway was catastrophic. Consisting of a myriad of 8-lane highways, overpasses, and clover leaves, it's one of the most travelled highways in the world moving 400,000 vehicles per day, and prone to massive traffic jams at rush hour. The governor's office estimated that each day the freeway was closed cost the local economy more than \$1 million in lost production and wages.¹¹³

CalTrans, the state agency overseeing the reconstruction project, knowing a project of this magnitude normally requires two years to complete--one year for design planning and award of contracts, and one for actual construction -- demanded completion in 140 days, including demolition, design to upgraded earthquake-proof specs, construction, and time for the concrete to harden sufficiently, or the contractor would face stiff penalties. Construction firm C.C. Meyers was selected for the job. It was done in a remarkable 66 days, 74 days ahead of schedule. Meyers received a \$14.8 million bonus for outstanding work.

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How did they pull off such a complex project? Paperwork was minimized, decisions were streamlined; and, according to a senior government engineer,

“A lot of work was done with a handshake ... we caught up with the documentation [later]... But this had to be based upon teamwork, partnering, good communications, good decision making. And you've got to build upon your mutual respect, trust, pride, and just being fair.”¹¹⁴

Was this a fluke? Meyers uses teamwork and trust to produce rapid results regularly.¹¹⁵

Bottom Line: A large body of evidence¹¹⁶ indicates that shifting from an antagonistic, adversarial approach to a highly collaborative management system underpinned by trust decreases project completion risk by at least 30% on long term, capital intensive projects.

LEAN MANUFACTURING FAILURES & SUCCESSES

One of the most acclaimed methods of collaborative innovation today is the vaunted Toyota Production System, often referred to as “Lean Production.” Practitioners worldwide have tried to implement Lean, and have accumulated a dismal track record of failure. It has been estimated by the Lean Enterprise Institute, that over 90% of the Lean implementations either fail to produce significant results or are abandoned early.¹¹⁷ Why?

Lean, to succeed, requires a culture of trust to ensure people will work together to remove non-value added work from their traditional work flows. However, most engineers are not tuned to the issue of trust, and thus overlook the importance of creating a culture of trust to underpin the Lean program, hence failure.

Bottom Line: In situations where a foundation of trust is developed first, Lean programs prove to be highly successful,¹¹⁸ proving what Toyota was

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able to establish: an average worker, in a high-trust, high-innovation environment can produce about one good idea every ten days, and implement over 80% of the ideas,¹¹⁹ while reducing non-value added work by 20-30% or more.

INSIGHT FROM CUSTOMER RELATIONSHIPS

The existence of trust enables the flow of information and innovation across the buyer-seller relationship, whereas distrust will either shut down the flow or cause the customer to find another supplier.

Bottom Line: Sustainable revenue growth is greatly enhanced when customers and suppliers share valuable information across the buyer-seller interface, and that information becomes the source of deeper insights into emerging customer needs, industry trends, problems needing solving, and opportunities for adding greater value.

REDUCTION OF RESISTANCE TO CHANGE

People love consistency, stability, and predictability – it's a natural part of the human condition. However, today's fast-moving, rapidly changing environment flies smack in the face of the uncertainty we face in today's world.

Bottom Line: Without trust, people are far more likely to resist change, hold on to old ways, and fear what the future may bring. Trust enables people to be more adaptable, more open to new ideas, and feeling more in control of their destiny.

Analysis: If we increased trust just 10%, what would be the % or \$ impact on any of the Innovation and Turnaround efforts?

ACQUISITIONS AND ALLIANCES

Fundamentally, a company has three growth options: Internal (organic) growth, acquisitions, and alliances. For many companies, both acquisitions and alliances have presented difficulties; trust is important in their success.

Acquisitions

Acquisitions are highly complex, but often chosen as a growth option because companies believe they retain control over the process and outcome. But the success rate of acquisitions, based on numerous studies over the last two decades, is a dismal 30%. Of the remaining 70% that fail, the minority crash because of strategic mismatches or overvaluation at the outset; but the majority underperform because of poor operational integration.

Numerous authorities maintain that trust plays a major role in the successful integration of a new company. When trust is absent, the best people leave first,¹²⁰ leaving the core of the acquisition target hollowed out, with the second-rate players remaining. Poor future prospects and high levels of job insecurity/uncertainty in the failed acquisitions trigger mass desertions. Customers, feeling unsupported, find other suppliers. Financial performance fails to live up to expectations.

Post-acquisition integration is a highly complex organizational process. Experts estimate, in the typical acquisition, there are tens of thousands of points of integration (interfaces) that must be carefully managed. At each integration interface, trust will enhance the chances of a successful outcome during the transition. Conversely, where distrust is rampant, the interface relationships become poisoned, resistance to change is exacerbated, time and effort increases, and the chance of success at the interface are diminished.

Exactly how important is trust? A detailed study the trust dynamics of acquisitions in the U.S., Europe, and Asia by INSEAD¹²¹ found that, among all the factors that enabled successful post-acquisition integration, trust was the most

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critical. Specifically, trust in the acquirer's management by the target firm's members was directly correlated to and enhanced:

- the greater the speed of integration (by competent acquirers)¹²²
- the greater the levels of cultural tolerance and sensitivity,¹²³
- the greater the post-acquisition reward and job security enhancement
- the more credible the acquirer's communication is and the more it meets the target firm's needs in terms of quality, timing, and relevance,

Bottom Line: High levels of trust in the acquiring firm's management positively affects financial performance and success rates of acquisitions.

Alliances

Alliances, even more than acquisitions, are highly reliant on trust. Because alliance partners have no real control over each other, they must work together because they share a common vision and value proposition, and trust each other sufficiently to engage in joint activities. The underlying proposition of alliance leadership is one's ability to *influence without authority*, which is possible only when the other party *values* what you have to offer, and *trusts* you to act in the mutual interest.

Scores of studies of alliances have highlighted the critical importance of trust in producing successful outcomes. Unlike acquisitions, over the last two decades the success rate of alliances has increased considerably,¹²⁴ primarily because of a concerted effort on the part of the profession to continually improve its practices and understandings of the intricate dynamics. Many alliance professionals regularly achieve 75-80% success rates. What has caused this increase? It is attributed to those who use 'best practices' which emphasize trust building, mutual win-win, cultural sensitivity, and embracing diversity as a source of innovation, along with strategic alignment and operational excellence.

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Alliances join “differentials” in capabilities and thinking, and thus are excellent vehicles for of innovation that push the limits of possibility – but only when trust enables co-creation.

Bottom Line: Synergy is the ‘holy grail’ of both acquisitions and alliances. Without trust, the quest for synergy will be met with frustration and failure.

Analysis: If we increased trust just 10%, what would be the % or \$ impact on our Alliances & Acquisitions?

VALUE/SUPPLY CHAIN ADVANTAGES

Most companies think of their supply chain as the backwater of their business; a place where suppliers (all-too-often called ‘vendors’ in a demeaning manner) can be manipulated and squeezed at will to gain concessions and played off against each other.

These tactics are foolish, particularly if a company makes products, and the supply chain consumes a large portion of corporate expenses. Case in point:

Most product-oriented companies spend between 40-70% of their corporate expenses on supply chain,¹²⁵ but fail to consider the function ‘strategic’ to their business. Typically only a mere 3-8% of all their suppliers account for 80% of the supply spend – it’s in that small percentage of suppliers that are the bulk of their strategic suppliers who should be delivering innovation.

More importantly, a company’s supply chain is just the ‘external’ part of a ‘value chain’ that includes ‘internal’ functions, such as Engineering, R&D, Operations,

Suppliers ↔ Engineering ↔ Operations ↔ Marketing/Sales ↔ Product/Service Delivery ↔ Customers

Marketing/Sales and Product/Service delivery. Each function is designed to make value-added transformations in the work flow. In the value chain framework, it’s critical to enhance and accelerate the interactive flow of ideas, innovation, information and emerging needs -- unimpeded by distrust.

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Bottom Line: Competitive advantage is created not just by lower costs, but also by innovation flows through the entire value chain, which are facilitated and amplified by trust.

*Auto Industry Case*¹²⁶

To illustrate how high-trust value chains can generate value, the following case examines the impact of trust in the auto industry:

Today, most cars are assembled from components (typically 70-80% of an auto's content, such as seats, wheels, radios, and tires provided by outside suppliers.) The remaining components (such as engines and transmissions) are made by the manufacturer, who then completes the final assembly.

Historically Detroit's Big Three - GM, Ford, and Chrysler - bludgeoned their suppliers, using adversarial, short-sighted relationships with their key suppliers. It saved money in the short run, but at the expense of consumer value who received poor quality cars; and the suppliers were financially weakened.

As the Japanese manufacturers - Toyota, Honda, and then Nissan - based their supply chain strategy on trust: high levels of cooperation, respect, mutual sharing of ideas, continuous innovation, and a willingness to share in the cost savings those new ideas would bring. The Japanese manufacturers saw suppliers as critical partners in the whole chain of value creation. An annual automotive study in 2004¹²⁷ sent emergency signals unequivocally:

- U.S. suppliers ... are shifting their loyalties - and resources (capital and R&D expenditures, service and support) - to their Japanese customers at the expense of the domestic Big Three.
- US automakers have little regard for their suppliers, they communicate very poorly and they generally treat suppliers as adversaries rather than trusted partners. In

all the other industries studied such as aerospace, electronics, and computers, no one treats their suppliers as poorly as the US automakers do.

- The greater the trust between buyer and supplier, the more suppliers are willing share and invest in new technology, and provide higher quality goods and higher levels of service, which lead to greater competitive advantage and market share.

In the five year period between 2004-2008, the Big Three collectively lost over \$100 billion, while their Japanese competitors were all profitable. Jeffery Dyer of the School of Business at Brigham Young University investigated transaction costs and information sharing in a sample of 344 supplier-automaker exchange relationships in the United States, Japan, and Korea.¹²⁸ He found trustworthiness was an important source of competitive advantage,

“Trustworthiness reduced transaction costs and is correlated with greater information sharing in supplier-buyer relationships. The cost disparity between the highest and lowest trust competitors was extreme, with the low trust relationships producing procurement (transaction) costs that were almost six times higher for the least trusted automaker, thereby improving the profitability of the most trusted company.”

Bottom Line: Dyer concluded that current thinking about transaction costs is restrictive, focusing “almost completely on *cost minimizing* rather than *value creation*.”

“By comparison, trust not only minimizes transaction costs, but also appears to have a mutually causal relationship with information sharing that also creates value in the exchange relationship..[thus making] ... trust unique as a governance mechanism because the investments that trading partners make to build trust

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often simultaneously create economic value (beyond minimizing transaction costs) in the exchange relationship.”

Alberta Supply Chain Simulation Case

Is this auto industry example unique? To test and teach the impact of trust on procurement managers’ ability to produce innovative solutions, Productivity Alberta¹²⁹ designed a realistic simulation¹³⁰ of a five tiered buying scenario in which an End Customer places an order to a Wholesale Distributor who, in turn places an order to an Assembler who then orders from a Component Manufacturer who then orders Materials from the last supplier in the chain. The computer-based simulation, based on real data from industry, has been run scores of times with experienced procurement personnel – over 500 people.

In the first scenario, the buying process through the supply chain is done with the traditional transactional ‘three bids and a buy’ approach where low bidder gets the supply contract. In this scenario, none of the suppliers can talk to each other, they just blindly engage in placing an order, a generating a bid, a confirmation, and purchase order, straight down the line (a ‘serial chain’).

In the final scenario, managers from each member of the chain are instructed to operate collaboratively, acting in a trustworthy manner, charging a fair price, sharing information with all members (which enables the suppliers to act as an ‘integrated network’) to solve bottlenecks, better predict demand, and ensure having only the ‘right/just-in-time’ inventory.

The difference in performance between the ‘transactionary chain using the three-bids-and-a-buy’ approach (the baseline) compared to the ‘integrated network using collaboration’ is extraordinary:

- Fulfillment rates nearly double from ~50% to ~95%,
- More than half the teams were able to reduce costs of inventory and transportation by more than 90% ,

Bottom Line: The economic value of trust enables collaborative innovation to make it possible for a 'value network'¹³¹ to produce extremely powerful results – lower costs, faster speed, innovative solutions, more accurate forecasting, and very high customer satisfaction; while ensuring each supplier makes a fair profit..

Analysis: If we increased trust just 10%, what would be the % or \$ impact on Supply, Procurement, and Outsourcing?

HUMAN RESOURCE STRATEGY

Employee 'engagement' and employee 'participation' are hallmarks of 'high-trust' cultures. In the high-trust companies, people and the HR Department are considered a strategic asset. In low-trust cultures employees are considered a 'liability,' 'cost-center,' or 'replaceable parts.'

Employee Engagement

In an insightful essay -- the "Business Case for Trust" – authors Barbara Kimmel and Charles Green,¹³² state that disengagement occurs when people put in just enough effort to avoid getting fired but don't contribute their talent, creativity, energy or passion. In economic terms, they under-perform. The problem is serious:

- Gallup Polls research¹³³ finds 71% of U.S. workers as either not engaged or actively disengaged.
- The price tag of disengagement is \$350 billion a year¹³⁴. That roughly approximates the annual combined revenue of Apple, General Motors and General Electric.
- According to *The Economist*, 84 % of senior leaders say disengaged employees are considered one of the biggest threats facing their business. However, only 12 % of them reported doing anything about this problem.¹³⁵

Kimmel and Green go on to ask: What does disengagement have to do with trust? Everything. In a Deloitte ethics and

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workplace survey¹³⁶, the number one reason given for employees planning to seek a new job was:

- A loss of *trust* in their employer based on decisions made during the Great Recession (48 %), followed by the next two reasons (also trust issues)
- A lack of *transparency* in leadership communication (46 %); and
- Being treated *unfairly* or *unethically* by employers over the last 18 to 24 months (40 %).

Bottom Line: Trust keeps employees engaged, creative and productive. Lack of trust drives away the best employees, or in many cases causes them to be asleep on the job.

Gallup has conducted a Meta-Analysis¹³⁷ of hundreds of companies, millions of employees and numerous studies on the relationship between employee engagement and performance. Comparing the top half of companies on employee engagement with the bottom half, they found those that emphasized people had, on average:

- 56% higher success rate on customer loyalty metrics
- 44% higher success rate on turnover (lower probability of turnover)
- 38% higher success rate on productivity outcomes
- 27% higher success rate on profitability
- 44% higher success rate on safety (lower probability of injuries or lost workdays)

Bottom Line: Trust enables Employee Engagement which increases productivity and profit.

Employee Retention

University of British Columbia Economist John Helliwell¹³⁸ has conducted extensive research to correlate trust, well-being, and hard-core economic value. He and his team have surveyed nearly

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30,000 people across the United States and Canada; his findings are quite revealing and have important implications on employee engagement and retention:

- A 10% increase in trust in management is equivalent to more than a 30% increase in monetary income in terms of one's sense of well-being.
- Out of all the factors contributing to a strong sense of well-being (including neighborhood factors), work-place factors -- such as trust in co-workers -- was by far the most influential.

Stated another way:

High trust is essential to the sense of well-being workers receive; it:

- keeps them engaged, and
- diminishes their desire to seek jobs elsewhere.

Bottom Line: From our experience with scores of companies and anecdotal evidence, high trust companies have annual employee retention rates between 1-3%, and absenteeism rates of 3% or less. Companies with higher rates should pay attention to the trust issue - every percent turnover and absenteeism is costly.

Turnover and the Cost of Employee Replacement

Direct Costs: Economists Heather Boushey and Sarah Jane Glynn¹³⁹ researched thirty case studies taken from the 11 most-relevant research papers on the costs of employee turnover and found that direct-costs for replacement amount to about one-fifth of a worker's salary. Moreover about one-fifth (20%) of workers voluntarily leave their job each year and an additional one-sixth (18%) are fired or otherwise let go involuntarily (total 38%).

"For businesses that experience high levels of turnover, this can add up to represent significant costs that can potentially be avoided."

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Indirect Costs: Experts agree that *direct* costs are only the tip of the iceberg when assessing the total cost of employee turnover. *Indirect* costs are substantially greater, comprising of: interviewer's time and salary, training time and trainer's salary, and, often the most important, lost productivity due to lack of deep knowledge of the way the business really works, needing to gain systems and process experience, and build customer and team relationships.

Depending upon the study, indirect costs are pegged at between of \$7,000 - \$10,000 per employee on the low side to 30%-150% of the employee's salary on the high side.

Some industries have exceedingly high turnover rates. For example, 37 % of hotel/motel and food services employees voluntarily quit a job in 2011 - one of the reasons that profit margins in the food service industry are stressed. However, the exceptions prove the power of high-trust, high engagement. For example, in Fortune's *Top 100 Best Companies to Work For*,¹⁴⁰ only three grocery chains qualified:

- Wegmans Food Markets ranks #5 (8.3% annual job growth, 44,000 employees)
Fortune's Assessment: Turnover is an exceptionally low 3.6%. Many workers like it there so much they bring in relatives – one in five employees are related.
- Whole Foods ranks #71 (7.2% annual job growth, 64,000 employees)
Fortune's Assessment: This pioneering natural-foods grocer is all about transparency: Employees can vote on new hires, go on field trips to meet suppliers, and are able to see everyone's salary.
- Publix ranks #77 (.7% annual job growth, 151,000 employees)
Fortune's Assessment: The chain of more than

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1,000 supermarkets in five Southeastern states boasts low full-time turnover of 3.2% – unheard of in the grocery industry.

Bottom Line: Employee turnover is expensive; and the productivity losses of high turnover can be staggering. Small improvements in this category can have large impacts on profits.

Employee Engagement, Ownership & Profit Sharing

It's perhaps no coincidence that high trust companies have a high propensity to share the rewards of their efforts with investors *and* employees in the form of ownership and/or profit sharing. An analysis of 26 econo-metric studies of High Performance Systems by economist Jeffrey Kling¹⁴¹ found that:

“Productivity was generally 3 to 5 % higher in firms with profit sharing plans than in those without. Firms implementing profit sharing showed similar gains after adaptation¹⁴²..... A study of 112 companies that use IMPROSHARE [gain sharing in which workers are paid bonuses equal to one-half of any increase in productivity] showed that [both] defect and downtime rates fell 23 % in the first year, and the overall increase in productivity was more than 5% in the first 3 months, and totaled more than 15% by the third year (in comparison, productivity increased by an average of roughly 6% over 3 years the manufacturing industries of which the firms were part.¹⁴³”

Southwest Airlines, Proctor and Gamble, and Publix Grocery are sterling examples with sustained, excellent financial performance that employ ESOP's and profit-sharing practices.¹⁴⁴ These are some of the most successful and profitable businesses in America, having sustained their competitive year after year. Over the last two decades, Employee-Owned companies have outperformed the standard stock indexes. ¹⁴⁵They thrive on trust, which enables them be more adaptable, flexible, and innovative.

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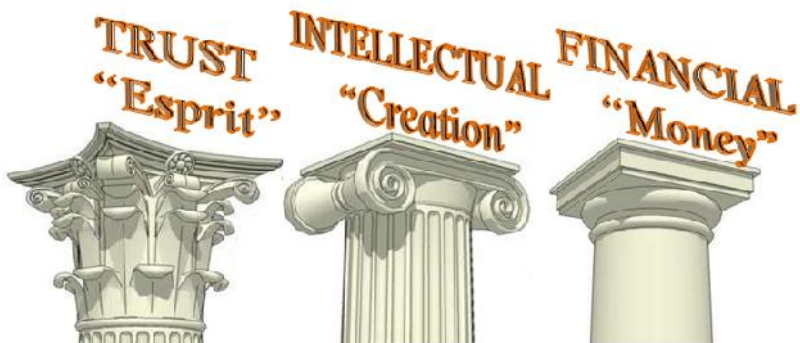
Bottom Line: Sharing rewards (equity or profit) with employees increases trust.¹⁴⁶

Analysis: If we increased trust just 10%, what would be the % or \$ impact on Employee Innovation, Engagement, Retention, Stress Reduction, or Productivity?

Conclusions from Preceding Cases:

Great Leaders manage three types of “Capital” in their businesses;

- Trust Capital: “Esprit de Corps.” It energizes people to work together. This begets the possibility of engaging....
 - Intellectual Capital: Each employee’s commitment to innovation, problem solving, and the elimination of waste.. This begets the creation of value and the reduction of operating costs, which manifests as....
 - Financial Capital: the money that gets paid to the stakeholders for doing their work effectively.



The Three Capitals

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AIR WAR OVER TEXAS

The Competitive-Collaborative Balance

In the annals of the aviation industry, Texas was the site of some of the feistiest leaders and fiercest competitors during the period of the 1980s through the 1990s.

Weighing in as the reigning heavy weight was Dallas-based American Airlines CEO Robert Crandall. A tough-as-nails leader, he was in constant conflict with his unions. Caught with a large airline just as deregulation hit, he had to innovate to survive. He is credited with introducing Frequent Flyer programs, computerized reservations, and the hub and spoke system. Combative and competitive, Crandall is quoted as saying: "I've got one problem. It's about this independent speaking. If you come to work for American Airlines, you will not have any independent thoughts. So you can just scratch that out. All your thoughts will be my thoughts." "The game we are playing here is closest to the old game of 'Christians and lions.'"

A U.S. District Judge, issuing a restraining order against an American Airlines pilot union said 'If you would look up bad labor relations in the dictionary, it would have an American Airlines logo beside it.'

Crandall invested millions in innovation, but never got the full measure of return because he was despised by a workforce that was always getting things shoved down their throat. After nearly three years of bickering with the pilots union, Fortune Magazine wrote in 1997:

No matter how things turn out, this standoff will likely have long-term repercussions at the carrier, the largest domestic airline in the U.S..., the impasse has really been about something much more intangible: trust. When it's lacking in your company, it can cost you deeply--as American's bean counters are currently learning all too well. The airline, no doubt estimating conservatively, guesses that the threat of a strike has so far cost it at least \$100 million in lost bookings as passengers, concerned about various impending walkout dates, choose to fly on other airlines. It's a bit surprising that American Airlines CEO Robert Crandall has allowed employee trust to deteriorate so badly, and with such dire consequences. Even his pilots speak of him with outright contempt... There's been a growing feeling among American employees that the competitiveness Crandall employed so effectively against other airlines is now being turned toward them,"

(Continued on next page)

Building a Team You Can Trust

AIR WAR OVER TEXAS

(continued)

Innovation was always seen as a threat by the workforce, met with resistance and disdain. Distrust prevailed. Fearing their ideas would be stolen, workers seldom shared their ideas with others. Only 9% of employees participated, and less than 8% of all the ideas were adopted. (Compare this to **Error! Reference source not found..**) American Airlines survived, but hasn't thrived.

Across town, Southwest Airlines legal counsel Herb Kelleher was equally competitive, fighting over 30 separate injunctions and lawsuits filed by Texas-based airlines attempting to break Southwest before it even put its first plane in the air and to prevent it from flying anywhere in the state. By 1969 the big airlines apparently won: Southwest ran out of money, and the board of directors told Kelleher to shut down. He convinced them to persevere, and the Board appointed him CEO.

With only four planes, less than 70 employees, and finances in dire condition, by the time the legal constraints were cleared in 1971, they were faced with either laying off employees or selling a plane. They sold the plane and set a precedent: in over 30 years Southwest has never had an involuntary furlough, retaining an unbroken chain of profits. Southwest empowers its employees to contribute a constant stream of daily innovation. A culture of trust pays big dividends.

Kelleher "loved" his employees, building a powerful trust-based culture that treats workers and customers alike with dignity and respect. He epitomizes the right competitive-collaborative balance, beating rival Crandall again and again.

Bottom Line: Trust makes a company strategically and operationally more competitive; Trust makes competitiveness sustainable year after year. Trust, per se, is not the goal. Trust is the foundation for the real goal: high performance.

IMPACT OF TRUST ON RISK MANAGEMENT

Risk management is a critical part of any business. Generally, risk is considered:

"An uncertain event or condition that, if it occurs, has a positive or negative effect on a project's or organization's objectives."

Because risk is inherent with any company, project or program, managers are trained to assess risks and, to mitigate risks, develop risk management plans, which typically contain an analysis of likely risks with both high and low impact, as well as mitigation strategies to help the project avoid being derailed should common problems arise. Risk Management seeks to control or eliminate surprises to "keep things on track," while inadvertently reducing flexibility and innovation. Current Risk Management models typically do not calibrate the role of trust (or distrust) on risk or organizational performance. We believe this is an oversight, often with tragic consequences.

Bottom Line: Trust is an important Risk Mitigator enabling "surprise" to foster innovation. In distrustful environments, surprise often results in breakdowns, blaming, and even litigation.

Trust's Impact on Morale

"The most important job of a leader is the management of morale."

-- Thomas Watson, Jr., former President of IBM & U.S. Ambassador ¹⁴⁷

Poor morale in organizations is not only another sign of disengagement, but of looming risk caused by distrust. It's common in the healthcare industry to see annual employee turnover among nurses as high as 20%. Just ask the exiting nurses, and they will describe the problems of trust and morale. Poor morale not only impacts productivity, but the chances of mistakes, duplication of work, and inadequate attention to detail. In an organization, like healthcare, the

Building a Team You Can Trust

revolving door of personnel introduces new problems of errors, quality, inaccuracy, communications errors, reliability, and project execution.

Poor morale then introduces a very difficult risk factor: poor teamwork. Try working on a project with an organization which is a revolving door of people. Assuming a person assigned to a project is somewhat experienced with a year or two of seniority, they may have only a 50/50 chance of being there for you a year or two from now.

Here's an example of how absenteeism affects the delivery of education in our public schools, according to a recent report by the Center for American Progress (CAP), a Washington think tank, which examined data from the 2009-10 school year:¹⁴⁸

The study shows 50.2% of Rhode Island teachers were absent 10 days or more in 2009-10, compared with the national average of 36%. Educators in Utah had the fewest absences, with 20.9% of teachers out 10 days or more.... Teacher absences cost taxpayers \$4 billion annually nationwide.¹⁴⁹

Bottom Line: If Absenteeism & Employee Turnover is above 3%, look for distrust as a culprit.

Managing Legal Risk¹⁵⁰

In the worst situations where distrust runs rampant, the lawyers get involved. Because the task of any lawyer is to reduce risks for their client, the lawyer is then compelled to shed risk onto the other party, usually with layers of complex penalty clauses coupled with threats of litigation, destroying any chance of creating the trust necessary to resolve problems. (While not appropriate in all situations, when contractual members hold strategic relationships, the *shedding risk* problem can become especially gruesome; strategic relationships often call for *sharing of risks and rewards*, which produce better results)

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Typically, when distrust is high, negotiations get thorny, which makes trust worse, which, in turn creates more threatening legal action, often ending in litigation. Any chance of taking advantage of the speed and innovation potential of trust is doomed. There is a commonly held observation in the legal profession:

“If you can’t trust the other party,
there is no legal contract that will protect you.”

Bottom Line: Between trustworthy parties, spend time establishing operating principles that will help build and sustain trust. Use complex legal agreements to protect you from the untrustworthy: those ruthless predators, thieves, and scoundrels – then pray!

Managing Insurance Risk

The insurance industry has found that trust is a powerful risk mitigator. USAA has some of the lowest costs of operations and the highest rebates on dividends because it learned that military personnel have high character, and are thus more trustworthy than the normal population. Charter Partners has twenty years of experience creating risk insurance pools based on groups of companies joining into *trust circles* to share best practices in risk reduction in their companies. The result: typically a 20% or better reduction in Property and Casualty (P&C) costs.

Trust can be a powerful mechanism for reducing risk and its affiliated costs, as the following case illustrates.

Trucking Industry Case

Suffering from both from a frequency and severity of claims, in 2008 a New Jersey based trucking organization with 250 employees (members of the Teamsters Union) had been unsuccessful in securing Workers Compensation in the insurance marketplace. Their only alternative was to enter the N J state fund (high risk pool) where their premiums were

Building a Team You Can Trust

elevated astronomically – nearly \$3 million. They needed help fast to stay competitive and remain in business.

To solve the problem, a dramatic two-level strategy required a major change in the culture of both the trucking industry and the in the individual companies. (note: the trucking industry is a somewhat rough and tumble industry, known for its toughness): To do this an alliance was created between other similar companies who where in a similar risk pool. Charter Partners, serving as an insurance industry facilitator to develop and manages high trust risk insurance pools, engaged the truckers to begin the process.

- First, the New Jersey truckers association had to:
- Agree on common safety standards.
 - Agree to share best practices between competitors
 - Agree to an ethical standard between the members where they would not use confidentially shared information to any of the member's detriment (such as raiding each other's drivers, telling customers about inside information, etc)
 - Agree to develop better work practices within their companies to build trust with their drivers, especially considering that safety and personal health is critical to a driver's income-generating capabilities.

Charter Partners then conducted an on-site Trust Based Safety (TBS) Assessment with management as well as employees to identify the current reality of an organization's safety system, including philosophy and vision, to identify opportunities for improved performance. Participants were graded in 10 key areas with a total possible score of 1,000 (the best possible).

The company immediately began to aggressively implement the results of the TBS assessment with continuous focus and improvement within their organization. The

High Performance, High Innovation Teamwork

cooperation of the truckers was essential; if they didn't have confidence in management's intentions, the whole program could backfire. As a result of this "transformational shift" by the trucking company, their loss experience dropped from:

- 103 claims: \$2,800,000 in premiums for 250 employees in 2008
(average \$11,200 premium per employee) to
- 64 claims: \$586,00 in premiums in 2013
(average \$2,344 per employee = nearly \$10,000 per employee savings)
= \$2,300,000 annual savings (almost \$10 million over the next 4 years)

Bottom Line: These kind of turnaround numbers are common when their culture shifts and people trust that their personal safety is the #1 priority.

Project Management Risks

Trust has a major impact on Project Management. New initiatives, when they fall behind, can cost a corporation dearly.

In the pharmaceutical industry, just being a day late can result in the loss of \$1 million in revenues.

In a large scale energy/oil & gas development project, the cost of being just 1 hour late can be \$1 million¹⁵¹ - and they normally come in 50% over budget and schedule.

Despite a large body of knowledge about project management, and wide-scale accessibility of project management software tools, all too many projects fail to be delivered on time and on budget. For example, in the IT (Information Technology) industry, some surveys indicate up to 90% of projects fail to come in on time, or those that do come in on time pad the time schedules for unknowns so they look like they come in on time.

Building a Team You Can Trust

The reason for so many miscalculations and poor on-time performance is often that a breakdown occurs where two or more different people, teams, or organizations don't communicate effectively about what's needed, what difficulties they must overcome, or what expectations they have of each other. That's called a trust breakdown. How important is trust a factor in project management?

Lockheed FX-35 Case

How important is trust a factor in project management?

Consider that the multi-billion dollar FX-35 fighter jet being developed by Lockheed Martin is far over budget and has taken years longer to develop. The VP of Procurement explained that a large measure of the problem was in the supply chain. Queried further, he explained that the supply chain problems were not primarily technical problems, only 30% was technical, and 70% was due to mistrust.¹⁵² Distrust cost Lockheed billions.

The key to on-time and on-budget project delivery is the ability of the project participants to collaborate, solve problems interactively, and adjust to changes in project scope and complexity - all requiring high levels of trust. In numerous analyses of successes and failures in on-time, on-budget delivery in project management in the construction industry, high trust, high collaboration relationships consistently demonstrate risk reduction of 10-30%.¹⁵³ The Rocky Flats and Santa Monica Expressway cases (above) illustrate the dramatic value of trust on fast-time project delivery.

Boston Big Dig Debacle Case:

The Big Dig was the most expensive highway project in the U.S. and was plagued by escalating costs, scheduling overruns, leaks, design flaws, charges of poor execution and use of substandard materials, criminal arrests, and one death. Originally scheduled to be completed in 1998 at an estimated cost of \$2.8 billion, it finished nearly 10 years over schedule and \$12 billion over budget.¹⁵⁴

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How could so many people make such a mess of this project? George Jergeas, of the Engineering Department of the University of Calgary has analyzed scores of construction projects; he's concluded that high level of collaboration and trust become increasingly essential in managing project delivery risks, especially as projects increase in size, complexity, and uncertainty.¹⁵⁵ Jergeas has studied the good, the bad, and the ugly of construction for years, advising Risk Managers and Project Managers:

"Anyone who has been schooled in and practiced traditional project management and risk-management techniques knows the commandments: "Define the scope and don't change it!" "Plan the work and work the plan!" "Set the goal and do whatever it takes to achieve it!" These commandments are great ideas for projects of short duration and limited scope.

"But for major capital projects, spanning many years and facing many uncertainties that go beyond a project team's ability to control, we have proposed the counter-intuitive notion that leaders should be adaptive; willing to change the scope, adjust the plan, and even change the goals in order to increase the business value of the asset they are creating."¹⁵⁶

How does one enable such adaptability in the face of massive costs, contracts, and unpredictable outcomes? Jergeas is firm advocate of doing business with people who are trustworthy to start with,¹⁵⁷ as the following example illustrates:

Australia-New Zealand Heavy Construction Case

In Australia and New Zealand, large scale construction projects were plagued with problems of distrust and adversarial relationships. Massive overruns escalated the public sector risks in transportation, water, and building projects. Future investment in private sector projects in mining, oil, and gas were threatened by uncontrolled risks and problems in the field.

Building a Team You Can Trust

A group of insightful construction leaders decided to change the game, “creating no fault, no blame” construction cultures for each project based on the strategic alliance model.¹⁵⁸

Over a 15 year period, encompassing 400 major projects, an alliance-based approach was developed. It relies on collaborative planning, streamlined cooperative contracting, integrated project delivery, making adjustments during the construction, joint risk-reward sharing, and all parties engaging in a trustworthy manner. The results have been tallied:¹⁵⁹

- Projects come in consistently on-time and on-budget, or better, with
- Rapid Changes in Scope and Adroit Response to unforeseen circumstances,
- While not engaging in a single law suit

In our work developing alliances in the construction industry in North America, we regularly see how trust enables projects to come in on-time and on-budget.

Bottom Line: Distrust is not necessarily a result of poor ethical behavior. The way business arrangements are *structured* can very often bring out either the best or worst in people (as the Continental and NUMMI cases in Part 3 illustrate).

Understanding Trust on Breakdowns at the Interface

The reason for so many miscalculations and poor on-time performance is, more often than not, the breakdown that occurs at the point of *interface*, (see Figure 39: Breakdowns at the Interface where two or more different people, teams, or organizations don't communicate about what's needed, what difficulties they must overcome, or what expectations they have of each other. That's called a trust breakdown.

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When a project planner “estimates” the amount of time to get a task done, they typically think of what needs to be done, what could go wrong, and what the chances are that a task could go awry.

Trust presents a unique problem for the project planner. First, it is not very measurable. (Transparency International’s Corruption

Scale is a good place to start to compare international risk, but it doesn’t help when one must consider the unique relationships of a specific project and the cultures of the people and organizations they represent.)

Second, trust does not show up in risk manager’s minds. Most project estimators are analytical people who see data, facts, evidence, and adhere to measurable quantities. (these are often referred to as “left brainers” because the analytical function occurs on the left side of the brain, whereas trust is a relationships issue that happens on the right side of the brain.) This is reinforced by risk management authorities who instruct risk managers in what to consider a risk. For example: Figure 40: *Relationship between Risk & Objectives* is an oft-cited risk management framework.

Nowhere does it encourage a professional estimator to consider the trust factor.

Bottom Line: This whitepaper proves that trust is a massive factor in human performance -- completely left out of the Risk Management Equation, often with tragic results.

Lean Management Case

Lean management is another example: less than 10% of Lean Management projects succeed, the other 90% fail. Why? Because Lean requires high levels of employee involvement. According to Gary Loblick, a highly successful Lean expert:

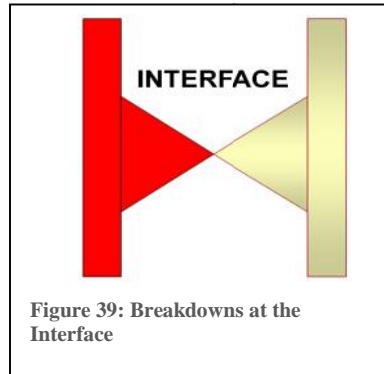


Figure 39: Breakdowns at the Interface

Building a Team You Can Trust

Type of RISK Management	TYPICAL RISK OBJECTIVES
PROJECT RISK Management	Time, Cost, Performance, Quality, Scope, Client Satisfaction
BUSINESS RISK Management	Profitability, Market Share, Competitiveness, Internal Rate of Return, Reputation, Repeat Work, Share Price
SAFETY RISK Management	Low Accident Rate, Minimal Lost Days, Reduced Insurance premiums, Regulatory Compliance
TECHNICAL RISK Management	Performance, Functionality, Reliability, Maintainability
SECURITY RISK Management	Information Security, Physical Security, Asset Security, Personnel Security
Source: David Hillison, Effective Opportunity Management for Projects	

Figure 40: Relationship between Risk & Objectives

“When managers try to impose Lean Management on their employees, if there is no trust, there is no collaboration. When people don’t work together, they don’t give it their best effort, they don’t share ideas, build on each other’s thinking, and engage in joint action.

“Because most Lean Management implementers are engineers (like me), we tend to overlook the most basic human factors, like trust, relationships, cooperation, and attitude. Our profession tends to see everything as numbers and work flows that can be broken down into core processes. Trust isn’t a process, thus it is hard for engineers to address.

“Our teams make this the first consideration before starting a Lean Management project. We’ve renamed

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it: 'Collaborative Lean.' That's why our teams are so consistently successful."¹⁶⁰

Lack of trust causes projects to build-in a lot of non-value added work, such as more checks on others, more reports, more meetings, more redundancy, more confusion, and more bureaucracy. The more complex the project, the more interface points, and the more critical the trust-based integration between organizations and differentiated tasks. Consider what project management authority Samuel Okoro observes:

"In most projects, the final stage is an integration of the outputs of several previous paths. Assume in a particular project that the final stage is the integration of the results of five paths. Assume again that the time estimates for each of these five paths is such that there is an 80% chance of on time completion, what is the chance that integration will commence on time?

"For the integration to commence on time, all the five paths must be complete. The chance that one path is completed on time is 80%. The chance that two paths are finished on time is 80% x 80% which is 64%. The chance that four paths are finished in time for integration is 64% x 64% or about 40%. The probability of all five paths being finished in time for integration to commence is about 33%! More likely than not, integration will commence late. Considering that in real life, projects are far more complex and integration will typically involve far more than five paths, it is no wonder many projects fall victim."¹⁶¹

Bottom Line: In today's fast moving, rapidly changing world, ambiguity and uncertainty is more and more prevalent. This can be a toxic environment when mixed with distrust.

Analysis: If we increased trust just 10%, what would be the % or \$ impact on the Reduction of Risks across our company?

Building a Team You Can Trust

COLLABORATIVE VERSUS ADVERSARIAL COMMERCE

Sharing the Win-Win – An Interlude between Crises

In the 1980s, Chrysler was on the verge of bankruptcy, averting a major cataclysm with a Federal bailout. Ultimately Lee Iacocca pulled off a miracle, and brought the company back to solvency.

What is not generally known is that by 1990 Chrysler was again precariously poised on the doorstep of doom. Chrysler was bleeding. Losses were mounting, cash reserves were depleted. To stay alive, Chrysler was stretching its payments to suppliers, who were normally paid in 30 days, according to industry practice. Chrysler pushed its payments to the limit, hanging its suppliers out to dry; 120 days behind was the norm, which was bleeding the suppliers. Continuing on this path was a potential disaster. If the suppliers kept getting stretched, they'd go bankrupt. If the suppliers stopped delivering product, Chrysler would go bankrupt, and the suppliers might, if lucky, get back ten cents on the dollar.

There was one more card to play, and it took guts. Executive Vice President of Procurement, Tom Stallkamp, could take a radical departure for an American car company, and start working collaboratively with its suppliers. Recalling the definition of insanity, "Doing the same thing over and over again expecting a different result," Stallkamp seized the day. After he and his team were approached by several key suppliers (who also supplied Toyota and Honda), together they changed course. At that time Chrysler was beginning the process of launching the Chrysler LHS, which quickly got nicknamed "Last Hope for Survival."

Together with Chrysler, the suppliers were to be treated as trusted partners. They would be brought in early in the design process, not trashed like lowly vendors, and be given long term contracts to ensure they didn't have to waste time, energy, and precious trust on continually engaging in bidding wars with all the uncertainty and distrust the bidding process entailed.

Adversarial Commerce – Destruction of Value

The follow is the story told in Tom Stallkamp's words (In the story, note carefully how the drive to *Acquire* and the drive to *Defend* are the predominant themes in the relationship between buyer and seller):

"Adversarial commerce is based on using short-term leverage from the value of the business to produce equally quick results. The major, were dominant, side is usually the manufacturer of the final product.... A minor, or submissive, side is a vendor of a necessary component or service, such as an automotive parts supplier or grocery vendor. In these situations the dominant side manages and controls the final production or distribution of the final distribution or production of the end product.

"Under adversarial commerce, the dominant party applies economic leverage in a dictatorial, arbitrary manner. The dominant company forces the subordinate party to concede to demands without considering the financial hardship or long-term affects those demands might create. This might seem to be a natural byproduct of size, responsibility, or power, but the negative aspect it creates colors the entire relationship.the adversarial firm concentrates on short-term results instead of building a sustainable and growing relationship. This battle for total control produces a situation like that between a drug dealer and a user. Both need each other, but only one is in control of the situation. The drug dealer uses his access to the product to control the user, just as the original equipment manufacturer uses his purchase contracts to control the supplier.¹⁶²

"The greatest problem that adversarial commerce brings is escalation in the amount of control exercised throughout the company both internally and externally. Control is a natural state that all people strive to achieve, and it is the same for corporations. We all like to be in a stable environment in which we principally decide our own actions. Managers and corporations want the same, and they often use control tactics to try to stabilize and direct the business. Most people are disturbed

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by uncertainty; to remove that condition, managers often gravitate to using more aggressive command and control styles. Strong control systems have been built into our organizations, from very early examples including the military and the Catholic Church. It is no accident that our commercial system uses similar rules and direction to establish some degree of control.¹⁶³

“Older, established companies are more inclined to fall into the adversarial trap the newer firms. This assumption can be explained by the fact that an established culture tries any means to defend itself and to make itself independent from others. As a firm ages, the bureaucratic aspects of the organization feed on this quest for independence. This action could make trust of extended partners more difficult.”¹⁶⁴

“To a large extent, we have been conditioned and educated to accept some amount of control from the proper authority. Problems arise when the manner and tone of control gets too one sided, too arbitrary, and often too illogical for the other party to accept. In these cases, using control steps beyond trying to bring order to the relationship and moves into trying to dominate it....Managers’ overwhelming concern for control causes them to be overly imaginative in protecting their “interests”¹⁶⁵

“Adversarial commerce forces the two parties into a defensive posture that is counterproductive to building long-term goals. Relationships built on distrust between two parties force them to protect their own profit position instead of work for joint solutions to joint problems. An underlying atmosphere of antagonism and defensiveness permeates the environment under this management style. Even though they are doing business together the firms build barriers between each other, when they should be working more closely. Under adversarial commerce, companies use tactics that intentionally keep the relationship tense and unstable. The subsequent tendency is for both sides to seek maximum control over the other party and try to regain advantage.¹⁶⁶

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“Conflicts over control are common today because companies sometimes mouth the words of mutual co-existence and partnership, but maintain [their] old style monitoring and financial control reporting structure [thus] defeating the purpose of letting people or suppliers manage their own actions. This act of not “letting go” of the military-like review is one of the most damaging effects of adversarial commerce.”¹⁶⁷

“Arrogance and the self pride generated by an overriding need to exercise control can negatively influence the very relationships the company must have to survive and grow. This inward thinking orientation and defensive attitude has poisoned the ability of US automakers to react to change and has seriously endangered the very survival in the future.”¹⁶⁸

[By sharing information between buyer and supplier,] joint planning and sourcing can reduce a buyer's outlay for research and development and ensure less risky, much more secure return for the supplier. It might sound simple but in practice this type of sharing of information is discouraged under adversarial commerce.”¹⁶⁹

Collaborative Commerce – Mutual Value Creation

“Collaboration permits companies related a common enterprise to streamline their mutual operations, reduce overhead costs, and speed up the product-development process. The advantages are that everyone can share in the sustained profitability and security of growth.... This is definitely not for the fainthearted or for managers who like to be on autopilot. Some people will not be able to make the conversion, but the good thing is that, for everyone who fails, there is at least one individual who will find the collaborative approach to be more rewarding and challenging. The transition will not be easy, but it certainly is less onerous than waiting for pink slip for watching stock prices fall because of the negative results of the command-and-control adversarial style.”¹⁷⁰

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GM either showed an amazing lack of perception awareness when it telegraphed intentional signs of renewed adversarial behavior when it announced it could arbitrarily breaking the contract with only a 30 day notice. The industry press screamed that this is one of the most blatant abuses of leverage ever seen.

Later, GM senior management was forced to clarify the statement by saying that it would be used very seldom -- and only then as a last resort for quality problems. The management members probably could have created more trust had they thought about using those qualifications when announcing the new policy. Actually, if they were really interested in building trust, there probably wasn't a real need to make a formal announcement in the first place. Actions create perceptions, and trust is built only through a consistent application of principles. Any deviation creates suspicions, even if it is not intended to do so....

The respective parties must earn trust by acting consistently and openly. Management must be constantly aware of the actions of a few managers behaving badly can negatively impact program and destroy trust in the whole organization.. Stallkamp P 165 -66 (possibly link to principles)

“From a practical standpoint, you might be tempted to question what is so wrong with companies using leverage to force suppliers into cooperation. Isn't this just the economic clout we would all expect a big firm to use? Many people think that, in the Ford example, the company was quite crafty in implementing its forced price reductions.

“The answer is that, under adversarial commerce, there isn't any true cooperation.

“The short-term advantages that might be gained are swamped by the long-term harm and incremental cost built into a very protective commercial system.

“True, dictatorial methods might produce quick results. While producing those results these methods generate longer-

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lasting negative responses and also at cost the over the long term. Concentrating on immediate results builds in a bias against collaboration."¹⁷¹

"It takes a lot of time to rebuild an environment of trust after it has been damaged. Many large companies seem to care less about creating trust than about using adversarial tactics to gain what appeared to be advantages, even though these often prove to be short-term advantages."¹⁷²...(In other words, the most *competitive* business strategy may use the the most *collaborative*, high trust tactics and methodologies because the collaborative approach reduces non-value added work and destructive behaviors which may attributed to distrust.)

Toyota's Collaborative Approach

"Within the worst industry for adversarial commerce is a successful example of how a firm can use collaboration to achieve superior results. That example is Toyota. More than just a Japanese cultural anomaly, it is a mature company that continues to thrive and crush its competition through a carefully managed corporate philosophy of defining what is expected of itself and its suppliers. Toyota follows this process with consistency and fairness. The company is not "soft;" and consistently receives the highest marks of trust and relationships. The final coup de grace in the traditional mindset is that Toyota is also the most profitable and successful automaker in the 21st century to date.¹⁷³ Toyota has the advantage of the best manage collaborative relationship style in the auto industry and perhaps all of commerce. It is based on culture that is more *holistic* than merely Japanese.

"The elements of Toyota's overall culture combine to make collaboration produce a system in which trust replaces suspicion. Contrasting Toyota to the US big three, the following major differences show the way it conducts business across its own enterprise:

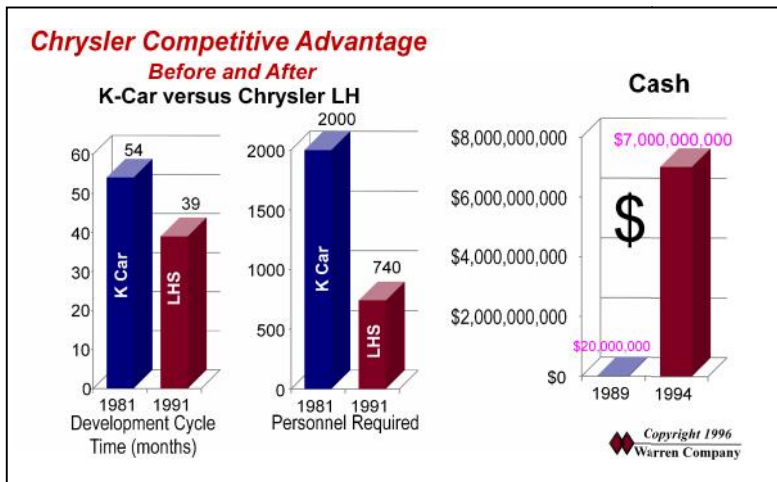
- Clear Definition Of Roles And Expectations
- Dedication To Long-Term Relationships

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- Strict Performance Measurement With Feedback
- Transparent Measures of output, scrap, cost, quality that are probably shared with all involved parties inside and outside the firm
- Process Dedication

...Toyota has educated suppliers and associated companies and insisted that they utilize its elements as well....

Although Western firms have tried to copy the Toyota production system method, they have had only limited success in its implementation.¹⁷⁴ This is primarily because companies fail to recognize somewhat invisible elements of



the Toyota system, which include a clear understanding of collaborative strategy (or collaborative commerce), the need to build strategic alliances, the collaborative innovation required, and trust building elements. Note that in the above list, these invisible elements are not listed. It's what's not said is just as important as what is being said.

“Honest and open communication is the heart of building trust within the enterprise. Toyota's actions are collaborative because the company works closely with suppliers on new product development, but they are not

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arbitrary nor negative.¹⁷⁵ In other words, there is not a highly critical style of superior demanding performance from subordinate, such as has characterized GM's relationship with suppliers. Relationships "are based in fact, not rumor, and the company's overall business relationships are viewed as tough but fair."¹⁷⁶

"This atmosphere of fairness makes the Toyota collaboration system function so well. The various constituents know what is expected of them and know that if they meet or exceed those goals, they will be rewarded with increased business -- business that is based on products that meet consumer objectives, not the cost minimization so prevalent in the domestic auto industry".¹⁷⁷

The Japanese automakers are applying "pressure without resorting to threats (fear), with more consistency and greater spirit of cooperation," according to Jon Henke, a professor of management at Oakland University who has done significant research and supplier relationships.¹⁷⁸ (see next section for Henke's full report)

Nissan Shifts to Linking Trust with Innovation

This distinction between harmonized trust (corresponding with fellowship and friendship on the Trust Ladder) and synergistic trust (corresponding with partnership and creationship) is well illustrated by what happened at Nissan: "Nissan recovered from virtual bankruptcy through the reorganization of talents Carlos Ghosn, sent in from Renault to protect its investment [they had made in Nissan earlier]. Ghosn's recovery plan for Nissan was to maintain collaborative Japanese

¹Author's Note: It should be noted that the "tough but fair" approach is one of the distinguishing features that differentiates "harmonized" trust from "synergized" trust; the former is cozy, smooth, soft, friendly, and unchallenged; whereas synergized trust is dynamic, filled with challenges, constantly aimed at higher and higher targets, and sometimes even confrontational, but in a positive way

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approach while replacing the supply base. This might seem like a contradiction, but it is another example that collaboration itself isn't [necessarily]"soft," and can continue to be used while companies are in distress.

"Nissan became a victim of poor product planning and unimaginative design. The company maintains a keiretsu group of suppliers who were closely related to Nissan were not world-class. Ghosn realized both the danger of a weak supply system and the advantage of the close operation they enjoyed during the Japanese management's tenures. He opened up in Nissan's sourcing to other world-class global component suppliers but kept the elements of collaboration highlighted earlier in the Toyota discussion. It is a tribute to his organization and managerial abilities that Ghosn was able to accomplish this feat. Nissan is now on a roll. It has great new products which significantly improve profitability, and at this writing is the hottest, most successful car company around. It is a success story of both exceptional talent collaboration approach with a new twist.

"It shows a company in deep financial and product trouble can make major changes with its enterprise of still holding on to the principles of collaboration. In this case Nissan was able to replace its old closely held supply base with a new, more global one. The new suppliers realize the opportunity and pledged cooperation because they saw that Nissan was serious about making changes for long-term rather than quick fixes.

"Although the act of changing suppliers might seem adversarial, the manner in which it is conducted is the determining factor. Nissan follow the rules of collaboration by outlining the responsibilities suppliers, communicating its intent, following through in a consistent and predictable fashion. Certainly, the results cannot be considered "soft," even though he approach was collaborative.¹⁷⁹

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Ten years after they forced a 5% reduction on suppliers, recognizing that more than half their costs came from suppliers, Ford initiated their Total Value Management (TVM) program to remove \$3.2 billion in expenses. Forming joint teams made up buyers and engineers to work with suppliers. However, Ford's heavy-handed unwillingness to share costs savings with suppliers created stern reaction as supplier trust plummeted, and innovation streams flowed to Honda, Toyota, and Nissan. (p 23 Stallkamp, and 2004 PPI study).

To make trust matters worse, suppliers objected to Ford's the distorted and twisted intent to use dictatorial methods to make unreasonable demands by using unrealistic bids from suppliers who lacked qualifications to quote on costs. These illegitimate quotes were then used as leverage to force the suppliers to knuckle under in order to retain a contract. (- p23 Stallkamp).

After years of such iron-fisted domination, hundreds of vendors had no profit margin left, resulting in moving more and more subcontracting offshore to China, and driving suppliers out of business, thus reducing the supply base competitiveness. As one supplier stated in 2002, "All our business with Ford and GM only helps paying overhead costs, but makes no contribution to profit. In fact, we are now subsidizing these guys." (AGMA workshop in Detroit. This is the same workshop when suppliers said they only bought Japanese care, except for one meek response where the CEO stated he did have a GM car that they kept on the back lot for trips to the GM plant so they wouldn't be seen as treasonous.)

By 2007 (a year before the 2008 recession began), 500 suppliers a year were either driven out of the industry or laid to rest in the vendor graveyard.. - WSJ Article , August 2007

To survive, many simply shipped their work to overseas subcontractors.

Was this really necessary? Honda, Toyota, and then Nissan, with their more collaborative, trust-based approach to suppliers, built a strong North American base of suppliers. It may be surprising to some that Camry manufactured in their Georgetown, Kentucky plant, has the highest amount of American content than any Ford or GM product.

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Wielding Power with a Fist

"Wielding power can be intoxicating... purchasing power in negotiations is always influenced by the size of the purchase or the body.... it's easy to see how that leverage turned into raw power. It even affects the way people behave... power and leverage go hand-in-hand, and sometimes the hand turns into a fist."¹⁸⁰

As Stallkamp stated above, fear often triggers an overwhelming concern for control, crucifying trust, leading to a hijacking of the creative intellect whereby people channel their imaginative powers into finding new ways to protect self-interest and torpedo their sinister bosses. Examination of joint/mutual interests goes unattended.

Stallkamp comments on the way General Motors conducted it's affairs:

"The techniques Lopez used were demanding an arbitrary. If suppliers would not agree to immediate price reductions, the contract was terminated and given to another lower-priced source. Existing multiyear contracts that had been negotiated before his arrival were ripped up..... One of Lopez's more flagrant actions was shipping proprietary drawings of unpatented items to offshore manufacturers with limited technology, to get a cheaper price. These lower overhead quotes were then used to force the inventing firm to lower its prices, or risk losing business..... Lopez forced and coerced his suppliers into submission ... [and] transformed GM purchasing into an aggressive machine whose actions and tactics were both brutal and arbitrary¹⁸¹and dictatorial, placing the supplier at a disadvantage by always threatening to resource the business to a lower-cost¹⁸² manufacturer found elsewhere."

"The arbitrary nature of Lopez's demands created deep-seated animosity within the General Motors supply community that impacted their development of new products. More than 25% of the parts had been sourced to

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new suppliers under Lopez during his short nine months he'd been in power. Industry and financial analysts have cited this action as one of the reasons why GM's quality deteriorated during this period. This outsourcing created turmoil and dislocation in a system already fragile quality standpoint. (see Lordstown case)

Eight years after Lopez had left, GM executives confided to me they were still "worshipping at Lopez' alter," leaving an indelible mark on GM's mistaken beliefs about value, negotiations, and the ethics of business.

"Ford forced mandatory price reduction action on all its suppliers... By electronically modifying all its existing production purchase orders with thousands of suppliers to pay only 95% of what had been previously negotiated with them." "All invoices were factored to 95% of their value and Ford sent the reduced amount as full payment."¹⁸³

Without question his actions were unorthodox, highly effective in achieving short term gains, and completely illegal. But they backfired in the end.

The damage was subtle. Innovation flowed away from GM & Ford, completely negating any cost saving they had attained. Because of the lack of trust, Innovation flowed away from GM & Ford, into Chrysler, Honda, and Ford.

When Lopez tore up the contracts, of all the hundreds of suppliers, only TRW took GM to court for breach of contract. All the other suppliers, in the face of such dominating force by GM, submitted or were outbid by lower price contractors. Quality slipped, and by the late '90s, warranty costs far exceeded profits. Stallkamp continues:

"Ford and GM exhibited a negative and domineering manner ...to control the relationships in normal business dealings...."¹⁸⁴

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A Positive Approach to Cost Reduction

Stallkamp was an enlighten realist, taking a more insightful approach to human behavior and economic engagement.

“Chrysler encouraged suppliers to contribute most of the savings in the way of price reductions, but also encourage them to keep some of them, to reinforce their profit margins, and redirect it to into their own businesses.. This concept of sharing the savings with the suppliers was truly unique in the supply base members quickly supported. A relatively simple data system recorded and monitored the savings.

This approach required" operation among all areas of the company, especially procurement and engineering. These two normally separate apartments jointly developed and shared cost reduction targets for score. Weekly reports follow the submission of supplier ideas and were tracked to the appropriate internal area that would approve the suggestion. This prevented ideas from languishing in the system, as have previous attempts to solicit ideas from supply base.

This concept also relied on the assumption that the business relationship would continue over time. As long as cost, quality, delivery, and technology targets were met, the business relationship would be preserved and not outsourced.... The supplier was given the chance to correct any problems before an alternative supplier introduced.

Results - 1994

- Alliance with Suppliers
- Few Formal Legal Agreements
- \$1,000 price advantage per auto
- Most Profitable Auto Manufacturer
- Highest Return on Assets Auto Manufacturer
- Fastest Market Share Growth Auto Manufacturer

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Chrysler system produced significant initial savings that totaled more than \$500 million in cumulative costs in the first year....and a total of \$ 5.5 billion between 1992-1998,"¹⁸⁵

"The reason Chrysler survived and eventually prospered was the supplier support during our dark days. The suppliers literally saved the day and the firm.¹⁸⁶... most important, many suppliers improve their profit margins on the Chrysler business and devoted increased funding to technology that supported the new vehicle that returned Chrysler to profitability during this period.¹⁸⁷.... Chryslers net material costs declined year after year. Additionally the suggestions that came in from the suppliers compounded year after year because the parts often carried over for several years as the model remained in production.

[By 1998] "Chrysler had the lowest percentage of sales dedicated to research and development for new products, partially because we were leveraging the suppliers own work. This also permitted Chrysler to reduce their time to market with new models.¹⁸⁸ "Suppliers viewed the Chrysler business is a better place to invest their limited development money. Chrysler began to enjoy greater supplier investment in new products because the stable and defined relationships. Chrysler was able to introduce more new models faster using less of its own capital because suppliers were more inclined to bet on their futures¹⁸⁹.

The unwritten but implied assumption was that the savings would be split 50/50.¹⁹⁰ Chrysler scored higher [on the trust scale] in terms of having a true partnership with suppliers than any other American auto company... the program worked because of our willingness to let our partners be the experts. We finally admitted that they knew a lot more about their own business than we did.¹⁹¹

The Extended Enterprise used trust as its primary element,¹⁹² [and was] based on the premise that it is important for firm directly plan and manage not only costs, but also relationships

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between companies.¹⁹³...Unfortunately, it did not survive the infamous merger in any form other than name only."¹⁹⁴

"The principles of closer communication, shared forward plans, codependents in profit margins, senior management involvement, and long-term commitments under targeted goals apply to any general management situation. Unfortunately most companies not only ignore these areas, but they support the exact opposite: the protection of secrecy and compartmentalized planning. The effect is to stifle the cooperation between companies and fostered a negative non-collaborative atmosphere."¹⁹⁵

To make this collaborative approach work suppliers "needed to be shown that companies could be trusted because the system in which they operated for so long played on mistrust and suspicion.... relationships do matter"¹⁹⁶

By making trust important, and giving the supply base some safety and security, suppliers "could count on Chrysler not to arbitrarily change its mind and demand more concessions, as long as the objectives were met. In this manner the stability of the commercial relationship was more secure. Stability meant less need for protective actions, such as front-loaded profits.

According to Stallkamp, "the practice of treating constituents of the firm (whether they are suppliers, dealers, employees, or managers) and enemies instead of allies cuts across all sectors the system isn't able to distinguish between firms that are in competition and the ones that are necessary parts of supply chain... Sometimes we view employees in the same manner as competitors inhibit building real alliances with them emphasizing direction instead of independent [innovative] thought. We view shareholders with a degree of benign tolerance rather than as owners. Egos get in the way because we see everything as separate rather than part of the large hole. Case studies and the business press have not only highlighted, but also encouraged, aggressive and sometimes ruthless management techniques.... In some cases, darker personalities

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concentrated on the harder side of control and suppression of ideas.... Adversarial techniques ...sap the strength of our industrial base and erode our ability to compete against lower-cost areas of the world." ¹⁹⁷

"Because we value our independence.... we seem to have a natural inclination to run our own show and look like we are in control of our destiny. The truth is that companies are really much more interrelated than their management might want to believe or might even know.... This forces them to view each other with suspicion instead of trust. Business is controlled more by quotes and a bidding process than by long-standing relationships. Trust is essential to any relationship, but our present system actually inhibits rather than builds it." ¹⁹⁸

What's wrong with whole process is that it's too sequential, supply chain is not united into a common goal or purpose¹⁹⁹ (Trust Principle One) states Tom Stallkamp. "The experience of Chrysler has proven that even during a financial crisis, suppliers can respond and rally behind a company in trouble if there is open communication of the situation." ²⁰⁰

"Chrysler created a collaborative management philosophy that we termed our Extended Enterprise, in recognition that our business went far beyond the bounds of the walls or assembly plants. Our goal was to create an integrated, seamless system did much more than just pass parts from suppliers to our factories. He was a system of shared communications product plans and research concepts with those companies that need to operate in close cooperation with us. It stressed the shared destiny that our joint businesses were brought together but that previously overlooked or ignored under the force and harsh competition of adversarial management. In short, it was an open recognition that we need our suppliers as much as they needed us.... It not only worked -- it revitalized the company. Simply stated the Chrysler extended enterprise was when the largest and most successful approaches to industrial collaboration undertaken at a time." ²⁰¹

Building a Team You Can Trust

Metrics & Rewards

Getting people to shift their belief systems, mindsets, behaviors, and attitudes is no easy task for any leader. From the Chrysler case, it is easy to see how effective the program was. Stallkamp reinforced the shift by emphasizing:

- A Clear Vision of the Outcome
- A Measurable Value Proposition reinforced by Evidence & Progress
- A Well Articulated Architecture, including a Plan, a Rationale, and Specific Actionable Goals
- Measures of Success
- Mutual Rewards for Action and Winning

Without measuring the new action's effectiveness and without changing rewards systems, no organization will ever sustain its shift. But even that is not enough, as the evolution of this highly effective program demonstrates. Figure 42: Collaborative versus Adversarial Commerce, compares Stallkamp's Collaborative Commerce with Lopez' Adversarial Commerce.

Stallkamp's plan worked beyond expectations. By 1998, Chrysler was highly profitably, and rolling in cash, with \$7 billion in the bank. And suppliers were extraordinarily happy. When Chrysler decided to launch the Sebring convertible, the spirit of collaborative innovation prevailed. The suppliers all chipped in, helping to fund the development of the new model, which was launched in record time. The suppliers received, in return, long term contracts, a promise of collaboration, trust, and respect, and a share in any cost improvements they created. The price tag to Chrysler for developing the new model was only \$200 million, an extraordinarily low cost compared to GM or Ford, whose new car development costs ranged from \$2-5 billion.

The tremendous profitability of Chrysler, only seven years after its "Last Hope for Survival" was based on the miracle created by collaboration and trust. The company now had a market

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valuation of \$36 billion, a far cry from the condition in 1991 when it teetered on the verge of bankruptcy.

German auto manufacturer, Daimler Benz, the maker of Mercedes, saw Chrysler as a great acquisition candidate and offered to acquire Chrysler.

However, Daimler-Benz did not recognize the unique value of the supply chain collaboration and the economics of trust.

Shortly after the acquisition, Daimler fired Stallkamp, who had become CEO, and ordered all its suppliers to cut costs by 15%, killing trust and collaborative innovation.

Chrysler then went on to lose billions of dollars, and Daimler sold its interests to a private investment firm in 2007. From a market value of \$36 billion in 1998, it was worth less than \$10 billion in 2007. Where did the value go? Perhaps Figure 41: Supplier Trust of Chrysler from 1992-2003 will tell the story.

Comment by Thomas Stallkamp: President Chrysler: (prior to takeover)

“Suppliers are experts...part of a joint team focused on collaboration ...contracts aren’t based on old style relationships but on allied business and engineering systems.”

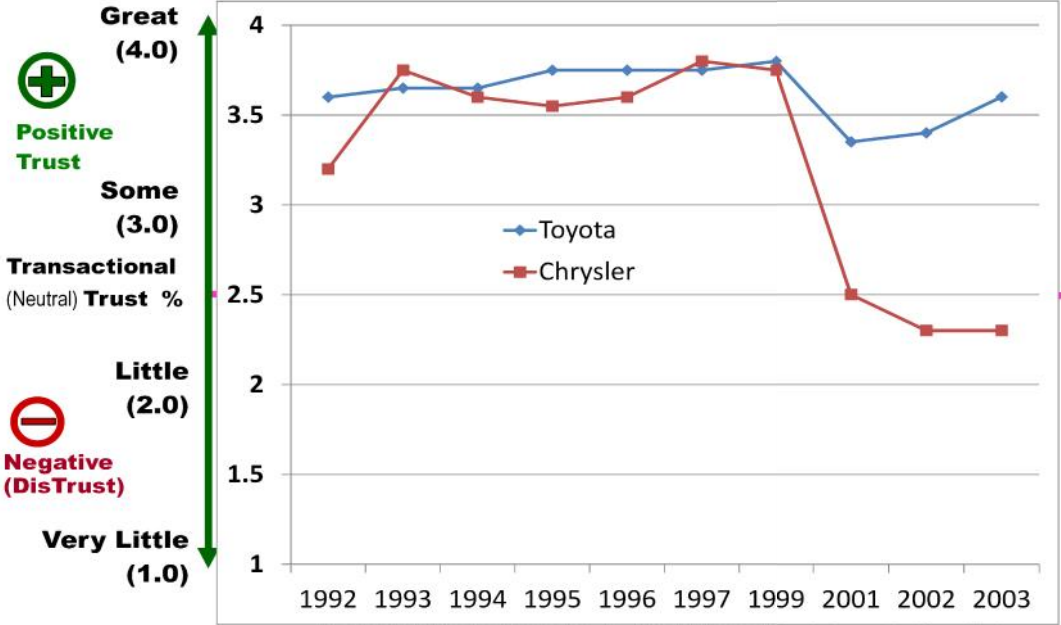
Comment by Wolfgang Bernhard: COO Chrysler group shortly after the Daimler takeover after demanding a 15% price cut from suppliers:

“Supplier relationships are based solely on competitiveness. We give no preference for the incumbent or reward for excellence...only competition.”

Chrysler then lost several billion dollars, and was ultimately headed into bankruptcy.

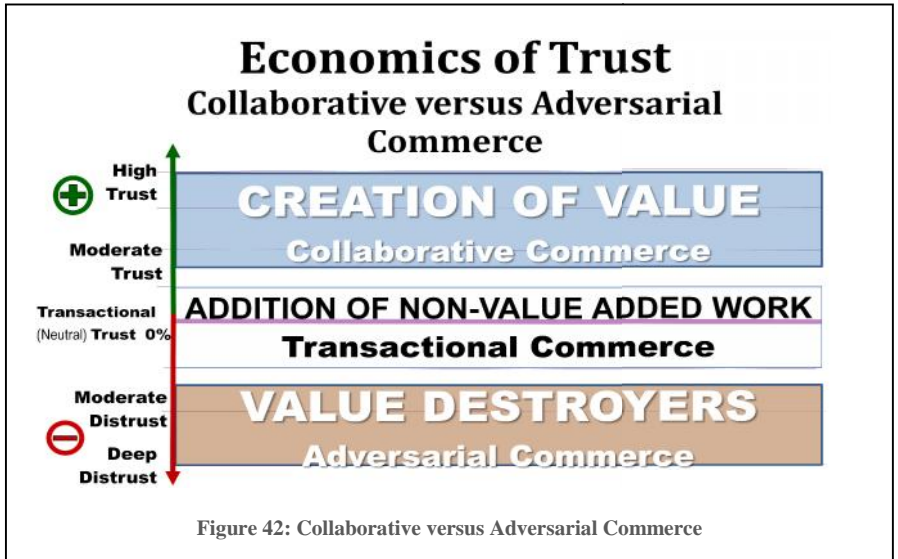
Economics of Trust

Supplier Trust of Chrysler



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Figure 41: Supplier Trust of Chrysler



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CHAPTER TEN: BEWARE THE BEAST & BAD MATES

Up to this point, we have taken a journey extolling the marvelous virtues of trust and some of the methods to build it. Fortunately, most people (probably in the vicinity of 95%) on the planet have the capacity to engage with you in a trusting manner.

However, that doesn't mean that everyone is trustworthy. Certainly not, and it's important to understand who can be trusted, who you must watch like a hawk, and who you should protect yourself from with extreme diligence.

This chapter addresses the harsh realities of distrust in your world, and what actions you should take.

WAS MACHIAVELLI RIGHT?

At the end of the Middle Ages, as the Renaissance was dawning in Italy, a masterful advisor to the royalty of the day named Niccolo Machiavelli wrote a book called *The Prince*²⁰² in which he provides extensive advice about how to survive in a world filled with connivers and deceivers.

Machiavelli is considered by many authorities as one of the most influential writers of the modern era. I'm going to quote Machiavelli here, and let you assess whether his advice is worth taking:

"A leader must not mind incurring the charge of being cruel if it is for the purpose of keeping his subjects united and faithful."

"It is much better to be feared than loved,"

"Man is semi-animal, semi-beast. The leader is thus obliged to know how to act as a beast, and must imitate the fox and the lion, for the fox can recognize traps, and the lion can intimidate. If all men were good, this would be poor advice; but as for those who are bad and will not be loyal to you, you are not bound to be loyal to them."

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“A leader must take great care to say only the words of mercy, faith, humanity, and morality, for men in general judge more by what they hear and see, than by what they experience. Everybody sees what you appear to be, few know who you really are. And the few who know who you really are will seldom dare to oppose you in light of the many who support you.

“In the actions of leaders, the end justifies the means.”

Machiavelli has been the guiding light for many so-called *realists* who will sacrifice their principles for the sake of expediency. But do people who gamble their values become great leaders? We shall see in this chapter how tenuous this thinking is.

Vince Lombardi, the renowned football coach said:

“Leadership is based on the spiritual power to inspire others to follow.

This spiritual quality may be used for good or evil.

When devoted toward personal ends, it is partly or wholly evil.

Leadership which is evil, while it may temporarily succeed, always carries within itself the seeds of its own destruction.”

THE DARK TRIAD

The term “Dark Triad” sounds like the title of a horror movie, and, in many ways it is. Many of the horrors of the world have been perpetrated by the people who qualify for their ranks.

The Dark Triad²⁰³ consists of three character types that may legitimately be considered “evil”: Psychopaths,²⁰⁴ Machiavellians, and Narcissists. They do not typically engage in outright conspiracies, but are more likely to participate in informal collusions.

Here’s what all members of the Dark Triad have in common:

Lack of Conscience

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A person without a conscience is incapable of feeling empathy, sympathy, or remorse.

For Psychopaths, the genetic makeup of their brains physically lacks the capacity for a conscience²⁰⁵, while Machiavellians and Narcissists have the *capacity* for a conscience, but *purposefully discount it* as having no value or it gets in the way of getting what they want.

All humans on this planet, with the exception of the Dark Triad, regularly use their conscience to navigate relationships. Actually all mammals demonstrate some small level of a conscience within their species, and dogs, especially, have a conscience toward their human masters, provided their master is kind and loving.

We often refer to people without a conscience as “reptiles” because reptiles also lack the part of their brain that contains the neurotransmitters associated with the emotions of love, trust, sympathy, compassion, and empathy.

Power of Conscience in the Evolution of Man

Many people are of the false belief that Charles Darwin, the famous evolutionary biologist of the Victorian Era believed in survival of the fittest. This is clearly not what he intended.

Darwin was quite articulate about the importance of conscience and clearly thought that having a conscience was one of the most important factors in the successful evolution of humans over the last five thousand years. To set the record straight, let's examine what Darwin really said that disproves Machiavelli:²⁰⁶

Of all the differences between man and the lower animals, the Moral Sense of Conscience is by far the most important. It has rightful supremacy over every other principle of human action....

Any animal whatever, endowed with well-marked social instincts,....would inevitably acquire a moral sense or conscience, as soon as its intellectual powers had become as well, or as nearly well developed, as in man:

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Firstly, the social instincts lead an animal to take pleasure in the society of its fellows, to feel a certain amount of sympathy with them, and to perform various services for them.

Secondly, from man's appreciation of the approbation and disappointment of his fellows.

Thirdly, from the high activity of his mental faculties, with past impressions extremely vivid.

[A conscience] is the most noble of all the attributes of man, leading him without a moment's hesitation to risk his life for that of a fellow creature; or ... to sacrifice it for some great cause.

Immanuel Kant exclaims "Holding up thy naked law in the soul, and so extorting for thyself always reverent, if not always obedient" ²⁰⁷

Conscience looks backwards, and serves as a guide for the future.²⁰⁸

The moral faculties [in humans] are generally and justly esteemed as of higher value than the intellectual powers.²⁰⁹

Darwin went on to set forth the premise that it was man's conscience that gave humans the capacity to collaborate and use their imaginations to create, thus enabling the great civilizations that have emerged on this planet.

Without the higher powers of the imagination and reason, no eminent success can be gained.²¹⁰

Darwin was also explicit about people who are incapable of feeling remorse (who we now call Psychopaths -- a modern term):

Remorse is an overwhelming sense of repentance ...bearing the same relationship as rage does to anger, or agony to pain.

The nature and strength of feelings which we call regret, shame, repentance, or remorse, depend not only on the strength of the violated instinct, but partly on the strength of the temptation, and often still more on the judgment of our fellows. ²¹¹ [A person without sympathy and remorse] is essentially a bad man.²¹²

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*A man who possesses no trace of sympathy and social instincts [is] an unnatural monster.*²¹³

Darwin was also quite direct about the value of cooperation:

*Selfish and contentious people will not cohere, and without coherence nothing can be effected.*²¹⁴

*A tribe possessing a high degree of the spirit of patriotism, fidelity, obedience, courage, and sympathy, were always ready to aid one another, and to sacrifice themselves for the common good, would be victorious over other tribes; and this would be natural selection. Morality is one important element in their success.*²¹⁵

The wonderful progress of the United States, as well as the character of the people, are the results of natural selection; for the more energetic, restless, and courageous men from all parts of Europe have emigrated during the last ten or twelve generations to that great country, and have succeeded best.

*A nation which produced ... the greatest number of highly intellectual, energetic, brave, patriotic, and benevolent men, would generally prevail over less favoured nations.*²¹⁶

You are encouraged to make your own decisions about the value of a conscience. When some pseudo-authorities proclaim that having a conscience is for sissies and fools, they set the stage for a world that has no trust; a world that doesn't and can't work; a world that must be rejected for it sets forth the course for its own doom and damnation.

What do Members of the Dark Triad Look Like?

First, don't expect that members of the Dark Triad to look evil like serial killer Charles Manson; the majority of psychopaths look like the guy or gal next door. (Sociologists estimate that about 2% of males are psychopathic and 1% of females).

Second, there are very different types in each of the categories, so don't imagine that all of them will resemble or Hannibal Lecter in *Silence of the Lambs*. But they are all extremely dangerous to the health of any organization or institution. [Note: all of us have a

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“dark side.” This is not to be confused with the “dark triad,” which is evil personality]

The Oxbow Incident

In 1943, Henry Fonda starred in a classic film about an innocent man hung by a posse who lusted for revenge. In the movie, there is an archetypal scene where, after the man swings, Fonda reads a letter written by the dead victim to his wife:

A man just naturally can't take the law into his own hands and hang people without hurtin' everybody in the world, 'cause then he's just not breaking one law but all laws.

Law is a lot more than words you put in a book, or judges or lawyers or sheriffs you hire to carry it out.

It's everything people ever have found out about justice and what's right and wrong.

It's the very conscience of humanity.

There can't be any such thing as civilization unless people have a conscience, because if people touch God anywhere, where is it except through their conscience?

And what is anybody's conscience except a little piece of the conscience of all men that ever lived?

- Psychopaths

Here are some of the different types of psychopaths:

Primary Psychopaths are not responsive to punishment, apprehension, stress, or disapproval. While they are basically anti-social, they can fake relationships if it suits their needs. They have no life plan, but do take advantage of anything that will give them power or money. They cannot experience any of the emotions associated with love and caring.

Secondary Psychopaths are typically daring and adventurous, being prone to take risks, which apparently give them a high.

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They are likely reactive to stress, and thus will worry but are unable to resist temptation. As their anxiety increases toward some forbidden object, so does their attraction to it. They are unconventional people who play by their own rules early in life; later in life they will either break the law or enjoy pleasure in skirting the edges of the law.

Both primary and secondary psychopaths can be subdivided:

- *Distempered Psychopaths* will easily fly into a rage or frenzy. They are also usually men with incredibly strong sex drives, capable of astonishing feats of sexual energy, and seemingly obsessed by sexual urges during a large part of their waking lives. Powerful cravings also seem to characterize them, as in drug addiction, kleptomania, pedophilia, any illicit or illegal indulgence. They like the endorphin “high” or “rush” off of excitement, risk-taking, and drugs. In positions of power, they tend to be bullies.
- *Charismatic Psychopaths* are charming, attractive, manipulative irresistible liars. Highly intelligent and very adroit in the moment, they are usually fast-talkers, and possess an almost demonic ability to persuade others out of everything they own, even their lives. They are usually gifted at some talent or another, and they use it to their advantage in manipulating others.. Leaders of religious sects or cults, for example, might be psychopaths if they lead their followers to their deaths. They often come to believe in their own fictions – illusion is reality.

- *Machiavellians*

Machiavellians, unlike psychopaths, actually do possess a conscience. However, they have made a choice that a conscience is like one’s appendix – it serves no useful purpose and losing it would mean no harm. The Machiavellian’s primary interest is in bettering themselves, even if it is at the expense of others, after all, others are poised and ready to do the same thing to him.

The ends always justifies the means, so anything maneuver is valid as long as the Machiavellian can get away with it to meet their objective, which is almost always more money, more power,

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more prestige, or more control. And if the rules say you can't get away with it, just work in the grey area of the rules, or find the loop holes, or, if necessary, change the laws and give a lot of good reasons why the old law stinks. If you get caught breaking the rules, just ask for the benevolent forgiveness of others.

Lies are seldom outright deceptions; usually they're attached to a number of facts which can be validated. Machiavellians rely on you believing the whole story because part of the story is true.

Being ethical has its place in their world; ethics is usually for other people, not themselves. They are survivors. They can be utterly ruthless, if that's what it takes to win. Life is a chess game; their range of acceptable tactics is far broader than even the most adroit tacticians; they have a move, a counter-move, and three options for a counter-counter move. They morph like chameleons, and thus look like they have multiple personality disorder (they don't). At one moment they are friendly and full of flattery, the next they can be confrontational, antagonistic, and downright mean, then flip back if it serves their interests.

Machiavellians may be high risk takers, but for them risk is calculated; high risk must be attached to a very high reward. They are generally quite competent and have mastered their profession.

- *Narcissists*

Narcissists are "legends in their own mind," fully in love with themselves and will create any deceit, illusion, or twist of the facts to make them fit their glorious image they have of themselves. Because they believe they are the best, perfect, and gifted, they can do no wrong and the rest of the world should admire them and give them what they deserve. They tend to preach their doctrine, but take criticism poorly. This means they have compassion, but only for themselves, no others. Anyone who disagrees with them is wrong, stupid, and without merit or value.

More often than not, narcissists are extroverts, always ready to display their highly inflated image to the world. They are glory hounds, willing to put themselves in highly challenging, but visible situations just to show themselves off, but not to achieve a worthy standard of excellence. Because their actions are selfishly

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motivated, they don't care if other are damaged or disadvantaged from what they do, as long as it looks good for them, such as laying off workers as long as the shareholders admire them.

We have deep reason to be concerned about Narcissism because there is a large body of recent evidence that it's on the rise.

A University of Michigan study found that college students today are not nearly as empathetic as college students were in the 1980s and '90s. Researchers analyzed data on empathy collected from almost 14,000 college students over the last 30 years. According to Sara Konrath, at the U-M Institute for Social Research:²¹⁷

"Many people see the current group of college students – sometimes called 'Generation Me' – as one of the most self-centered, narcissistic, confident and individualistic in recent history."

"College kids today are about 40 percent lower in empathy than their counterparts of 20 or 30 years ago, as measured by standard tests of this personality trait."

When college students of the late 1970s were compared with college students today, they are less likely to agree with statements such as "I sometimes try to understand my friends better by imagining how things look from their perspective" and "I often have tender, concerned feelings for people less fortunate than me."

In a related but separate analysis, Konrath found that nationally representative samples of Americans see changes in other people's kindness and helpfulness over a similar time period. Her colleague, Edward O'Brien stated:

"It's not surprising that this growing emphasis on the self is accompanied by a corresponding devaluation of others."

What the Dark Triad has In Common

What they all have in common:

- They are selfish, but always have a good rationale for their selfishness. It's always "me first" (although they might

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disguise this motive); always getting the biggest piece of the pie.

- They do not have a good history of relationships, they tend to be loners, but can hide their lack of friendships with superficial glad-handing.
- They do not trust others, because they cannot conceive of trust.
- They will use people for their own ends, as pawns in their game, casting you aside if you no longer fit their game.
- They will always think “what’s in it for me,” so any act of benevolence carries a hidden payback.
- They usually respond to a personal tragedy in someone else’s life with something akin to “they must have deserved it.”
- They will often prey upon your fears and worries to get you to do something they advocate that will make you feel safer or more secure.
- They lack soulful purpose and will lie, cheat, and manipulate to gain their selfish objectives.
- They actually feel happy when others are sad or disadvantaged.

Outthinking a member of the Dark Triad is very difficult because they think very differently, and unless you are trained in outmaneuvering one, you are likely to be caught in their trap.²¹⁸

The biggest problem with the Dark Triad is where their journey takes them in search of money and power and prestige: to the top of organizations, in churches, community organizations, corporations, banks, and government. (Please, don’t think everyone at the top of all organizations is a member of the Dark Triad.)

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Is the Dark Triad Evil?

If you asked a member of the Dark Triad “Are you evil?” they would look at you like you were from outer space, wondering how you could ask such a specious question.²¹⁹ They would say:

“Of course not, are you crazing? Only a person who was naively idealistic would ask such a foolish question. I live in the real world, which is a harsh world, where “survival of the fittest” reigns supreme. Adam Smith, the father of modern capitalism taught us we must all work in our self-interest. I work for my self-interest, and I would expect you to operate in yours! That’s not evil, that’s just smart, that’s just common sense.”

While this answer sounds plausible, it is simply an intellectual distortion of the truth to suit the needs of a predator.²²⁰ You must always be alert for people who claim some intellectual high ground to create a smokescreen for their lack of conscience.

Science is now revealing what history and everyday common sense has long suspected—that some people actually do not have an innate conscience in their brain.²²¹ For this reason we certainly cannot advocate blind trust in all others. There are a few truly dangerous psychopaths in our midst.

How prevalent is the Dark Triad?

The question of who to trust is as old as the human race. It’s been on our minds since ancient times: the subject of the writings of the Greeks and Romans, and addressed in the Old and New Testaments. What can we add to that might shed light on this age-old issue?

Using the 4-Drive Model of Human Behavior (Chapter Two) it becomes clear that members of the Dark Triad effectively lack the drive to *Bond*. Thus:

The Ultimate Caution – Watch Out for 3-Drive Humans

While building a system of trust is a noble endeavour, it cannot be conducted with naivete. Efforts can backfire without a healthy dose of reality to circumvent the Dark Triad.

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While we are convinced the vast majority of people are capable of being trustworthy, a very small percentage of people (perhaps 1 ½ percent of the population²²²) are psychopaths actually genetically deficient, lacking the “bonding gene.” Add to this figure the Narcissistic and Machiavellian members of the Dark Triad, and we can reasonably guess a total of about 5 percent.

For this small five percent segment, their remaining three drives (*Acquire, Create, Defend*) shift into overdrive. They are skilled at worming their way into positions of power, are highly intelligent, extremely manipulative, often charming, and will torpedo anyone that gets in their way. Because they lack empathy, shame, or remorse, other people are just tools for them to accumulate more power and wealth. Their lack of moral conscience can be masked with potent but hollow ideologies such as “the purpose of business is solely to make money.”

To begin to understand just how prevalent psychopaths are in corporations, Babiak, Hare, and Newmann conducted a landmark study of over 200 U.S. Corporate Leaders and found that 4-6% of the executive suite was occupied by psychopaths – four to five times the rate expected in the normal population. This strongly suggests our corporations are becoming a magnet for psychopathic behavior. Figure 43 displays the results of the study.

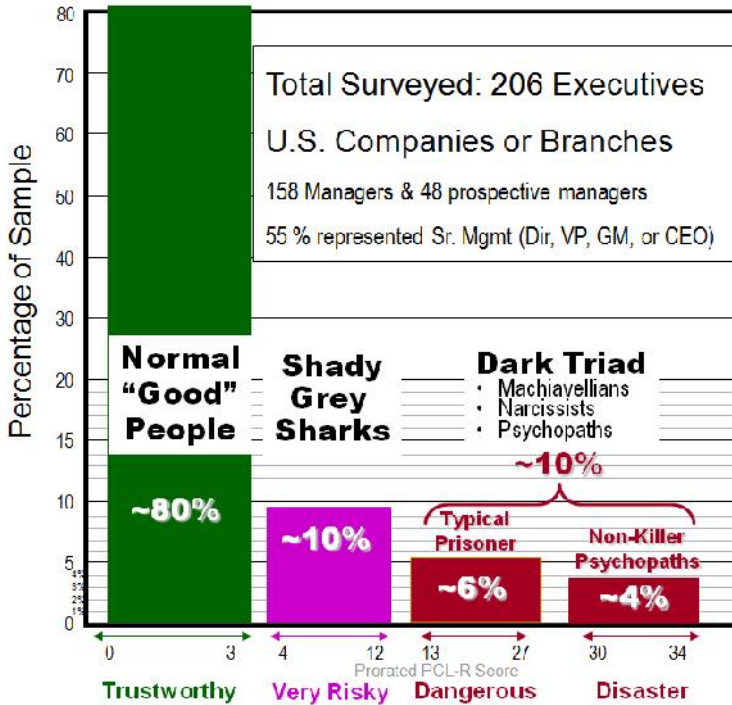
What is very disturbing, but perhaps not surprising, is that the number of corporate executives who scored equal to or higher than a typical prisoner in jail was ten percent, and that fully twenty percent of the executive suite was in the risky zone or higher.²²³

[RPL: Add section from Altemeyer on Authoritarians: Compliance and the Narrowness of Presumed Conscience – Fundamentalism and the Danger of Simple Answers and Heartless Commands]

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Corporate Personalities

based on Psychopathic Check List-R Score



Source: Babiak, Hare, & Neumann, 2010

Author's Note: The terms "Shady Grey Sharks" and "Dark Triad" were not reported in the study.

These terms I have applied to assist in interpreting the data.

Figure 43: Prevalence of Sr. Level Corporate Psychopathy

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Why such a high number of the Dark Triad in the top ranks?

First, their objective is Money, Power, and Prestige. It's natural for them to gravitate to the top of organizations.²²⁴ Second, they are usually very good communicators, exuding superficial charm but with no real consideration for honesty, integrity, or human compassion. They highly creative, excellent strategic thinkers, and tough when making difficult decisions. Still, these leaders were recognized negatively because they had poor management styles and were not considered team players – the signals of a low drive to *Bond*, like Al “Chainsaw” Dunlap, (See sidebar story²²⁵) who manage like Genghis Khan. With their intelligence, they often Lacking the checks and balances of a *Bonding* drive, their *Acquire & Defend* drives are pushed to the limit, manifesting as domination and combative attack. Thus their modus operandi sees anyone opposed to them as the “enemy,” requiring constant secret operations below the belt. Their unchallenged belief in competition calls for them to do anything to win, always narrowly focusing on the best way to move in for the “kill,” highly untrustworthy.

Although the large preponderance of the population has the potential for engaging in strong trustful relationships, the Dark Triad, either because they were born without a conscience or with a betrayed, abused childhood, are incorrigably rooted in distrust.

The Dark Triad is prevalent in governments as well, even democracies. The collapse of the economy in 2008 was caused by people like Alan Greenspan who naively overlooked the systematic unraveling of financial regulations by members of the Dark Triad.²²⁶ If you finds yourselfs in an organization with a person from the Dark Triad, it cannot be ignored or wished away. Action is called for. Our strategy is modeled after Dolphins.

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If the Al Dunlap of "CHAINSAW" were a fictional character, he would be dismissed as a figment of bad writing, a one-dimensional caricature: He capitalized on his notoriety for mass layoffs by writing a book called Mean Business. He seemed to revel in firing people. He was fond of telling visitors, "I just love predators. They must go out and hunt and kill to survive." An egomaniac, he screamed at and purposefully humiliated his employees, including top management. He had a personal life to match: He cut himself off from his family, abused his first wife, and was stunningly stingy in child support payments to a son from his first marriage.....

When Sunbeam tapped Dunlap to run the company, Wall Street responded with hosannas. Share price rose a record 60 percent the day after the announcement of his hiring and continued to skyrocket during the first months of his tenure.

Dunlap quickly began ...his slash-and-burn [strategy].... He soon announced plans to sell or close 18 of Sunbeam's 26 factories. Wall Street celebrated, and the company's share value continued to climb.

Profitable facilities were shut down and the costs incurred from production shifts could not be recouped in the foreseeable future. But Dunlap was determined to impress Wall Street with record jobs cuts, and he refused to listen to cautionary warnings. Sunbeam sellers had inflated sales by offering deep discounts. Product quality slipped.

As profitability plummeted and the company fell into the red, the Board of Directors turned on Dunlap and fired him. Soon it became clear that earlier evidence of increasing profitability had been the result of accounting tricks that auditors retrospectively disallowed.

What is most disturbing about the tale, perhaps, is how many accomplices Dunlap had as he wreaked havoc on a venerable company and the lives of thousands of employees. Executive after executive echoes the one who said, "I was a greedy son of a bitch along with everyone else" and willing to do whatever Dunlap demanded in exchange for the promise of a big payoff in stock options. The auditors were bullied into going along with questionable accounting measures. And Wall Street analysts, the Board of Directors and the principal shareholders allowed themselves to be deluded by Dunlap's sham turnaround of the company.

--Washington Monthly, Nov, 1999 by Robert Weissman

DOLPHIN DEFENSE STRATEGY

Once one of the Dark Triad has infiltrated your organization, beware. Surviving in a predator-infested jungle is not a sport for the faint at heart.

How must we deal with them effectively, without having to engage Machiavellian counter strategies?

Quietly observe the suspect's behavior and take detailed notes. Start discussions with colleagues who might well have noted the problem and compare observations. When well prepared, approach the most senior officer available with evidence and allies. The goal is to get the offender out of the organization. If illegalities are strongly suspected, of course, approach the appropriate officials of the law. If such efforts fail, our advice is to leave the organization. Do not allow yourself to be victimized.

Predators love to use the law as a tool of destruction, erosion, and depression. Out think him in ways he can't think, use alliances in ways he can't use collaboration, use his own words to undermine and boomerang upon him. Never show weakness, except as a feint, but learn his, for he has many.

Every corporate predator and dominator has a long history of flawed behavior; use his record of malice and victimization to sow the seeds of his own demise by gathering evidence. They have created many enemies who are often willing to bear witness or provide facts.

Find the source of his energy, and deplete it. Don't make him your "enemy" by surrounding him with your hatred, or you will become filled with the very poison you find so bitter. Show patience; the pathways of justice are often slow, winding, and indirect.

A Collaborative Defense Against Sharks

Clearly, a predator-infested organization is dangerous for the normal Four-Drive human that wants an environment of trust, camaraderie, and co-creation. What should one do? While the last resort may be to exit the organization, here a great lesson from the sea - how dolphins avoid being devoured by sharks - provides a

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worthy lesson. With a small mouth and far fewer and more diminutive teeth, dolphins should be instant victims of sharks.

Using a collaborative dolphin-like strategy, surround yourself with others who can catch him in a cross-fire. Authors of *Strategy of the Dolphin*,²²⁷ Dudley Lynch and Paul Kordis suggest:

Dolphins are some of the most prized creatures of the deep....they are very intelligent [and highly collaborative]their brains are somewhat larger on average than the typical human brain ... and the dolphin's associational cortex, the part of the brain specialized for abstract and conceptual thinking is larger than ours ... and has been ... for at least 30 million years.

Dolphin behavior around sharks is legendary ... using their intelligence and their wiles, they can be deadly to sharks. Bite them to death? Oh no. Dolphins circle and ram, circle and ram. Using their bulbous noses as amphibious bludgeons, they methodically crush the shark's rib cage until the murderous creature sinks helplessly to the bottom.

But rather than its skill at shark combat ... the dolphin symbolizes ... coping and choice-making in rapid change times because of the mammal's natural abilities to think constructively, [collaboratively,] and creatively.

With a twist of the mental and emotional kaleidoscope, the dolphin (the Human Variety) changes the nature, the rules, perhaps even the playing surface and the players themselves.²²⁸

For anyone who has one or more sharks or other predators in their organization, the order of the day is to respond. Typically our choices have been *fight, fright, or freeze*. Apocalyptic strategists would advocate a response of Biblical proportions. Machiavelli and game theorists would propose a fight of cunning and coercion.

Sheds light on the realities of the dark force of the snakes and sharks, taking the *Strategy of the Dolphin*® to the human level:²²⁹

Don't give up or give in easily until it makes a difference

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Don't be ideological, be willing to take the heat if the going gets tough

Be careful about accepting the illusion of win-win trade-offs that are calculated to produce good feelings rather than outstanding results

Be unyielding in principle unless the principle no longer makes sense

Winning doesn't mean there must automatically be losers

Tell the truth and thus avoid wasting time, energy, and resources on useless, unproductive drama
[note: be prudent in how truth is used]

Address threats and rapid change using cooperative strategies (teams, alliances, and networks). [Note: in the case of the most devious sharks, collaborations may have to fly under the radar in the early stages.]

A vision of the way you want an organization to be is highly valuable; act on the "Big Picture," but be willing to focus on details

Be quick to retaliate if situation calls for it, but be willing to forgive if the grudge is ultimately an insupportable barrier in a fluid universe

Trust is too precious to be sacrificed
at the alter of the unscrupulous.

BAD TEAMMATES – THE UNTRUSTWORTHY

Those who constitute the dark triad are only a small (but dangerous) part of the general population. They are highly destructive, and deserve to be isolated from any organization. It's more likely, however, that you will be faced with having to deal with corrosive people who just don't work well as teammates.

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People who are poor team performers cannot be trusted for reasons that extend well past ethical considerations; they lack the ability or drive to *Bond*, to work cohesively in a group.

There are six “bad teammate” character types (see Figure 44). Putting these people on any team will damage the team’s capability to perform at the highest levels. The common denominator for all the bad teammate types is the manner in

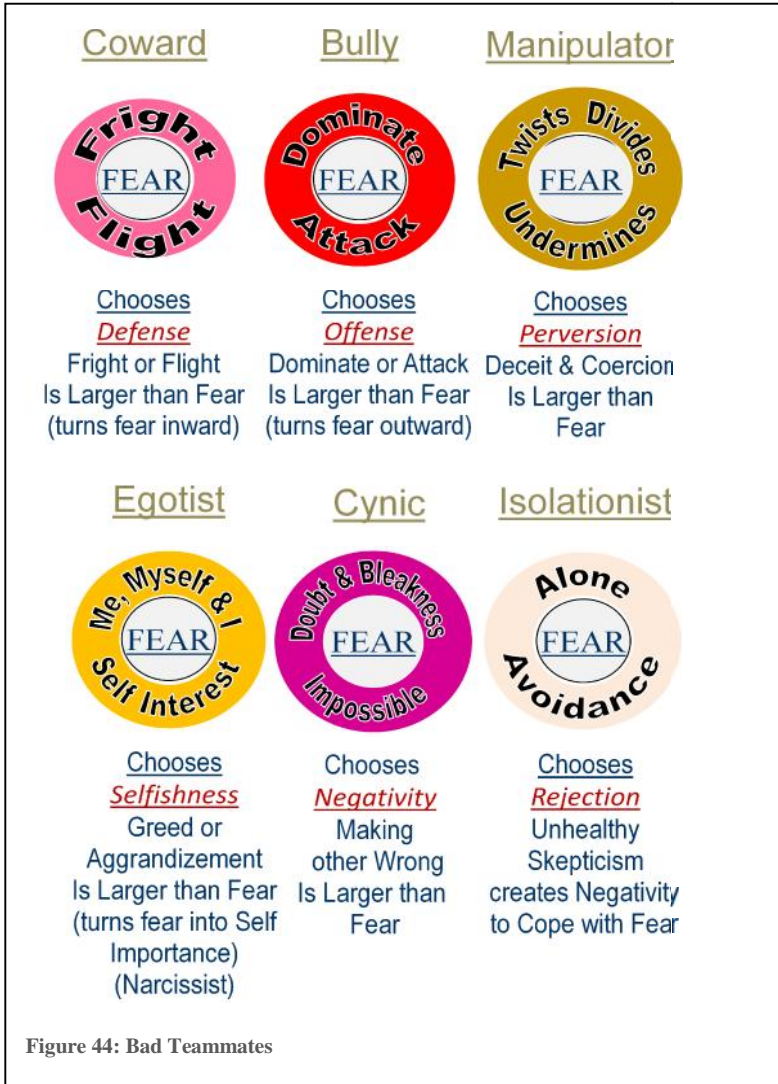


Figure 44: Bad Teammates

which they deal with fear. All of us have fear, but bad teammates choose to respond to fear in ways that are unhealthy to others. Consequently they choose actions that are represented by “below the belt” behaviors (see Ladder of Trust/Tornado of Distrust, Figure 7.)

What Consistently Creates Successful Teams?

Ask any sports coach if he would prefer players that engaged as a team, or an assortment of superstars. The smart coaches will choose the team players.

Selfish, egotistical member of the squad can utterly destroy the ability of the team to perform, as the 2004 Olympic Basketball “Dream Team” nightmare illustrates. For decades the United States had dominated Olympic basketball, always winning the gold medals. In 2004 the stage was set in Athens. Everyone assumed the overwhelming U.S. supremacy would continue after fielding a squad stacked with high-scoring superstars.

They were crushed in the first game, losing to Puerto Rico by nearly twenty points, the most lopsided defeat in the history of U.S. Olympic basketball. This Dream Team of Superstars then lost to Lithuania and Argentina, soon becoming known as the Nightmare Team. Sports Illustrated said “covering Team Bad Vibe in Athens was about as pleasurable as getting a root canal.”

In all of decades of Olympic history, the American teams had lost only two games; the Nightmare Team lost three, and didn’t even make the final playoffs. The humiliation was due to individual competence being defeated by competitors who stressed teamwork passion, coordination, and commitment to what was best for the team. Self interest defeated teamwork and trust.

This Olympic example superbly demonstrates the lack of *synergy and synchronicity* that’s necessary to generate great teamwork. Synergy enables a team to produce more than the sum of the individuals. Synchronicity is precision timing and anticipatory coordination that enables great teams to work in unison, both physically and mentally.

Building a Team You Can Trust

Teamwork at Disney

"Togetherness for me means teamwork. In my business ...many minds and hands must collaborate... The work seeks to comprehend the spiritual and material needs and yearnings of gregarious humanity.

"It makes us reflect on how completely dependent we are upon one another in our social and commercial life. The more diversified our labors and interest have become in the modern world, the more surely we need to integrate our efforts to justify our individual selves and our civilization." -- Walt Disney (P 90)

In the following 2008 Olympics, a new coach was appointed, Duke University's Mike Krzyzewski, who is a brilliant strategist, but more importantly a coach who looks for players with character and who play for the good of the team. Players that could trust each other to work as a unit, not as individual superstars, each looking for the spotlight. The team sparkled and went on to win the Gold Medal, undefeated, outscoring their opponents by an average of 28 points. Coach Kryzewski said after winning the Gold Medal: "We played with great character."

Krzyzewski is the winningest coach in college basketball history. A former army officer who was trained at West Point, he integrated the classical principles of honor, integrity, trust, loyalty, and duty into his coaching. Trust is a centerpiece of a winning strategy:

"In leadership, there are no words more important than trust. In any organization, trust must be developed among every member of the team if success is going to be achieved."

"There are five fundamental qualities that make every team great: communication, trust, collective responsibility, caring and pride.... Any one individually is important. But all of them together are unbeatable."²³⁰

I'm looking for the kids who are good who want to play collectively. That's the beauty of our sport, our game. The pass is still the best play, because our game is a game of connecting. If

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you lose the connection, you lose the spirit and then you lose your game." ²³¹

"Throughout the season, I look into my players' eyes to gauge feelings, confidence levels, and to establish instant trust...Teams that trust one another and communicate are luckier..."

"We're able to be successful only because we trust each one another. We work hard to focus on the truth, look one another in the eye, and then take action for the good of the team. And once the confrontation is done, it's done. The bond is not jeopardized, because ours is a relationship based on trust." ²³²

'The quality that we need to teach the most is trust, to be honest with one another. I have a rule on my team: when we talk to one another, we look each other right in the eye, because I think it's tough to lie to somebody. You give respect to somebody.'

"The main thing that you do with crisis management is trust one another....You have to have that trust develop before the crisis. If you haven't had it up to that time, and you have a crisis, then maybe you can use that crisis to develop it, but you're probably going to lose during that time. Maybe you can use that to mold your group together, as long as -- when those things happen -- you have a thing called collective responsibility. Everybody wants to take responsibility when you win, but when you fail, all these fingers are pointing." ²³³

The Competitive-Cooperative Nature of Humans

The debate as to whether humans are competitive or collaborative is completely misframed as a question. The reality is that humans are *dualistic*. We are competitive and we are collaborative. It is designed into the structure of the human brain. This is why team sports are so popular among sports fans all over the world. Against its rivals, fans love to watch a team demonstrate its competitive nature *externally*, while acting collaboratively *internally*.

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Symptoms of Team Distrust

Surprisingly, many organizations suffer from poor trust and teamwork but have tolerated it so long it feels normal because it's become an old habit, an accepted practice that goes with their organizational territory. Here are the symptoms typically indicating poor trust and poor teamwork:

- Schedule is always behind
- People don't make or keep commitments
- Responsibility is not clear or overlapping conflicts
- Arguments and frustrations abound
- Meetings are unproductive
- People are caught in power struggles
- Priorities are confused or conflicted
- Some people just don't perform
- Crises arise that should have been foreseen
- Communications are erratic at best
- Distrust is prevalent
- Lots of complaining and blaming
- It's always someone else's fault
- You expect the "excuse du jour"

If many of these symptoms are showing up in your organization, then probably other more severe teamwork problems are evident that can be traced back to poor trust. The first line of defense on preventing distrust from destroying teams is to use the earlier-cited Classical Trust Principles.

*Where there is no vision, everything defaults to politics;
where there is no trust, everything defaults to blame.*

HOW DO YOU KNOW YOU CAN TRUST SOMEONE?

Over many years of experience in business, government, and education, we've learned a number of signals emitted by those who are not trustworthy. We'll share them with you.

Signs of the Untrustworthy

If someone says "It's not personal, just business," be prepared to make a gracious exit rapidly, for this person is serving notice that you will be taken advantage of at every opportunity, unless you carry a bigger stick wielded by a more aggressive attorney.

If you can't ever seem to get good, clear information about someone, beware. Or if a story is too good to be true, it probably is.

Beware of those who continually "keep score" to a fault. They are always looking for an exact quid pro quo arrangement, or "a favor for a favor," "give and take," "tit for tat", and "you scratch my back, and I'll scratch yours". While there is nothing inherently dangerous in this thinking, the give-and-take partner is more than likely to be highly transactional, and not interested in a long-term, mutually fruitful, trustful relationship. The opposite is also true: Beware of those who never keep score, always taking advantage without reciprocity.

Ask the question: "What has made you a success?" Responses focusing on "me, me, and more me" are danger signs. If the answer is: "I'm a pusher," "I work hard," "I am tough with my people," "I can squeeze a buck," "I watch the bottom line," or something in that vein, then more likely than not, there will not be enough "chemistry" to make the relationship successful. The trustworthy person will be humble, give credit to others, and even tell you of the failures and hurdles they experienced. Most will even deny that they are successful. If they are committed to a mission larger than themselves, all the better.

Discover who their favorite movies or personal heroes are

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and why. This will give you insight into someone's role models. For example, one of Apple Computer's primary suppliers is led by an individual who considers his primary role model to be Genghis Khan, and conducts his affairs accordingly²³⁴--certainly not an inspiration for conducting a trusting business relationship.

Sharing of risk, otherwise known as "skin in the game" is another criteria for assessing mutual guardianship in a trusting relationship. Is the other party willing to take a risk, and under what conditions?

Response under stress is a great indicator of a person's inner self - the real self. When stressed, do they blame others, or form teams? Do they act fairly, helping others, co-creating with their team, keeping their family or community together? Or is it "Every man and woman is forced protect their self interest?" Or be sure you have a good lawyer to protect you.

Akin to the stress factor is the way a person handles uncertainty and ambiguity. Do they get bossy and become control freaks, or do they pull their trusted team together to handle the problem?

Learn the other person's "rules of business." Everyone has them, sometimes articulated, sometimes sub-rosa. The untrustworthy will advocate something akin to the *Possessor's Golden Rule* in relationship: "*He who has the Gold: Rules.*"

Observe the way people with these traits treat others when they are not in the limelight: the waitress at dinner, the janitor cleaning the office, or the cab driver. Are they fair and personable to all, or only to those who command it?

Be observant of what people do regularly, which will be indicative of what they believe. Beware of the people who:

- Are constantly blaming others, highly critical of others, or worse, cynical
- Make aggression as way of life, use fear and

intimidation frequently

- Become very defensive when challenged; seldom answer questions directly
- Must always be in control of others, creating crises that only they can solve
- Make every discussion a debate or argument that forces people into win-lose situations
- Have an overblown sense of self-importance, but never take responsibility for failures
- Don't give you straight answers, or give you answers that can't easily be verified.
- Don't have an ounce of humility, always taking the credit for themselves, never giving it to others.
- Tell half truths, intended to make you believe something that's really not very true.

Is Someone Lying?

Knowing whether someone is telling the truth is not an easy task because good liars are often very skilled at their ignoble craft. Lying is all too common in our world. A study from DePaul University found that 92% of individuals admitted lying to a romantic partner or could recall times when they were not completely honest.²³⁵

There are four signs of truthful behavior we all look for:

1. *Sincerity*: genuineness, honesty, naturalness, earnestness. People who are sincere can be counted on to follow up their words with actions.
2. *Eye Contact*: Deceivers have shallow smiles, and make unnatural eye contact that lasts too long.
3. *Verbal & Non-Verbal Consistency*: Their words and their body communicate the same thing. Deceivers are inconsistent, nervous when they should be calm.
4. *Straightforward Answers*: Honest people give straight answers, deceivers' answers are convoluted or evasive

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or give too much information, most of which is irrelevant.

Many years of police investigation reveals a number of signals liars send. Here are a few techniques to help you spot the liar:²³⁶

- Is the answer to a question clear and direct, or is it unfathomable or does it divert the issue to something else? Do the facts bear witness to the story?
- Does a person shuffle or act nervously when asked a personal or uncomfortable question?
- Is the person purposefully omitting information (not good) or knowingly giving you erroneous information (very bad)?
- Does the person seem to over-play their role in an event or result?
- Is the person trying to cover up something they don't want you to know? Are they always changing the subject, changing the story, or diverting the answer?
- Does the person feel threatened and is innocently protecting himself?
- Are you really listening to the answers, or are you filtering all the answers through a preconceived framework? (If you perceive the other person as either a liar or a truth teller, you will preconceive their responses.)
- Is the story short on details, or do the details just not fit, or do the details change between stories?
- Is the person taking direct effort to help you understand the truth, or are they trying to manage your perceptions to make you believe something that's not true?
- Is the person so filled with excuses that they clearly can't be responsible for telling the truth?
- Does the individual stall for time to think through their answer for fear they might tell the wrong thing?

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- Does the person flip the question back on you to avoid the answer?
- Do they embellish their story with irrelevant details because the real details are uncomfortable?
- Does the individual qualify what they say with things like “to be perfectly honest,” “to tell the truth?” It’s probably not so.

Don’t think you can tell a truth-teller if they look you in the eye. A professional con artist can do this exquisitely. Also, in some cultures like Japan, looking someone in the eye before they become friends is considered an intrusion into one’s soul.

The adage: ‘trust but verify’ is always good advice if in doubt. Is there independent evidence to back up the facts?

Breaches of Trust Must be Addressed

What happens if you don’t address a breach of trust? You condone it! You just can’t look the other way and expect distrust to go away.

It’s not the magnitude of the consequence, but the speed & certainty that matters most. Trust breakdowns without consequences or response means trust is unimportant or that you accept the breakdown. Consequences must be swift and predictable

Types of Consequences

- ✓ *Declare Breakdown, then Position for Breakthrough, or*
- ✓ *Using Trust Scale, Overtly call out the type of Behavior.*
- ✓ *Do Not Respond, Tit-For-Tat*
- ✓ *Declare Level on the Ladder you want*
- ✓ *Punish the Malicious*
- ✓ *Open Avenue for Rebuilding Trust with*
 - *Prudent/Wise Forgiveness or*
 - *Trust but Verify*

[RPL: Insert section on why “tit for tat” is doomed to fail.]

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CHAPTER ELEVEN: LAWS & FINAL INSIGHTS ON TRUST

Albert Einstein said: *God does not play dice with the Universe.* Einstein meant there is a design that governs our world and causes it to function and respond the ways it does.

Understanding the Laws of Trust (see Figure 45 & Figure 46) will enable you to be the architect that builds relationships at the higher order on the scale of trust.

Remember, however, one violates the Laws at their own peril. The Laws and Principles are simple guidance to ensure success. Trust requires discipline to adhere to the rules.

While not everyone can or should be trusted, using the Laws, or the Ladder of Trust, you can discern how trustable a person might be, and how far you might be able to go to co-create a relationship of synergistic trust.

Some people can be trusted to have a relationship, but not a friendship. Most friends are not suited for a partnership. And only those on the pathway of parallel destinies seem to be best suited for the most powerful creationships. However, this does not imply that elements of friendship, partnerships, and creationships cannot exist in many of your best relationships.

Like the mastery of any art, clarity about how the Laws, Principles, and Levels of Trust impact human behavior will take time and practice, requiring close personal analysis tempered with real honesty, and careful listening for the real meaning. But with practice, healthy compassion, and open communications with others, and being willing to hear what might not be pleasant things from the point of view of others, relationship by relationship, we can, interactively transform our world, and create a rippling effect that changes the world of others.

TEN GUIDELINES OF TRUST

1. Law of Integrity & Truth

- Trust begins within as a commitment to tell the truth and constitute yourself to your word

2. Law of Honorable Purpose

- Trust requires a Commitment to Honorable Purpose

3. Law of Safety

- Trust cannot prevail unless a person feels safe
- Trust means I believe I will be better off trusting you than not trusting you

Corollary of Fear

- Fear is the birthplace of Uncertainty and Distrust
- Fear triggers rapid action, often vindictively
- Fear does not create enduring relationships

3. Law of Primacy

- The First Impression will color all other impressions

4. Law of Reputation

- Your Positive Reputation, conveyed by credible people, will mean less difficulty earning trust

Corollary of Connectivity

- It's a Small World; Information travels fast; There will be few secrets

5. Law of Presumptive Intent

- People will assume your intent/motives are the same as theirs
- Your motives will probably be misinterpreted by your adversaries, competitors, and critics
- The Paranoid will distort intentions maliciously through the Eyes of Fear

Figure 45: Laws of Trust

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TEN GUIDELINES OF TRUST *(Continued)*

6. Law of Co-Creation

- People Support what they Help Create
- Honorable Differences in Thinking are the Source of all Innovation

7. Law of Consequences

- All Distrustful Actions must induce Consequences
- It is not the Magnitude of the Consequence, but the Certainty and Clarity that's Important

Corollary of Unintended Consequences

- Every Action causes a set of Reactions; the Greater the Distrust, the larger the number consequences that will be either unanticipated or adverse to your interests

8. Law of First Trust

- It's better to trust first (unless there's strong evidence someone can't be trusted) but continue to verify

9. Law of Wrath

- Let the Sun Not Set on Thy Anger
- Vindictiveness and Manipulation will destroy all future possibilities of trust

Corollary of Forgiveness

- Be willing to Forgive with strong assurances of non-transgression

10. Law of Belief & Evidence

- Trust is Not Permanent unless there is:
 - Powerful Mutual Belief that Trust is Beneficial
 - Conscious Choice to Rebuild Trust when difficulties arise
 - Earned Evidence to Reinforce Beliefs

Figure 46: Laws of Trust (continued)

CONCLUSIONS ABOUT TRUST

While this CEO Handbook may not hold all the answers, we believe it provides concrete evidence to draw very powerful conclusions sufficient to make decisive decisions about the future of business.

TRUST'S IMPACT ON COMPETITIVE ADVANTAGE

There are two schools of thought about the purpose of business.

Shareholder Value School (which is in vogue on Wall Street) states the purpose of business is to make money and maximize profits for investors. This approach seeks to squeeze money out of every source, placing it on the bottom line, and distributing the capital to investors. Our evidence indicates this creates sub-standard results.

Trust Generates Rewards School (held by a strong minority) proclaims that business is designed to sell goods and services competitively, at a profit, maximizing value for its stakeholders: customers, owners, employees, suppliers, and its community. This strategy aims at creating value from every resource, innovating, cutting waste, and aligning human energy. For this strategy to work, trust is essential.

Trust makes a company strategically and operationally more competitive; and trust makes competitiveness sustainable year after year.

CENTRAL ORGANIZING PRINCIPLE OF ORGANIZATIONAL CULTURE

Trust is central element in organizational culture, yet, for most leaders, trust is regarded as a soft and mushy field, which business schools and analysts typically fail to address. This is a major mistake. We believe that trust should be the central organizing principle of organization culture.²³⁷ As Lou Gerstner stated about his turnaround of IBM:

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“I came to see, in my time at IBM, that culture isn’t just one of the aspects of the game – it is the game. In the end, an organization is nothing more than the collective capacity of its people to create value. Vision, strategy, marketing, financial management – any management system, in fact – can set you on the right path and carry you for while. But no enterprise – whether in business, government, education, healthcare, or any area of endeavor – will succeed over the long haul if those elements aren’t part of its DNA.

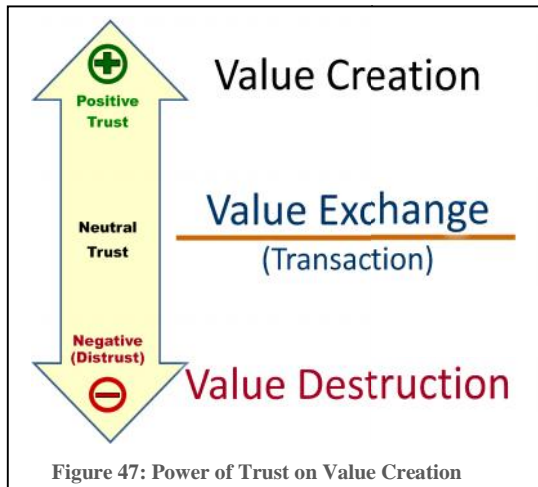
“Successful institutions almost always develop a strong culture that reinforces those elements that make the institution great. They reflect the environment from which they emerged.”²³⁸

Every senior executive must pay attention to the Trust Factor, as it is one of the most important elements of gaining competitive advantage, with a small financial investment, which yields a massive Return on Investment.

TRUST AND THE CREATION OF VALUE

Trust enables a company to gain traction because it shifts the game of business from *transactionary exchange* to *value creation*, (and prevents value destruction) as illustrated in Figure 47: Power of Trust on Value Creation.

In the previous section, we explored how Toyota and Honda beat the Big Three by shifting from a Value Exchange interaction with suppliers to a Value Creation relationship. Trust enabled the game changer. The **Continental Case** (mentioned earlier) illustrated just one



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element of how the Economics of Value Creation actually operates, when triggered by a high-trust corporate environment:

“We [told] the field that we wanted our employees to use their judgment, not follow some rigid manual. When faced with an atypical situation, employees were instructed to do what was right for the customer and right for the company.

“If you start writing rules to cover every tiny eventuality, you kill your employees’ creativity; their ability to solve problems. If every time they start to address a problem they think, “geez, if I do this the wrong way headquarters is going to be calling me and reaming me out,” They stopped thinking; they figured, well, let headquarters tell me what to do in that case -- people were suddenly permitted to think for themselves. In fact, they were *encouraged to*.”²³⁹

“Trusting our employees didn't mean ignoring the business and letting it run itself, and it didn't mean that no matter what anybody did it was okay.”²⁴⁰ We want employees to use their judgment.

TRIUMPH OF SMALL NUMBERS

At Continental Airlines, in the trust-enlivened atmosphere, every employee was given the ability to solve minor and sometimes major problems. All the little solutions begin to add up into a major profit:

Bottom Line: “Multiply every little solution by more than 2000 flights a day, by millions of telephone calls to our reservation centers, by thousands of bags that might have missed a plane if someone didn't hustle, by thousands of gate agents taking thousands of decisions to keep passengers happy and planes moving. You can see the impact our new policy has.... We want employees to make smart decisions, not blindly follow rules. Suddenly our employees are running a good airline.”²⁴¹

The power and success of trust seldom occurs in the meteoric manifestation of one grandiose act or event, but in the subtle, almost invisible multiplication of thousands of small decisions,

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actions, and better results - the Triumph of Small Numbers² - adding a slight percentage here, a small advantage there, a minute shift in weight in another place, and then pulsing as a shock wave, like the proverbial straw that broke the camel's back.

THE HIDDEN ECONOMICS OF EXPANDABLES

While the Triumph of Small Numbers explains some of the nature of how trust creates economic value, it does not fully explain the economic phenomenon. Trust is highly related to the function of economic "expandables." While you weren't taught the Economics of Expandables in school, most of us know it from experience. The stories throughout this book make in this idea tangible, measurable, understandable, and, most importantly, credible.

Economists were puzzled by it when they saw productivity increase dramatically in the 1990's, but couldn't explain it with traditional thinking. Here's why: Unlike expandables (which adhere to the universal price laws of supply and demand)

**Expandables are not limited by supply
Demand (usage) does not increase their price,
but it *does* increase their value.**

Expandable resources multiply the more they are used.

This is how 1+1 can equal 3 or more.

Because this is a new concept, let's look at a few more examples of the economics of expandables in practice to gain a fuller understanding.

Here's an example that will illustrate the concept of expandables.

Software is a modern and extreme version of Edison's phenomenon in the digital age. Software is one of the most cheaply

² Author's Note: The principle of the "triumph of small numbers" and its corollary "tyranny of small numbers" indicates when a small increase in a small number/percentage occurs, a large increase in another number will occur. This is particularly true regarding profitability when revenues increase and costs decrease (or vice versa) by small numbers.

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reproduced products in the world, and is inherently an *expandable* resource. Unlike something *expendable*, like a car or a washing machine, the after the first version is produced, each succeeding edition costs virtually nothing. (A disk costs only a few cents, and an Internet download is almost free), but the software may be valued at tens or hundreds of dollars, or more. In this software example, the incremental cost of production of the next package of software is so low that the cost is next to negligible. Software is inherently invisible, being only a series of magnetic imprints on a media. Most software can be moved across continents instantaneously on the internet for virtually nothing; zero transportation or shipping costs.

Then, once it is installed on a computer, the more it is used, the more valuable it becomes as each user creates data and adds value by sharing knowledge. As software demand increases, the supply is not used up; the incremental cost of multiplying it is negligible. Using the software daily does not diminish its size and actually multiplies its impact, creating more value every time it is used -- therefore it *expands*. Using the software more does not create less of it; to the contrary it produces *more of it*. It's best when shared, transferred and transmitted; using this resource brings it to life. Capturing the learning and sharing the knowledge generated by software only makes it more valuable, reaching more people, and generating more future possibilities; hoarding it diminishes its value.

Thus, the economics of *expandables* tends to work synergistically with the triumph of small number to create value, and can reasonably be thought of as the "economics of abundance."³

Now, for another leap in thinking: What other phenomenon demonstrate virtually unlimited supply, while its frequent use does not "use it up?" How about *creativity*, or *trust*, or *teamwork*, or *communication* or *compassion* or *courage*? Creating demand for co-

³ Author's Note: Expandables should not necessarily be considered good or valuable in all circumstances. Computer viruses, gossip, and false information spread over the internet are good examples of "evil" expandables.

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operation, and developing skills in cooperation does not “use it up;” but instead, the more it is used, the more utility it generates – thus becoming a “regenerative system.” These human systems act just like software – they expand and regenerate upon greater use.

This regenerative, *expandable* power is evident everywhere. When a person, team, or business partners engage creatively to invent a new product, process, technology, or idea, their creative “juices” are not “used up” when they are put into play. Quite to the contrary, their creativity expands based on their trust of each other and their willingness to *share* resources. This is the economic version of synergy in action. The relationship between the players acts as a “creationship” – the highest level on the Ladder of Trust. (see Chapter 5)

Some examples of Expandables

- » Software
- » Digital Technologies
- » Networks & Information
- » Innovation and Breakthroughs
- » Teamwork & Cooperation
- » Communications
- » Caring, Happiness, Compassion
- » Co-Creative Innovation

Accessing the expansive possibility of sharing begins with the mutual belief that “the more you give, the more you’re going to get.” When both partners hold this belief, it manifests. The general rule for the Law of Expandables is:

Sharing Expands, Hoarding Contracts

Collaborative mind-power thus creates its own “regenerative energy,” or a form of “synergy.”

Bottom Line: Trust makes eminent financial sense, accelerating and amplifying the creation and sustainability of value.

But Trust is actually not the goal; it is the foundation for the real goals: innovation and high performance teamwork.

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foundation for the real goals: innovation and high performance teamwork.

CONCLUSIONS

- All innovation today is collaborative, and without trust, the collaborative component is unattainable.
- Trust is also the key that unlocks the synergy source code.
- To understand trust, one should understand the Four Human Drives and the neurochemistry that underpins the drives.
- Trust unleashes latent human energy and enables it to be aligned on a common purpose, a search for four-drive solutions for all the stakeholders.
- Using trust as the pivot point, it's not unusual to see culture turn around in 12-14 months.

Building trust is an essential leadership responsibility that can be learned. Why: because trust is already hard-wired into all normal human beings (thus we don't actually have to learn the Trust Architecture)

High-trust organizations have a powerful cultural dynamic that creates extraordinary results. Trust produces highly effective people, high performance teams, useful ideas and innovations, and people who want to come to work because it is an energizing, co-creative experience.

Trust enables a company to gain traction because it shifts the game of business from *transactionary exchange* to *value creation through innovation and rapid recovery from mistakes*.

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The power and success of trust seldom occurs in the meteoric manifestation of one grandiose act or event, but in the subtle, almost invisible multiplication of thousands of small decisions, actions, and better results – the Triumph of Small Numbers – adding a slight percentage here, a small advantage there, a minute shift in weight in another place, and, as all these small shifts accumulate, they pulse as a shock wave triggering an avalanche of competitive advantage.

Bottom Line: Trust makes eminent financial sense, accelerating and amplifying the creation and sustainability of value.

The real advantage of trust? It is the deepest yearning of all humans; we were born with it, and it's our birthright to retain or regain it. Many leadership situations require influencing without authority, which can only happen when those we wish to influence trust and value us. Trust produces highly effective people, high performance teams, useful ideas and innovations, and people who want to come to work because it is an energizing, co-creative experience.

We believe the factual, quantifiable data tells a compelling story about the reason why companies succeed and fail, and what constitutes effective leadership and leads to a powerful insight:

Great Leaders do Three Things Well:

4. Strategy:
Set an Inspirational Vision, then chart an Innovative Course that generates a Significant Advantage or Improvement over ordinary alternatives.
5. Trust:
Create a Culture/System of Trust that Unleashes & Focuses Human Energy & Co-Creativity on Achieving the Strategic Vision.

6. Operations:

Establish Excellent Organizational Processes, Measures, & Rewards that achieve #1 (strategy) and coherently reinforce #2 (trust).

If you have found this book valuable, and believe your senior management team would benefit from understanding the core concepts included here, another companion book is available: *Chief Executive's Guide: The Economic and Innovative Power of Trust*. It's under 130 pages – a quick read on an airplane flight.

Building a Team You Can Trust

FINAL INSIGHTS

Why We Have So Little Trust

Books are written on how to protect yourself, how to get even, how to manipulate others, how to fight wars, how to litigate, how to intimidate, and on and on. There's so much distrust in the world, distrust seems normal; but it isn't!

Trust is the natural essence of human existence. *We were born into trust*; we engage in distrust as an act alien to our nature. Eliminating the poisons of distrust only gives us neutral trust, but does not result in great trust. The lack of trust costs us dearly in our professional and personal lives.

Where Trust Starts

Practicing the architecture of trust will enable you to create a bold new future for yourself and others in your world. Remember two things: trust is a mutual choice, and trust occurs like building a new house: to start you need a good design, then, to make it last you must build it to code.

The journey begins with each individual recognizing at the deepest level of their soul the transformational value of trust, then making a commitment to build a trusting world around themselves. Unless one has desire to make trust a paramount condition of their life, it won't happen. Too often trust gets caught in the background noise of life.

Trust manifests in its greatest glory by design and by mutual choice, seldom by accident. Yet, if we don't bring trust to the forefront, what has been a seemingly busy, maybe chaotic life will become even more tumultuous as we spin erratically and unpredictably in a world of distrust. In other words, we neglect the issue of trust at our own peril. Trust, like the muscles on our body, need exercise and coordination.

Trust is a Choice

How much trust exists between people is a choice everyone makes. The problem is that most people make the choice

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reactively or subconsciously without discussion or interactive design. This is a large mistake that has kept relationships - both personal, organizationally, and even internationally - stuck the mediocrity of mistrust.

The level of trust that exists in any relationship is a *mutual choice*. Rather it's most powerful when it's the result of choice of how you want the world to work. For example: suppose you've had a situation where a business person just betrayed you. You might be thinking: "I didn't *choose* to be stabbed in the back by what I thought was an honest man." True enough, to an extent. But that person did make the choice to betray you either:

- *Intentionally* or *Maliciously* -- it was done after some deliberation or desire to hurt or harm you, or
- *Unconsciously* or *Negligently* -- their mind made a choice to repress any thinking about their motives for action or its consequences, or
- *Reactively* -- triggered and driven by emotions, not rational thought

Also consider: perhaps you set up conditions that drove their choice, or made it easier, or because they felt there would be no dire consequences for the betrayal.

Take a Close Look

Circumstances of distrust both shape and reveal the players in the game. If there is too much distrust around you, stop blaming them; the first place to look is not at them, but at yourself to determine what we might be doing or not doing to trigger distrust. Be sure to ask yourself the questions:

- How often have these things happened to me?
- What are my typical reactions when these things happened? What did I learn from it?
- How often did I return the distrust with an equally distrustful response?

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- How much have I walled myself off from the joy and fullness of life to protect myself from the damage of distrustful relationships with my family, my fellow workers, my friends, or my community?
- What am I thinking when I encounter conflict in my life? (those thoughts will be expressed either verbally or non-verbally in your communication)
- What do I say? What questions do ask? (or do you accuse rather than inquire?)
- How do I act? Or more importantly, how do I *react*? Can I slow down my sense of time to let me think about what's really happening?
- Am I listening to the other person carefully?
- Am I conscious of what I'm experiencing and doing? (What you want, and what is happening subconsciously, may not be in alignment, thus producing the wrong results.)
- Imagine if you were on television in this scene. What would it look like?

Trust by Design

The art of building trust should not be something that “just happens” reactively, thoughtlessly, or invisibly. Be proactive: discuss, design, and destine the relationship to its highest possible level. Trust is the most vital thread in fabric of relationships. It's not unusual for people to find, for the first time, a sense of real meaning and purpose to their lives and work when trust is present. Trust is your birthright. To live in a world of distrust robs you of the life you were born to lead!

APPENDIX ONE: LESSONS FROM GREAT SPORTS COACHES

Everyone in business wants to be successful. While few in business ever want to talk about it, unquestionably our biggest *fear is failure*. Often we work extraordinary hours to ensure success and ward off that dreaded fear. What can sports tell us about success?

I'm a sports fan; I confess I often jump to the sports page first when I read the paper to see who's been successful. But I'm not the normal fan. I look for the stories of how coaches got their teams and star players to do extraordinary things. I love the "worst to first" stories, the comebacks, the less-talented that excel out of sheer grit and determination, and the castaway players that experience resurrection. The best stories for me are often during the Olympics about those who overcome unbelievable adversity – cancer, broken bones, poverty, and physical disabilities – to go on to become the best in the world.

With that in mind, here are some things I've found about great coaches that most people often miss:

Trust was an essential ingredient in the success formula.

Sometimes trust was right out in the open, sometimes imbedded into the "quality of character," yet most times its woven subtly into the fabric of the thinking of great coaches, but not ostensibly stated.

- *UCLA & John Wooden*: This exemplary coach was probably the best example of how building character and winning went hand-in-hand. Members of his teams had to live to the standards of his 12 point character-building pyramid. "Ability may get you to the top, but character – mental, moral, and physical keeps you there." Wooden's teams were fantastic!
- *Boston Celtics & Red Auerbach*: His dynasty of the 1960's was based on choosing players for three overriding qualities – talent, character, and teamwork. The best singular example was the matchup between the Celtics' Bill Russell and the giant Wilt Chamberlain. Statistically Chamberlain was overwhelming, but no match for the smaller Russell whose

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character beat his opponent every time. When Doc Rivers took over the Celtics in 2007, they were wallowing in the cellar. He brought together three players – Pierce, Garnett, and Allen – who'd never played together. Rivers focused on one powerful thing: TRUST. By the end of the season they'd devoured the league and won the championship.

- *Green Bay Packers & Vince Lombardi*: Stories about Lombardi are legendary. He took the Packers from losers at the bottom to the championship in two years. What most people don't realize is the focus he had on building trust. Here are a few examples: He quoted Lord Byron, "Adversity is the first path to the truth." And Herbert Spencer: "Character, rather than education, is a man's greatest safeguard, because character is higher than the intellect." "Every player must first place the team ahead of his personal glory. The man who plays must make personal sacrifices – victory means team glory for everyone – personal glory means little if a team loses." "To be a leader, you must be honest." "Leadership is based on truth and character. It must have truth in its purpose and willpower in its character." "Two main things on a new job are Personality Analysis (Character) & Talent Analysis (Competence)."

The Greatest Athlete of All Time

So... Who was the Greatest Athlete of the Twentieth Century? Every sports fan has an opinion. My choice is the National Hockey League's Wayne Gretzky. They didn't call him the *Great One* for nothing. When Sports Illustrated named Mohammad Ali the greatest athlete of the 20th Century, I was stunned. Gretzky not only dominated the game, but he did something no one else in sports had ever done: the league's all-time scoring leader with the most goals scored *and* the most assists. In fact, he had 2 ½ times more assists than goals. He had more assists than the #2 player had goals! No one else is even close in any sport. (in basketball, the best scorers are ranked way down the list in assists). Gretzky was the *ultimate team player*. His teammates trusted him not to hog the puck; they trusted him to win with the team, not as a lone ranger superstar; they trusted him to do the right thing for the team, and put his own glory on the back burner. Who is your choice?

APPENDIX TWO: TRUST, MONEY, & THE CONDUCT OF BUSINESS

After government, business is the most visible and influential institution. It's where most people spend their time, earn their livings, and mold their views of life itself.

Business itself does not hold the sacred trust of the people, being one of our most distrusted institutions.

The Disputed Purpose of Business

The principle cause for this distrust stems from an erroneous belief that: "the purpose of business is to make money."

This is a myth. Remember, a myth is a half truth, half lie, disguised as the truth. (see Volume Six for more detail on how this misconception was created.) Here's the real truth:

The purpose of an *investor* is to *make money*, pure and simple. People invest for one reason only: to make money.

Economist Milton Friedman blustered that any business executive that didn't do everything in his or her power to create value for the shareholding investor should be fired. Friedman completely missed the mark, not recognizing the purpose of an *investor* and the purpose of a *business* are *actually different*.

A business' purpose is to sell products and services competitively and sustainably for a profit.

Yes, making money is essential for business, but money is but one of the *measures of success*; it's erroneous to believe the purpose of anything should be equal to its measure of success.

Use this as an analogy: Friedman's admonition that the purpose of business is to make money is like saying the *purpose of a car is to get good gas mileage*. No; the purpose of a car is to move a people efficiently and safely. The measures of success of a car are:

- Reliability (doesn't break down often),

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- Safety (doesn't get in accidents),
- Cost Effectiveness (doesn't break budget to operate).

Confusing the purpose of an *investor* with the purpose of a *business* is the same as Machiavelli's advice that the 'ends justifies the means.' Such thinking has driven too many businesses down the pathway of greed and ultimately psychopathic behavior. Too many businesses have lost their bearings, no longer making sound, prudent, rational judgment based on factual evidence that should characterize business. The worst of the business offenders are banks and financial institutions.

Bank Calamities

The virtual collapse of the banking system around most of the world was due, in large part, by three factors:

1. **Trying to Maximize Profit:**
Rather than make prudent loans to homeowners, and make a reasonable profit, banks tried to satisfy their Wall Street masters to maximize returns, lending in the 'sub-prime' market to owners that couldn't afford mortgages. The lowering of banking standards whipped the housing market into a frenzy, driving up prices, making it more difficult for new homeowners to purchase houses they could reasonably afford. This, and other questionable business practices, like credit default swaps, created a house of cards that was doomed when it collapsed.
2. **Tearing down the Banking-Investment Boundaries:**
During the decade and a half prior to the 2008 collapse, Wall Street lobbyists made a full court press in legislative bodies throughout the world to repeal the legislation enacted during the Great Depression to prevent abuse of the banking system. They were successful in changing the laws, thus making it legal to engage in nefarious business practices with impunity. By enabling banks to merge with investment companies, which had before been illegal, the standards for success now were "greed is good!" The prudent lending practices that had previously character-

ized the banking industry were replaced by free-wheeling Las Vegas style gambling binges.

3. Greed is Good Mentality: This horrid belief ripped apart any rational analysis of what truly created value in business and destroyed the ethical standards required to make efficient business transactions, thus eviscerating the nature of trust in business and banking.

Ultimately the system had to be put on taxpayer life support for their transgressions.

Were there any banks not scathed by this calamity? Yes, the Canadian banks, which are now considered the safest in the world. The Canadian government did not buy into the lobbyists' nonsensical falderal and kept the regulations tight.

The Financial Sector's Psychopathic Response

After the 2008 crash that put tens of millions of people out of work around the world (at least eight million in the U.S. alone) and foreclosed on millions of homeowners, no one in the banking or investment sector showed any remorse for what happened.

If one consults the "Diagnostic and Statistical Manual of Mental Disorders," (DSM IV) the handbook for psychologists, under the category of "Antisocial Personality Disorder," one finds the category of psychopaths (described earlier). According to the manual, those with the disorder display:

"Deceitfulness" as indicated by "conning others for personal profit or pleasure"; "Irresponsibility"; "Lack of remorse as indicated by being indifferent to or rationalizing having hurt, mistreated, or stolen from another."

In the larger picture, the behavior of the banking and investment sector of our economy has often displayed a psychopathic culture. (This does not mean that every person who works in a bank is a psychopath! Please don't go there.)

This happens when leaders attach themselves to belief system that is faulty, erroneous, and downright greedy.

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To understand how this occurs, just reflect back on Nazi Germany. Certainly not every German was a member of the Dark Triad, but nevertheless the Nazi propaganda machine told so many half-lies-half-truths for so long that people began to believe their swill. History tells the sad story of the tragic results. (see Volume Five to learn how they spread fear-based disinformation to accomplish their evil ends.²⁴²)

Rebuilding Trust in the Business Sector

In general terms, the business sector is composed of two tiers, Small & Medium-sized Enterprises (known as SMEs which are typically under 500 employees), and Large Corporations, most of which have stock traded on the stock exchange.

People are more likely than not to trust SMEs. These smaller companies are run in a different manner than companies traded on the stock exchange. SME businesses make up more than 99% of all business firms and create more than 50 percent private sectors employment income. The latest figures show that small businesses create 75 percent of the net new jobs in our economy. Many are run by their original founders or their families, and still retain the values of entrepreneurship, customer care, and trustworthiness. Most are “local” businesses that have an active presence in their community’s affairs. Typically they see themselves as having many *stakeholders*, including: owners, investors, employees, customers, suppliers, and the community it calls home. Owners of SMEs are likely to say that each of these stakeholders has a right to its fair share. Trusting relationships are likely to be highly valued for SMEs.

Larger corporations are more likely to be faced with a different set of dynamics because they are locked into having to meet the expectations of Wall Street: increased profits for share holders every quarter. If a large corporation is not maintaining its profitability, its stock value is devalued, making it a less favorable investment and often likely to be taken over by a corporate raider.

Large, publicly held companies are more carefully scrutinized by the investment community, which is good. However, much of the public data available to investors is supposed to be reviewed

and certified by accounting companies, many of which doctored the books before the meltdown. The demise of the renowned accounting firm Arthur Andersen was just one example of such a transgression. False accounting is usually the results of collusion between business and accounting.

The Vital Role of Business Schools

The management ranks of large corporations are filled with graduates of business schools, where the business leaders receive their training in the competencies most valued by large corporations. These future employers seek graduates with Masters of Business Administration (MBA) degree.

As an adjunct professor in three business schools, and as an entrepreneur, I have a first-hand view of the approach to teaching leadership and management in business schools. Few business schools have a strong grasp on the dynamics of trust and its impact on finance, human motivation, and innovation.

The school of hard knocks teaches many things that are not taught in business school. Comparing the real world with the academic experience, one major “*thing*” stands out that was absolutely untouched by the curriculum, unexplored in books, and vaguely hinted at in discussions that was so important to my success, or failure.

In fact, the mysterious *thing* was almost a taboo subject; something of a quandary that no course in finance, marketing, procurement, entrepreneurship, or organizational behavior even discussed.

Professors didn’t lecture about this *thing*, either because they knew nothing about it, or perhaps it was never part of their training. Apparently the professors that preceded them never were illuminated about the *thing*, even though it was so important that it could spell the difference between success or failure, happiness or misery, expansion or contraction.

What was this almighty yet elusive *thing* you never explored?
Trust.

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The academic experts and the seasoned practitioners all agreed trust was the essential ingredient to success, but when you asked them to elaborate, all we heard was a bunch of platitudes: Overly simplistic words of advice that were misleading at best.

“Trust but verify,”

“Trust must be earned,”

“Build an escape clause,”

“With trust, start small, then expand,”

“Speak softly but carry a big stick,”

“Be ever vigilant,”

“Don’t trust, just be sure you have a great lawyer and a tight contract,”

“Focus on interests”

Making Trust a Core Competence for MBAs

Training future MBAs at this minimalistic level of comprehension is “unprofessional.” Professionals, by definition, have a discipline in how they act, a rigor in the depth of their understanding, and skill in exercising their competencies.

MBAs receive no professional disciplines, rigors, or competencies in trust; their courses lack any of the underlying concepts, verified case studies, best practices, and skills training necessary to build and sustain trust.

A business education without an architecture of trust is thoroughly inadequate. A course in ethics alone is a poor substitute for excellence.

So too is the teaching of business law without the counterbalance of the laws of trust. No number of lawyers or armored contracts can make a business safe. Doing business with unscrupulous people, either those inside the company as managers or employees, or as vendors or customers, is a lost cause from the start. The cost of doing business with the untrustworthy is not worth the effort, for the hidden costs of engaging with the

untrustworthy will, more often than not, outweigh any potential profitability.

APPENDIX THREE: THE NEXT HORIZON

BUSINESS ATTEMPTS TO ACHIEVE SYNERGIES

High Failure Rates in Mergers & Acquisitions

In the last two decades, the ideal of achieving synergy has gone from a magical quest to a cynic's nightmare in the field of Mergers and Acquisitions.

Billions upon billions of dollars have been invested by companies in acquisitions in search of synergies that would create great wealth for their shareholders, only to find them evasive, elusive, or even outright destructive.

The Mergers & Acquisitions Departments went on buying sprees. For example, in the late 1990s, AT&T went on a massive \$140 billion acquisition kick, gobbling up cable companies, paying huge premiums over market value. Five years later AT&T was faced with horrendous losses; ending up having to write off the strategy as a failure as the company imploded.

Over the last twenty five years, studies in America and Europe consistently find M&A failure rates run in the 60-80% range. There has been little if any improvement over time. Mark Sirower, in his book: *Synergy Trap*, first defines, then cautions about synergy:

[M&A] Synergy is defined as increases in competitiveness and resulting cash flows beyond what the two companies are expected to accomplish independently.

Most purported synergies are like the colorful petals of the Venus flytrap – dangerous deceivers. Most major acquisitions are predictably dead on arrival.²⁴³

Sirower then details the “competitive challenge of synergy” which uses “the value chain concept advanced by Michael Porter of the Harvard Business School:

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“In a competitive environment, the only way to earn economic returns is by preventing rivals (current or potential) from winning along the value chain. At least one of the following conditions is necessary:

Acquirers must be able to further limit competitors’ ability to contest their or the targets’ current input markets, processes, or output markets, and/or

Acquirers must be able to open new markets and/or encroach on their competitors markets where these competitors cannot respond.”²⁴⁴

Just from reading this description it should be evident why so many acquisitions fail based on the Four-Drive architecture: the nature of the M&A process is oriented to the drives to *Acquire* and *Defend*, triggering massive fear and distrust, sowing the seeds of its own destruction. Differential Energy is destined to conflict.

Then, on the day of announcement, everyone is taken by shock; and the best people start circulating their resumes outside the newly vanquished company, knowing that cost-cutting will likely be the first action. Little attention is paid to reducing fear, building trust, or what innovation must be protected to ensure the future value of the company is sustained.

Often the integration process is a sordid “ram and cram” affair that spurs even more distrust. Sirower continues:

“Numerous articles... have discussed the potential troubles of power and culture clashes between organizations. ... The implicit assumption has been that if only the cultures were managed well, performance gains would occur. ... Cultural tensions can undercut mergers and imperil strategies. We need to consider the “why” of the economics of culture to put this cornerstone in the context of synergy.....the issue for acquirers is not whether the cultures are similar or different, but whether the changes necessary to support the strategy will clash with either culture.

Two questions about culture are particularly evident relevant to mergers and acquisitions:

- *When will problems of conflict and cooperation arise?*

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- *How will they be solved?*

The larger problems stem from the reshuffling of power and unwritten expectations of payoffs of cooperating versus competing in the course of doing business with the new company. It is the uncertainty and ambiguity surrounding acquisition events that will cause executives and employees in general to defend positions they may have taken years to build. ²⁴⁵

Ambiguity and uncertainty, along with actions associated with the drives to *Acquire* and *Defend* dramatically escalate distrust. What's more, if the target company already has a high level of distrust prior to the acquisition, the emotional fuse is ready to blow, and the acquisition process just pushes everyone over the edge, as the two levels of distrust amplify each other.

Those that fail at the acquisition process continue to claim that synergy is just a myth, an illusion, or simply bunk.

Organizational psychologists Philip Mirvis and Mitchell Lee Marks maintain that of all the failures, the majority collapse because of cultural clashes.²⁴⁶ Since writing their book twenty years ago, Marks, who is now a professor at San Francisco State University, maintains that notes that the story is still the same:

18 months after a combination, executives bemoan that their best talent has bailed out, productivity has gone to hell in a handbag, and culture clash remains thick.

As the two sides come together, politics typically predominates. Oftentimes, it's power politics: the buyer decides how to put the two organizations together.

Meanwhile, individuals jockey for power and position, and management teams fend off overtures for control from the other side by hiding information or withholding information. In the typical situation, transition teams are convened to recommend integration options, but personal empire building and group dynamics block efforts to seek out and capture true synergy.

Meanwhile, culture clashes rear up as people focus on differences, and fixate on which side wins what battles, rather than joining together to build a united team.

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A recent study examined three levels of cultural learning during an acquisition – none, shallow, and deep – and found an interesting relationship between them and the subsequent integration of plants in an acquired firm.

In the case of no learning, not surprisingly, no relationship to eventual integration success or failure was found.

By contrast, deep culture learning interventions, involving cross-company dialogue, culture clarification workshops, and the like, had a strong positive effect on integration success. Measured results included greater cross-cultural understanding, smoother resolution of cultural differences, more communication and cooperation between combining parties, and greater commitment to the combined organization. ²⁴⁷

What made matters worse in virtually all the acquisition failures was the lack of understanding that synergy will not and cannot manifest without trust; and that trust cannot manifest in an atmosphere of fear, exacerbated by uncertainty and insecurity.

Synergy does exist, and it does live, but only if one looks for it, and creates it by design. It doesn't fall out of the sky like some divine blessing. Trust plays a central role in the game of business acquisitions, but goes largely unnoticed.

Reviewing a half dozen books on mergers and integration in my library, only one even mentions trust, and it merits three paragraphs; here's an excerpt that is so typical of most treatment of trust in management and leadership literature:

In the post merger context, trust has great value. High levels of trust reduce friction among employees, bond people together, increase productivity, and stimulate growth. Conversely, low levels of trust aggravate friction, alienate people from one another, depress productivity, and hamper growth.....

*To build trust after a merger, managers must show they are worthy of it. They can do this by making and fulfilling unwavering commitments in changing circumstances.*²⁴⁸

We believe that organizational synergy is so elusive because few have understood its intimate connection to trust.

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As the old adage goes, if all you have is a hammer, everything looks like a nail.

So too, if your comprehension of trust is fuzzy and poorly understood, your understanding of synergy will be the same.

How Strategic Alliances Achieve Synergy

Strategic Alliances are not mergers or acquisitions, instead bringing to companies together to collaborate to achieve a common goal, while each retains its autonomy and independence. In the Four Drive architecture, alliances do *not* focus on the *Acquire & Defend* drives, instead emphasizing the *Bond & Create* drives.

Twenty five years ago, as the strategic alliances began to proliferate, their success rates started out not better than acquisitions, mainly because the people and process used to form them were the same as those for mergers and acquisitions.

However, a very different path²⁴⁹ was taken by alliance professionals, who were more interested in collaborative innovation (primarily drives to *Bond & Create*) than their M&A counterparts who were more interested in power and control (primarily drives to *Acquire & Defend*).

By using the precepts of Dynamic Differential Energy (Differentiation-Integration, Four Drives of Human Behavior, and extensive Trust Building), alliance professionals regularly achieve 70-80% success rates, fully three times the rate of the M&A profession.

And by sharing the Best Practices that underpin those successes, not only to companies collaborate, but approximately fifty percent of all the collaborations are actually between competitors - a clear indication that the competitive-collaborative balance is an efficacious strategy in business.

The synergy is created by recognizing that Dynamic Differential Energy becomes constructive when:

- organizational strategies are in alignment,
- standards of trust are strictly adhered to,
- people are willing to share ideas,

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- conflict is treated as a source of innovation,
- people expect the whole to be greater than the sum of the part
- flexible adaptation to changing needs and competitive environments is expected
- people with high drives to *Bond & Create* are chosen to lead/manage the relationship

APPENDIX FOUR: THE GREAT HOAXES

MACHIAVELLIAN LESSONS IN LEADERSHIP

By Robert Porter Lynch

Betwixt the Middle Ages and the Renaissance

A hundred years after Mallory's classic tale of the legends of King Arthur and the synergistic vision of Camelot, as a prelude and warning to the emerging Renaissance, Niccolo Machiavelli²⁵⁰ wrote his own classic, *The Prince*, as a handbook for power and control.

One of the most important thought leaders of our modern world, Niccolo Machiavelli's *The Prince* has influenced many of today's leaders, who have modeled their actions on his advice. Gravitating to his cultural roots, he used both contemporary Italy and Roman history as the source of his conclusions about human nature. Seeing the same confounding behaviors in Roman history that he saw in Medieval Italy, Machiavelli naturally assumed he had found "the truth."

All writers are products of their times. (A few, a very few, writers are able to transcend their times. Plato and Socrates are two; Madison and Jefferson are two others.) Machiavelli was not one of those transcendent thinkers. His thinking was deeply influenced by the times and his patrons. His sources of Roman history such as Livy (Titus Livius)²⁵¹ and Seneca are suspect because both these authors worked for the ruling dictator of their times: Octavian (Augustus) and Nero, respectively. The Emperor (a euphemistic term for Dictator) paid their salaries; the wrong word, or even the wrong false accusation, and death was proscribed. Thus, the insights and possibilities of a world of honor and dignity, such as those that were commonplace in the Greek experience, carried little weight compared to the preponderance of evidence he saw in ancient Rome and his own Italy.

Machiavelli, a student of *real politic*, details the use of initiating manipulative techniques to offset, counter-balance, overthrow, or

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combat others engaged in Mordred-like activities. In *The Prince*, Machiavelli formalized and codified the Age of Intrigue, making betrayal, conniving, conspiracy, and scheming an art form.

Machiavelli could draw no inspiration or even guidance from the Dark Ages - a time when humans produced nothing significant.

Neither could he draw guidance from the leadership of the Christian Church of the last thousand years. Since its inception under the reign of Constantine in the fourth century, a long string of Popes had replicated the grandeur, dictatorial arrogance, and distance from the people that was the hallmark of the Roman Emperors. While certainly Christianity in the timeline between the Fall of Rome and the Renaissance (Rebirth) did produce monks in monasteries who were humble servants of God and their people, such as Francis of Assisi, this style of servant leadership was lost on the hierarchy of monsignors, bishops, cardinals and their succession of Popes. Between the Fall and the Rebirth, Christianity as a religion was usurped by authoritarian despots and firebrands who either conspired with crooked emperors devoid of conscience and possessed with greed, or using guilt and fear as a weapon manipulated their following to false truths, leaving no room for creativity and innovation.²⁵²

Machiavelli's *Prince* is not strictly evil, he is a fox. And a fox he must be in a world of Mordreds, where there may be limited options to slay the dragon Mordred. Outfoxing a kingdom well populated with Mordred's takes the cunning of a fox.

Many authorities have said that Machiavelli is one of the ten most influential writers in history and his influence on the world's leaders has been more than substantial. For this reason, I decided to get to know Machiavelli better and understand what he really said. What I found, frankly, surprised me, even after having read *The Prince*, once in college, and again several years ago. .

How Machiavelli Saw His World

Machiavelli,²⁵³ a young man of twenty-nine began his professional career in 1498 as a secretary for the Second Chancery, an office he was to hold for fourteen more years. As he began his

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job, the streets of Florence were abuzz with the execution of Friar Savonarola. This story well sets the stage for Machiavelli's view of humankind:

Savonarola was an Italian Dominican friar, Scholastic, and an influential contributor to the politics of Florence from 1494 until his execution in 1498. He was known for his book burning, destruction of what he considered immoral art, and his perception of what he thought the Renaissance – which began in his Florence and was at its beginning – ought to become. He vehemently preached against the moral corruption of much of the clergy at the time, against his main opponent, Rodrigo Borgia otherwise known as Pope Alexander VI.

A student of the Bible, St. Thomas Aquinas and Aristotle, Savonarola stood against morally corrupt clergy and prophesized the end of the world. Wanting to correct the transgressions of worldly Popes and secularized members of the Church's wayward Roman Curia, he vehemently expressed his contempt for the Curia by terming it 'a false, proud wench'.

In Florence in 1490 he began to preach passionately about the Last Days, accompanied by testimony about his visions and prophetic announcements of direct communications with God and the saints.

Finally, with the year 1500 fast approaching, Savonarola saw the Last Days were impending. Eventually, the ruling de Medici family became targets of Savonarola's fiery preaching, not uncommon at the time. But a series of circumstances quickly brought Savonarola great success, as an epidemic of syphilis gave credibility to his proclamations.

After Charles VIII of France invaded Florence in 1494, the ruling Medici were overthrown and Savonarola emerged as the new leader of the city, combining in himself the role of leader and priest.

He set up a republic in Florence. Characterizing it as a "Christian and religious Republic," one of its first acts was to make sodomy, previously punishable by fine, into a capital offence. Homosexuality had previously been tolerated in the

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city, and many homosexuals from the elite now chose to leave Florence. His chief enemies -- the Duke of Milan and Pope Alexander VI -- issued numerous restraints against him, all of which were ignored.

In 1497, he and his followers carried out the *Bonfire of the Vanities*, sending boys from door to door collecting items associated with moral laxity: mirrors, cosmetics, lewd pictures, pagan books, immoral sculptures (which he wanted to be replaced by statues of the saints and modest depictions of biblical scenes), gaming tables, chess pieces, lutes and other musical instruments, fine dresses, women's hats, and the works of immoral and ancient poets, and burnt them all in a large pile in the Piazza in Florence.

Many fine Florentine Renaissance artworks were lost in Savonarola's notorious bonfires -- he is alleged to have thrown some of the artworks into the fires himself.

Florence soon began to riot and revolt against Savonarola because of the city's continual political and economic miseries partially derived from Savonarola's opposition to trading and making money. When a Franciscan preacher challenged him to a trial by fire in the city centre and he declined, his following began to disappear. Dancing and singing returned as taverns reopened, and men again dared to gamble publicly.

Finally, a year before Machiavelli assumed his official duties, Savonarola was excommunicated by Pope Alexander VI. The following year, in 1498, Alexander demanded his arrest and execution.

As Machiavelli was waiting for his appointment, Savonarola surrendered along with two other friars, his two closest friends. Savonarola was charged with heresy, uttering prophecies, sedition, and other crimes (called religious errors by the Pope.)

During the next few weeks all three were tortured on the rack, the torturers sparing only Savonarola's right arm in order that he might be able to sign his confession. All three signed confessions.

On the day of their executions, they were ritually stripped of their clerical vestments, and degraded as heretics. The three were hanged in chains from a single cross and an enormous fire was lit beneath them. They were thereby executed in the same place where the "Bonfire of the Vanities" had been lit, and in the same manner that Savonarola had condemned other criminals himself during his own reign in Florence.

The historian of the day who was present at the incident wrote that his executioner lit the flame exclaiming, "The one who wanted to burn me is now himself put to the flames." The burning took several hours, and that the remains were several times broken apart and mixed with brushwood so that not the slightest piece could be later recovered, as the ecclesiastical authorities did not want Savonarola's followers to have any relics for a future generation of the rigorist preacher they considered a saint. The ashes of the three were afterwards thrown in the river that ran beneath the Ponte Vecchio.

In the intervening period, Machiavelli was deprived of office in 1512 by the returning Medici rulers. In 1513, Machiavelli was accused of conspiracy, and arrested and imprisoned and tortured ("with the rope", where the prisoner is hanged from his bound wrists, from the back, forcing the arms to bear the body's weight, thus dislocating the shoulders). Denying any involvement, he was released. (As the record contains no details, we can only image he was physically and spiritually damaged by this horrible incident.)

After being tortured, he wanted to ingratiate himself to the Medici family and become an advisor to them. At this time he wrote *The Prince*, which he described as being the un-embellished summary of his knowledge about the nature of princes and "the actions of great men", based not only on reading but also, unusually, on real experience.

Advice to the Prince

In *The Prince*, Machiavelli shares his insights about power and leadership:

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Advice of Greatest Importance: In the actions of men, and especially of Princes, one looks at the result; and the end justifies the means.

Ambition: Ambition is so powerful a passion in the human breast, that however high we reach we are never satisfied. Men rise from one ambition to another; first they seek to secure themselves from attack, then they attack others.

Appearances: A leader must take great care to say only the words of mercy, faith, humanity, and morality, for men in general judge more by what they hear and see, than by what they experience. Everybody sees what you appear to be, few know who you really are. And the few who know who you really are will seldom dare to oppose you in light of the many who support you.

Arms: There is no comparison whatever between an armed and disarmed man; it is not reasonable to suppose that one who is armed will obey willingly one who is unarmed; or that any unarmed man will remain safe....

Conspiracy: Whoever conspires cannot act alone, and cannot find companions except among those who are discontented; and as soon as you have disclosed your intention to a malcontent, you give him the means of satisfying himself, for by revealing it he can hope to secure everything he wants.

Cruelty: A leader must not mind incurring the charge of being cruel if it is for the purpose of keeping his subjects united and faithful.

Deception: So simple-minded are men and so controlled by immediate necessities, that a prince who deceives always finds men who let themselves be deceived.

Fear: It is much better to be feared than loved.

Fighting: There are two methods of fighting, the one by the law, the other by force: the first method is that of men, the second of beasts; but as the first method is often insufficient, one must have recourse to the second.

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Hate: Hatred is gained as much by good works as by evil.

Human Nature: Man is semi-animal, semi-beast. The leader is thus obliged to know how to act as a beast, and must imitate the fox and the lion, for the fox can recognize traps, and the lion can intimidate. If all men were good, this would be poor advice; but as they are bad and will not be loyal to you, you are not bound to be loyal to them.

Judgment: Men in general judge more by the eyes than by the hands, for everyone can see, but very few have to feel. Everybody sees what you appear to be, few feel what you are, and those few will not dare to oppose themselves to the many, who have the majesty of the state to defend them.

Leadership: A prince who is ignorant of military matters, besides other misfortunes... cannot be esteemed by his soldiers, nor have confidence in them.

Public Policy: A prince must not mind incurring the charge of cruelty for the purpose of keeping his subjects united and faithful; for, with a very few examples, he will be more merciful than those who, from excess of tenderness, allow disorders to arise, from whence spring bloodshed; for these as a rule injure the whole community, while the executions carried out by the prince injure only individuals.

Training: The wise Prince never withdraws his thought from training for war; in peace he trains himself for it more than in time of war.

Virtue: It will be found that some things which seem virtuous, if followed, lead to one's ruin, and some others which appear vices result in one's greater security and well-being.

It cannot be called virtue to kill one's fellow citizens, betray one's friends, be without faith, without pity, and without religion; by these methods one may indeed gain power, but not glory.

War: A prince should therefore have no other aim or thought, nor take up any other thing for his study, but war and its organization and discipline, for that is the only art that is

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necessary to one who commands.... And one sees, on the other hand, that when princes think more of luxury than of arms, they lose their state. The chief cause of the loss of states, is the contempt of this art.

To the modern reader, the advice in *The Prince* seems immoral, manipulative, and perverse. Machiavelli's name is now indelibly associated with treachery and deceit.

The next book he wrote, the *Discourses on Livy*,²⁵⁴ Machiavelli presents a series of lessons on how a *republic* should be started and structured. It is more than four times larger than *The Prince*, and it more openly explains the advantages of republics. It includes early versions of the concept of checks and balances, and asserts the superiority of a republic over a principality. It became one of the central texts of republicanism in the Age of Enlightenment. French Enlightenment philosopher, Jean-Jacques Rousseau considered the *Discourses* to be more representative of Machiavelli's true philosophy:²⁵⁵

Machiavelli was a proper man and a good citizen; he could not help veiling his love of liberty in the midst of his country's oppression. ... The contradiction between the teaching of the Prince and that of the Discourses on Livy shows that this profound political thinker has so far been studied only by superficial or corrupt readers. The Court of Rome sternly prohibited his book. I can well believe it; for it is that Court it most clearly portrays.

Unfortunately, the more licentious *Prince* is the one that nearly everyone associates with Machiavelli. Those who take the time to read the more principled *Discourses on Livy* discover another side of Machiavelli that advocates a more just government and understands the value of democratic justice. Perhaps the five years that it took to write the *Discourses* allowed his mind to heal from the torture at the hands of the Medici family.

If only more of today's leaders would give equal time to reading both *The Prince* and *The Discourses*, we would have a more balanced view of reality.

Machiavelli becomes imbedded in our culture

As the Italian Renaissance evolved a century later into the English Age of Enlightenment, Shakespeare took Machiavelli to the theatre. Shakespearian tragedy is the personification of betrayal. *Romeo and Juliet*, is the story of the Quest for Synergy in the form of love betrayed by class distinction.

In *Macbeth* and *Hamlet* the audience is bedazzled by a string of multiple betrayals that enfolds us in the tragedy of a denied dream of collaboration, honor and joy.

In the *Merchant of Venice*, the hope for synergy²⁵⁶ in Portia's Quality of Mercy speech is contrasted with Shylock's betrayal of the code of fairness in his desire to extract a pound of flesh.

Julius Caesar pits the betrayals by the conniving Cassius and the murderous Brutus against the vision of patriotism and honor of Mark Antony. As Cassius observes to Brutus of the evil:

*Why, man, he doth bestride the narrow world
Peep[ing] about to find ourselves dishonorable graves.
Men at some time are masters of their fates:
the fault, dear Brutus, is not in our stars, but in ourselves.*

(Act I, Sc 2)

*Think of him as a serpent's egg,
which hatch'd, would, as his kind,
grow mischevious, and kill him in the shell....*

*O Conspiracy,
Sham'st thou to show thy dangerous brow by night,
When evils are most free?....*

*How many ages hence
shall this ... be acted o'er,
in states unborn and accents yet unknown!..
Oh! Pardon me, thou bleeding piece of earth,
that I am meek and gentle with these butchers!*

(Act II, Sc 1)

Then Caesar's friend, Mark Antony proclaims:

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Friends, Romans, countrymen, lend me your ears;

I come to bury Caesar, not to praise him.

The evil that men do lives after them;

The good is oft interred with their bones....

Caesar ... was my friend, faithful and just to me.

(Act II, Sc2)

Here Shakespeare leaves us with an epic struggle with no classic heroes, no optimism for defeating Mordred or disarming Machiavelli.

In Henry VI, written in 1596, Shakespeare speaks of the *Machiavellian Prince*, a clear indication that Shakespeare had read Machiavelli, and more than likely had actually modeled many of his plays on the themes and strategies outlined in Machiavelli's writing.

Queen Elizabeth, who reigned over England in Shakespeare's day, was so concerned about Machiavelli's *Prince* that she banned the book. Certainly, this factor alone would encourage Shakespeare to obtain a personal copy. Many scholars now believe that Shakespeare used *The Prince* as his handbook upon which to draw the characters of many of his tragic figures – role models for modern society to draw its view of life, now firmly implanted in movies, television, and theatre.

Consequently, despite the great artistic vision of the Renaissance, as a practical matter, western society was left with a helpless archetype for a role model, a modern Hamlet bedeviled by treachery, cunning, and manipulation, with few tools or strategies to create a sustainable Camelot. Only by combining iron will with the cunning of the ruler can the forces of Mordred be held back.

THE REAL TRUTH ABOUT THE INVISIBLE HAND

By Robert Porter Lynch

In the latter half of the twentieth century, economists of the rational self-interest school expounded on the idea that an *invisible hand* controlled economic behavior. This idea, which now underpins much of our economic structure, proposes that if multiple transactions occur in a rational market place which is free of constraints and coercions, the supply, demand, and price structures will reach an equilibrium that realistically defines market value.

The origin of the concept is based on Adam Smith's eighteenth century *Wealth of Nations* (1776), a book considered to be the foundational writing on Capitalistic Theory. It makes some powerful assumptions about human behavior which impact a lot of our thinking today. (We paraphrase and abbreviate his lengthy passage to alleviate the reader's pain of having to wade through Smith's awkward terminology and convoluted sentence structure):

Every investor seeks the most advantageous return on their capital, which means:.

First, every investor seeks the least risky investment, provided he can receive a reasonable return with people he can trust; and if he is deceived by them, he knows the local laws for initiating a law suit against them.

Second, every investor seeks to put capital in industries that create the most value and thus provide the greatest return or profitability.

The annual productive revenue of a society is the sum of the productivity of all the individual investments. While the individual investors are not aware they are intending to promote the public interest, their combined labors benefit the good of all, because, by making wise investments, while intending only to serve his self-interest, the investor is led by an invisible hand to promote the well being of all.

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Merchants whose decisions are driven primarily to serve the public good are imprudent. Governments that attempt to steer capital investments, such encouraging or discouraging investment in certain industries, are mistaken because it's useless or harmful to believe the multitude of investors are wiser than the few who guide government policy. What's prudent for people can hardly be folly for government.²⁵⁷

Economists have developed sophisticated theories of free markets, justified deregulation, and produce detailed financial analyses based on Smith's theory. For transactional exchanges, this perspective is viable. However, it does have its limits, because it does not adequately explain highly collaborative enterprise, as we have described in mutual value creation. While trust is helpful in transactional exchange, it is vital to highly collaborative business relationships.

Rational Self-Interest

One of the chief proponents of the Rational Self-Interest school of thought was Alan Greenspan, who built his economic models on the foundation of Milton Friedman and Ayn Rand, who was his mentor. In Rand's book, *Capitalism: the Unknown Ideal*, Greenspan penned these words, launching the "greed is good" era with this mantra:

"Protection of the consumer against dishonest and unscrupulous business practices has become a cardinal ingredient of [the] welfare state. Left to their own devices, it is alleged, businessmen would attempt to sell unsafe food and drugs, fraudulent securities, and shoddy buildings. Thus, it is argued, ...numerous regulatory agencies are indispensable if the consumer is to be protected from the "greed" of the businessman.

"But it is precisely the 'greed' of the businessman or, more appropriately his profit-seeking, which is the unexcelled protector of the consumer."

Greenspan then went on to say that "It is in the self-interest of every businessman to have a reputation for honest dealings and a quality product."²⁵⁸

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His rational idealism was based on a false belief that self-interest had its own moral imperative.....

*"...the crucial importance of moral values which are the motive power of capitalism. Capitalism is based on self-interest, self-esteem; it holds integrity and trustworthiness as cardinal virtues and makes them pay off in the marketplace, thus demanding that men survive by means of virtues, not of vices."*²⁵⁹

This unabashed rational idealism, of course, laid the theory barren and was proven incredibly naïve, simplistic, and romantic as the financial community tore down the protective shield of investment laws like Glass-Steagall on its incestuous March to Meltdown. Greenspan got snookered by credit default swaps, mortgage fraud, and deceptive lending practices, which laid the foundation of capitalism open to economic collapse.

After the 2008 Financial Meltdown, Greenspan testified before Congress, incredulous that the financial community he had served was incapable of regulating itself. He simply could not accept the fact that the finance industry was a magnet for attracting crooks, connivers, and con-artists - the very people who extolled his "greed is good" philosophy and helped keep him in power.

On the other hand, Greenspan took a very jaundiced view of all government regulation, including oversight of drugs, medicine, building codes, and financial institutions. In his commentary, his libertarian words were harsh and unequivocal:

"Government regulation...does not build quality into goods or accuracy into information...At the bottom of the endless pile of paperwork which characterizes all regulation lies a gun..."

"Regulation - which is based on force and fear - undermines the moral base of business dealings. It becomes cheaper to bribe a building inspector than to meet his standards of construction...."

*Regulation ... is an act of expropriation of wealth...Businessmen are being subjected to governmental coercion prior to the commission of any crime."*²⁶⁰

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Further, while this rational self-interest perspective is a reasonable explanation of how *investors* make decisions, it does not explain how *businesses* make decisions. It's important to note that business is made up of investors, entrepreneurs, employees, managers, customers, and suppliers, among others. Their decisions are not always driven by monetary gain, and when it is, the question of short-term versus long-term gain is always a critical distinction, as well as their appetite for risk. For example, while investors typically like more liquid, short-term gains, employees want longer-term security of their jobs.

While economists based their free market theory on the *Wealth of Nations*, for the most part they selectively overlooked Adam Smith's other definition of the invisible hand, which was elucidated more fully in his earlier work, *Theory of Moral Sentiments* (1759) (again we paraphrase and abbreviate his lengthy and awkwardly phrased passage):

Those in power must avoid the temptations of gluttony and greed, by acting unselfishly through honesty and justice, to ensure that those less powerful, whose labor produces goods and services, receive their fair share. Morality and sympathy, which are the gifts of divine Providence, serve as the guiding power behind the invisible hand, by which those in power advance the interests of society as a whole. And thus will the people be happy and secure. Regardless of rank or status, all citizens are equal in their need to share in the bounties of the earth and experience a life of happiness.

The principle of beauty and order in a social system, which needs no conscious effort, requires that a person balance their desire to satisfy their own self-interest with their compassions for the greater good of their community and country. Those who value the means more than the ends fail to realize the impact of their actions on others and on the larger community.

All the constitutions of government are valued only in proportion to the extent they promote the happiness of those who live under it. This is their sole use and end.²⁶¹

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Here Smith was very clear that there are two forces at work within the wise person's spirit – both self-interest and concern for the greater good. It is a concept he observed himself and built on earlier work based on readings of the Greeks.

The transactional exchange, rational self-interest, free market paradigm is seductively deceptive, perhaps even tragically flawed, because it fails to embrace the existence of a parallel, trust-based model of economic activity. This parallel economic model exists where buyer and seller do *not* see their interests transactionally, *not* based on *exchange* but rather on the *mutual creation of value*. In this case, the buyer and seller are strategically linked in an alliance, and see their interests as synergistically linked. In which case, individuals or businesses or suppliers and customers work together to do build or develop something jointly that could not be done alone.

Distinguishing between tactical-transactional exchange and strategic mutual value creation implies there are *two invisible hands*: one that controls transactional exchange, the other that guides mutual value creation. For example, in a mutual value creation arrangement, a real estate developer may take a piece of raw land, bring together a team including planners, architects, and building contractors to transform the land into a housing development. They might choose to form a joint venture to share the risks and rewards of their efforts.²⁶² In this case, transactional trade is not an appropriate means of understanding their economic behavior.

In the *value creation* model of capitalism, *mutual* benefit is essential to success of the *strategic relationship* (this relationship should not be referred to as a *deal*, which is a term meaningful only to transactions). A strategic relationship requires a strong foundation of trust that enables synergies to generate additional value. Collaborative strategies and structures are ideal generating innovation in this situation. As discussed in our book *Trusted to Lead*, trust is a propellant of innovation. Yet, because trust, creativity, and synergy tend to be largely “invisible,” economic

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theorists have shied away from developing an economic model for this type of “creative capitalism.”

For example, software is one of the most cheaply reproduced products in the world. Most of it can be moved across continents instantaneously on the internet for virtually nothing. As demand increases, the supply is not used up; the incremental cost of multiplying it is negligible. Then, once it is installed on a computer, the more it is used, the more valuable it becomes as each user creates data and adds value by sharing knowledge. Using the software more does not create less of it; to the contrary it produces more of it. Therefore, the traditional economic laws of supply, demand, and price do not prevail in the system of economic of *abundance*. We call this the *Economics of Expandables*.

Other examples proliferate. When a person, team, or business partners engage creatively to invent a new product, process, technology, or idea, their creative “juices” are not used up when they are put into play. Quite to the contrary, their creativity expands based on their trust of each other and their willingness to *share* resources.

The problem occurs when deal makers and strategists, who do not grasp the nature of trust and collaboration, focus solely on the self-interest based *exchange* model and fail to see or understand the *value creation* model may be a more effective alternative. For the *exchange* model, trust is useful, while absolutely essential for *value creation*.

Thus, the principle of the *invisible “hands”* seems to have a mighty impact on business and economics, but more like Adam Smith thought of it, not as it was twisted to meet the needs of the “greed is good” economic theories.

THE GREAT DARWIN HOAX

By Robert Porter Lynch

As a twenty-first century leader, you are best empowered to make intelligent decisions about people when you are supported by an insightful and accurate belief system. In this respect, most leaders have been seriously led astray by erroneous thinking or confused by highly conflictive theories. We need to set the record straight and illuminate the path forward as we attempt to put the ship of fate back on course.

In 1859 Charles Darwin a relatively obscure naturalist (now we'd call him an evolutionary biologist), publishing his findings in a book called *Origin of the Species* which his study of plants and animals.²⁶³ In it he described the slow process of how plants and animals (including humans) evolved over a prolonged period of time as a result of either variations in the genetic structure (a modern term) of the species, which reoriented itself to the very slow changes in geological conditions (such as climate), or because a competing species invaded the territory and choked out less adaptable species (such a trees choking out sunlight for bushes). of varying the configurations of a species; either it would adapt to the new environment, or become extinct. Darwin called the process *natural selection*.

Coining the term "Survival of the Fittest"

Herbert Spencer, a well known intellectual of the Victorian era, who had earlier in the decade proposed the idea of evolution, latched on to Darwin's concept of natural selection, referring to it as "survival of the fittest," a term that has stuck now for a hundred and fifty years.

Today nearly every student has heard of Darwin's controversial theory. *Origin of the Species* is widely considered the most important biological book ever written because it influenced so many other thinkers who followed in the fields of biology, medicine, sociology, politics, and business, to name a few.

Flaw in Survival of the Fittest

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Darwin recognized a serious flaw in his theory of natural selection as it applied to humans. In *Origin of the Species*, Darwin was seeking a unified universal theory that explained both plant and animal evolution over the eons of time. Natural selection – adaptation by variations (what we now know as genetic structure) -- explained it. But Darwin was troubled with this explanation in *Origin of the Species* because evolution moved slower than a glacier: While natural selection may cause the evolution of flowers and plants, or insects and mammals, it certainly did not shed light on the much more rapid evolution of the human species.

Humans Required a Special Theory of Evolution

To provide the answer, Darwin relied on further developing the concept of sexual and cultural selection and its relationship to the uniqueness of the human species, along with the development of social capabilities.

Working tirelessly with a now far deeper understanding of his subject, twelve years after the publication of *Origin of the Species*, Darwin published his massive treatise: *The Descent of Man* (1872). It was twice as long as *Origin of the Species*, and laid out the fundamental differences between humans and other animals. In the *Descent of Man*, Darwin also proposed that natural selection was not the process of human evolution, but conscious choice played a major role – sexual roles and expectations, as well as cultural and family expectations probably had more influence on human evolution than natural selection. He concluded that man's morale conscience; the ability to think rationally; and the combination of courage and collaboration were unique to humans and had enabled man to transcend the slow path of other species.

Exploiting a Defective Theory

In the mean time, Spencer's championing of *survival of the fittest*²⁶⁴ excited steel industrialist, Andrew Carnegie, who became an adoring advocate of Spencer and the *Survival of the Fittest* construct, which provided a compelling rationale to

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industrialists to grab as much as they could, after power was *in the nature of things*. . Spencer advocated that science validated that it was perfectly natural -- thus right and good -- to rise to the top of cut-throat world of capitalist competitors. Carnegie personally considered Spencer to be the person who most influenced his thinking. Carnegie wrote, paraphrasing Spencer. "There is nothing detrimental to human society in it, but much that is, or is bound soon to become, beneficial."²⁶⁵

Several years later, Carnegie codified this thinking in his 1889 essay "The Gospel of Wealth," stating:

*"While the law [of competition] may be sometimes hard for the individual, it is best for the race, because it ensures the survival of the fittest in every department. We accept and welcome, therefore ... great inequity of environment, the concentration of business, industrial and commercial, in the hands of a few, and the law of competition between these, as being not only beneficial, but essential for the future progress of the race."*²⁶⁶

This kind of thinking fueled the egos of Robber Baron Capitalists, continuing full-force into the twentieth century, as leaders explained their dubious actions in terms of survival of the fittest.

For example, Bernie Ebbers (the now disgraced CEO of the now extinct WorldCom), when he acquired a company, would throw the leaders of the respective divisions in a room and let them "duke it out" to reveal which alpha male was dominant; and that determined who would command the division. It worked well in producing short term profits, and then collapsed itself into a black hole, like a dying star. Hitler also used this tactic, letting his senior officers fight amongst themselves, driving the most powerful to prevail devoid of any sense of overriding principle or reason.

When the survival of the fittest league hijacked Darwin's thinking about lower animals (including reptiles and mammals) and applied it to humans, they changed the entire landscape of leadership thinking. Today, if you ask a group of business leaders

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about Darwin's key theme, nearly everyone will state: *Survival of the Fittest*, meaning a dog-eat-dog strategy requiring dominance and aggression over others. And this belief system has predominated for the last century and a half, causing many leaders to take action based on this extraordinary but erroneous belief.

When the survival of the fittest advocates commandeered Darwin, they split myth from reality. (Remember, a myth is a half lie, half truth, disguised as the truth.) Darwin would be horrified to see how his truths about humans been obscured for all these years. But ask any group of leaders about human behavior, and the majority are likely cite how this is a dog-eat-dog world driven by natural selection – survival of the fittest. They will proudly extoll their adherence to this strategy.

What Darwin Really Said about Humans

To set the record straight, this is what Darwin said about human beings (from *Descent of Man*)

Intellectual Qualities of Humans

- **Reason & Attention:** Of all the faculties of the human mind, Reason stands at the summit. Hardly any faculty is more important for the intellectual progress of man than Attention.
- **Imagination:** Without the higher powers of the imagination and reason, no eminent success can be gained.

Social Qualities of Humans

- **Conscience:** Of all the differences between man and the lower animals, the *Moral Sense of Conscience is by far the most important*. It has rightful supremacy over every other principle of human action.... The moral faculties are generally and justly esteemed

as of higher value than the intellectual powers.

- **Golden Rule:** “As you would have men to do unto you, do you unto them likewise;” ...is the foundation stone of morality.
- **Fellowship:** Man is a social being... Endowed with social instincts take pleasure in one another's company, [humans] warn one another of danger, defend and aid one another in many ways... these instincts are highly beneficial to the species.
- **Courage** is the most noble of all the attributes of man, leading him without a moment's hesitation to risk his life for that of a fellow creature; or ... to sacrifice it for some great cause. “ No man can be useful or faithful to his tribe without courage. This quality has been universally placed in the highest rank.

Competition versus Collaboration

- **Teamwork in Competition:** When tribes come into competition, the tribe with the greater number of courageous, sympathetic, and faithful members... other will succeed better and conquer the other
- **Sympathy:** Is of high importance to ...aid & defend one another. [It is]... one of the most important elements of the social instincts. A man who possesses no trace of sympathy and social instincts [is] an unnatural monster
- **Law of Honour** [is] the law of the opinion of our equals. Man can generally and readily distinguish between the higher and lower

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moral rules. The higher are founded on social instincts, and relate to the welfare of others. The lower rules ... relate chiefly to self.

- **Self Interest:** Selfish and contentious people will not cohere, and without coherence nothing can be effected

The idea that human excellence will be consistently manifested based on *survival of the fittest* is not only wrong, but unsubstantiated by any systematic empirical evidence. Sports teams and hundreds of scientific experiments have consistently supported Darwin's real premise in the *Descent of Man* – *civilizations actioning honorably and collababoratively outperform civilizatons that are selfish, greedy, and domineering* .

ENDNOTE REFERENCES

¹ Great Architecture -- whether it's in the design of a flower, a house, a boat, or a plane -- is:

- the expression of inner universal design¹ in material form;
- the union of the aesthetic and the simplistic;
- the dancing energy of the feminine and the masculine;
- the interplay between the light and the dark;
- the special place where beauty & harmony joins power & force;
- the alignment of forces of melody & symmetry with tension & compression;
- the synergy of holistic design and core elements;
- the marriage of form & function with science & engineering;
- the flow of perfect proportion into utility & longevity;
- the interweaving of delicacy & grace with sturdiness & stability.

We are all-too-often shocked and numbed when we experience the seeming contradictions in the architecture of humanity that can, in the same person, produce glory, goodness, and wholeness while simultaneously denigrating, destroying, and dividing. Only when we understand the dynamics of the differential human energies (drives) -- the tension between ego and soul -- and the design principles for aligning them synergistically¹ can we empower the best in people.

It is in this larger sense that this book both explains our human discord, and lays a path to aligning our seemingly contradictory internal forces to create a positive and constructive future to elevate the fate of people and the purpose of leaders.

Understanding *Organizational Design Architecture* is the most important factor in gaining high performance teamwork. Why? Because human behavior is influence more by the *culture* of a company than any other factor. Culture is not hard to understand when seen through the principles of leadership, trust, rewards, and measures. Once a leader understands these simple factors, the results can be rapid and remarkable.

Humans are both competitive and collaborative. Integrating these two seemingly polar forces can produce extraordinary results.

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Notes: a) Those who knew of the inner design were some of the great thinkers and designers, such as Beethoven, Edison, Einstein, and Robert Frost, as well as the Greek architects, Frank Lloyd Wright, among others

b) “Synergy” means to join or align (Greek: syn) energies

² Little, Royal; *How to Lose \$100,000,000 and Other Valuable Advice*; Little Brown; 1979

³ Paul was my professor at Harvard Business School, a mentor of inspiring qualities, a dear friend, and later a co-author with me before he passed away in November, 2011. Much of his thinking is imbedded in this work.

⁴ Lencioni, Patrick; *The Five Dysfunctions of a Team*, 2002 p. vii. He described the five dysfunctions thusly:

#1: Absence of Trust: This outcome occurs when team members are reluctant to be vulnerable with one another and are unwilling to admit their mistakes, weaknesses, or need for help. Without a certain comfort level among team members, a foundation of trust is not possible.

#2: Fear of Conflict: Teams that are lacking trust are incapable of engaging in unfiltered, passionate debate about key issues. It creates situations where team conflict can easily turn into veiled discussions and back channel comments. In a work setting where team members do not openly air their opinions, inferior decisions result. Without conflict, it is difficult for team members to commit to decisions, fostering an environment where ambiguity prevails.

#3: Lack of Commitment: Without conflict, it is difficult for team members to commit to decisions, fostering an environment where ambiguity prevails. Lack of direction and commitment can make employees, particularly star employees, disgruntled and disenfranchised.

#4: Avoidance of Accountability: When teams do not commit to a clear plan of action, even the most focused and driven individuals are hesitant to call their peers on actions and behaviors that may seem counterproductive to the overall good of the team.

#5: Inattention to Results: Team members naturally tend to put their own needs (e.g., ego, career development, recognition, and so on) ahead of the collective goals of the team when individuals are not held accountable

⁵ DeMeuse, Kenneth; *A Comparative Analysis of the Korn/Ferry T7 Model With Other Popular Team Models*, Korn/Ferry Institute, 2008. The whitepaper first presents and reviews the Korn/Ferry T7 Model of

Team Effectiveness followed by an examination of five most frequently cited team models:

- Rubin, Plovnick, and Fry (1977)
- Katzenbach and Smith (1993)
- LaFasto and Larson (2001)
- Hackman (2002)
- Lencioni (2005)

The whitepaper summarizes the differences and similarities between the models, with the intention that the approach to assessing team effectiveness can offer a powerful framework for improving their work teams.

- ⁶ Teamwork and High Performance Work Organization, European Foundation for the Improvement of Living and Working Conditions, 2007 website: www.eurofound.europa.eu The hypotheses to be tested: “According to the majority opinion of specialists in various fields, teamwork should help both to improve company performance and also to boost employees’ well-being (Gulowsen, 1972; Hayes, 2005). Provided that the conditions of autonomous decision-making are in place, with the corresponding powers and responsibilities for assigned tasks, teamwork enhances employees’ interest and motivation, not just in the context of the employee’s work task but also in the context of the corporate strategy as a whole. The key to increased company productivity should be increased employee satisfaction (Moldaschl and Weber, 1998). According to Nicky Hayes (2005), teamwork reduces fluctuations in performance and improves work morale. Leading researchers in the field of work organisation, Katzenbach and Smith (1993), are convinced that people working in a team function more efficiently, are less prone to stress and make a greater effort in their work. Furthermore, they spend less time incapacitated for work, come up with new ideas and try to improve their work. The expert community can thus be divided into two groups of opinion: The larger group comprises advocates of teamwork, who usually claim that teamwork has positive impacts on employees and work organisation, for example in reducing the rate of work injuries, fewer absences from work and increased work productivity. The other group believes that teamwork and other aspects of HPWO may have ‘detrimental effects on workers by increasing work-related health problems and the risk of occupational hazards’ (Bauer, 2004; Askenazy, 2001; Brenner, Fairris and Ruser, 2004). Job rotation and greater responsibility on employees for product quality increase the pace of work; job rotation and rapid organisational changes facilitated by flexible production processes reduce workers’ chances to improve safety through work routines and

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learning on the job.” The study did not necessarily confirm these hypotheses. The meta-study thoroughly examined research studies of teamwork and working conditions, first addressing how teamwork has been incorporated into companies’ overall organizational strategy, then considering whether teamwork helps to give workers greater autonomy and higher job satisfaction, and finally ascertaining whether the presence of teamwork influences the learning environment in a business enterprise. This study also paid attention to the possible negative impacts of teamwork, such as higher work intensity and work overload. Hundreds of studies, and thousands of survey answers were examined. The conclusions:

1. **Learning:** Working in a team is closely associated with the possibility to learn new things and perform complex tasks
2. **Teamwork Introduction:** Teamwork is typically introduced into companies followed by an intensification of work pressures, being driven by time pressure and tight time schedules.
3. **Work Satisfaction:** Teamwork contributes to job satisfaction only when teams are given the necessary scope for control and decision-making on how to meet increased demands. , it is likely that employees will experience higher levels of stress and work pressure.
4. **Increased Stress:** The study makes it clear that the This higher work intensity is problematic from the employee’s point of view mainly if the job enlargement is not accompanied by a greater possibility for control over one’s work
5. **Impact on Health:** The health of teamworkers is negatively affected by their work more than the health of employees not working in teams is. The report attributed this impact to work pressure being demonstrably greater among teamworkers than among other employees. “It is highly probable that this fact also has an impact on the health of employees working in teams.”

⁷ Based on over 2,000 participants. About 70% of women vote “yes,” and a similar number of men vote “no.” In sessions with marriage counselors, when I ask: “In what % of your divorce mediations does trust or distrust play a major part?” the answer is: “100%”

⁸ Note: my workshops are typically with organizational leaders, whose family backgrounds were reasonably functional. If the attendees are

from broken families the answers to these questions can vary significantly.

- ⁹ Research into post traumatic stress disorder has shown that fear-inducing events are seared onto the surface of the brain's memory structure as a means of alerting us when anything resembling that pattern of events occurs so that we may take rapid evasive/defensive action.
- ¹⁰ 1 John 4:18
- ¹¹ Helliwell, John F. and Wang, Shun; Trust And Well-Being; National Bureau Of Economic Research, April 2010
- ¹² Excerpted and adapted from *Trusted to Innovate*, a to-be-published article written by Paul R. Lawrence, along with this author and Paul Zak just before Paul passed away.
- ¹³ Scientists have studied this quality going back all the way to the ancient Greeks and have concluded time and again that these characteristics all have served very important evolutionary functions to give mammals a competitive advantage over reptiles. A very small percentage of any species of mammal seems to be born without this quality. In humans we call these psycho- or socio-paths.
- ¹⁴ Psychopaths are defined as people without conscience; they lack empathy because their brains have an impaired capacity to process oxytocin. Darwin maintained that a conscience was the primary feature that distinguished humans from other animals.
- ¹⁵ There are many neurotransmitters in the brain that operate in a complex array acting to "fine tune" the brain activity. We have focused on the "primary" neurotransmitters and refrained from delving into the "secondary" ones for two reasons: First, by keeping the focus on primary chemicals, we emphasize the key principles a leader needs to know. Second, if a leader tries to make decisions based upon trying to manage a large array of secondary chemicals, s/he runs the risk of sinking rapidly into analysis paralysis, or unnecessary micromanagement (the brain has the capacity to self-manage the micro fine-tuning process without intercession).
- ¹⁶ In laboratory experiments, distrust produces a spike in another stress-reactive chemical testosterone, which is a potent anti-oxytocin (Zak, P.J. et al., 2005. The Neuroeconomics of Distrust: Sex Differences in Behavior and Physiology, American Economic Review Papers and Proceedings, 95(2): 360-3).
- ¹⁷ Opioids are natural occurring "opiates" which give us natural pleasure and dull pain. Endorphin is a contraction of the term "endo-morphine" meaning internally generated morphines, a type of opioid.
- ¹⁸ Source: Wikipedia, Pat Riley: Winner Within p23-26 and the

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¹⁹ *Elegant Solution*, Matthew May p 61-65

²⁰ *Ibid*

²¹ When GM declared bankruptcy in 2009, it forced the end of the Joint Venture. The plant was temporarily closed, and Toyota, in conjunction with Telsa Motors, a manufacturer of new generation electric cars, now occupy the facility.

²² Bethune, Gordon; *From Worst to First*, Wiley 1998, p 267

²³ Safety is essential to trust, but to say “safety is trust” is like saying “smiling is love.”

²⁴ One authority uses this definition. However, it is both too narrow, and is prone to oppositional interpretation. An “eye for an eye” is a reciprocal relationship that I am sure this authority meant to exclude.

²⁵ The story of how the *Four Drives* and the *Ladder of Trust* came together is worth telling for posterity. In the summer of 2008, Todd Welch and I co-created the *Ladder of Trust*. We were excited about its insights. I called my old mentor, Paul Lawrence several months later, and he expressed deep interest, as he was in the final stages of writing the first drafts of his magnum opus: *Driven to Lead*, which outlines the fundamentals of the *Four Drive* model. He was convinced he had finally cracked the code of human behavior. I wanted to know more about his latest insights.

After I sent him a draft article about trust with the *Ladder of Trust* in it, Paul called me and said it was absolutely essential that I come to visit as soon as convenient. When we got together several weeks later, he took out the *Four Drive Compass*, and overlaid it on the *Ladder of Trust*. I looked at him and said: “Oh my God! This is the truth we’ve been looking for!” He smiled in his wise and learned way and said: “Yes, I think this will be a real contribution to our understanding of how the human race could evolve in a very positive direction.” We then collaborated on two articles together before he died. One of the breakthroughs we made together (with the assistance of Paul Zak) was to crack the neuro-transmitter code linking the drives to key brain chemicals and their interactions.

In our work together, Paul readily concurred that in his book, where he referred to the Drive to *Comprehend*, that we should rename it Drive to *Create* which is a far more powerful and evolved human capacity.

²⁶ There are other combinations of drives which can be triggered, but for the sake of simplicity we will refrain from too many combinations which are not related to the core issue of trust.

²⁷ We don’t mean to imply that you should never carefully evaluate people nor make judgments. We only want you to be careful not to be so judgmental that you shut yourself off from a positive relationship

²⁸ From the Greek: Sym - *with or joined*, and Biosis - *to live*

- ²⁹ There is one technique that calls for the “inscrutable” face used by poker players and in some oriental negotiations, which never fosters trust.
- ³⁰ The Six Volumes of *Keys to the Kingdom* are designed to provide this deep, inner wisdom, exploring the forces and dynamics that are in constant interplay, molding the fate of the world.
- ³¹ It goes without saying that ethics are in an abominable state of affairs today. Trust in our core institutions is spotty. We trust our military five times more strongly than Congress. More than two thirds of our nation distrusts banks; and with good reason (as we will see in a later chapter) Business has a very erratic pattern of being trusted, highly dependent upon how ethical they are.
- ³² Anyone who reads several books about trust will immediately be struck by the many definitions of trust: it’s about reciprocity, it’s about accountability, it’s about vulnerability, it’s about safety, it’s about respect, it’s about altruism and on and on. To me, each of these definitions are so limiting, ineffective, and inappropriate. Trust is multi-dimensional and any reference to trust that makes it mono-syllabic is inherently deceptive.
- ³³ Iverson, Ken; Plain Talk, Lessons from a Business Maverick; John Wiley & Sons, 1998
- ³⁴ Gerstner, p 240-41
- ³⁵ Gentry, Cullen, & Altman (2012)
- ³⁶ Mackey, J. (2010, March 14). *Creating a High Trust Organization*. Retrieved from huffingtonpost.com:
http://www.huffingtonpost.com/john-mackey/creating-the-high-trust-o_b_497589.html
- ³⁷ Mackey (2010)
- ³⁸ Gerstner, p 240-41
- ³⁹ Gerstner, p 240-41
- ⁴⁰ Irvine, David and Reger, Jim; *Bridges of Trust: Making Accountability Authentic*, DC Press, 2009, p 2
- ⁴¹ Bethune, p 6
- ⁴² Bethune, p 159
- ⁴³ Bethune, p 135-136
- ⁴⁴ Bethune, p 200-201
- ⁴⁵ Bethune, p, 204, 208-209
- ⁴⁶ Lombardi, Vince, Jr; *The Essential Vince Lombardi*, McGraw Hill, 2003, p 89 He is one of the most revered football coaches of all time, noted for his turnaround a the failing Green Bay Packers.
- ⁴⁷ Bethune, p 127

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- ⁴⁸ Cuddy, A., Cohut, M., & Neffinger, J. (2013, July August). Connect, Then Lead. *Harvard Business Review*, Executive Summary, <http://hbr.org/2013/07/connect-then-lead/ar/2>
- ⁴⁹ Vanourek, Bob and Greg; *Triple Crown Leadership, Building Excellent Ethical, and Enduring Organizations*, McGraw Hill, 2012
- ⁵⁰ Ibid, p 25
- ⁵¹ Bethune, p 151-53, 155-56
- ⁵² Riley, Pat; *The Winner Within*, Berkley; 1993;p 60.
- ⁵³ Bethune, *From Worst to First*, p 108
- ⁵⁴ Southwest Airlines, from Website, About SWA
- ⁵⁵ Stack, Jack; *A Stake in the Outcome*, Doubleday, 2002, p 69
- ⁵⁶ Stack, Jack; Ibid, p 48
- ⁵⁷ Bethune, p 189
- ⁵⁸ *Author's Note: I consulted 26 different translation versions of Lao Tzu's *Tao Te Ching* to reconcile what often were awkward, divergent, or inconsistent phrasing when trying to modernize the language of a very ancient Oriental text. It's amazing to see how true his wisdom is today.
- ⁵⁹ Crum, Thomas; *Magic of Conflict*, Touchstone, 1987, pp 41-49, 61, 101, 112
- ⁶⁰ See Volume Five for more details
- ⁶¹ Sawyer, Keith, *Group Genius*, p 4, p 7, p 8
- ⁶² Hargadon, Andrew, *How Breakthroughs Happen*, p 103
- ⁶³ John-Steiner, Vera, *Notebooks of the Mind: Explorations of Thinking*, p187
- ⁶⁴ Adapted from Welter & Egmon, *The Prepared Mind of a Leader*, p 126 and Gelb & Caldicott, *Innovate Like Edison*, p 154
- ⁶⁵ Rosenfeld, Robert, *Making the Invisible Visible, the Human Principles for Sustaining Innovation*, p 82
- ⁶⁶ Thomas Boyd, *Prophet of Progress*, E.P. Dutton & Co. 1961, p 114
- ⁶⁷ Rosenfeld, Ibid, p 85-85
- ⁶⁸ Gelb & Caldicott, Ibid, p 75
- ⁶⁹ Stoltz, Paul, *Adversity Quotient, Turning Obstacles into Opportunities*, p 59
- ⁷⁰ Ibid, p 60-61
- ⁷¹ Ibid, p 65
- ⁷² Ibid, p 67
- ⁷³ Gelb & Caldicott, p 153
- ⁷⁴ General Electric Innovation Barometer, 2013 (ge.com/innovationbarometer) conducted jointly with Strategy One.
- ⁷⁵ GE Innovation Barometer cited 80%; Study conducted by Egon Zehnder International Zurich between May and July 2004 among some of the

- most prominent Swiss corporate leaders. Based on structured interviews covering several aspects of innovation.
- ⁷⁶ Talks with Edison" by George Parsons Lathrop in Harpers magazine, Vol. 80 (February 1890), p. 434
- ⁷⁷ Gelb & Caldicott, *Innovate Like Edison*, p 73
- ⁷⁸ Hargadon, Andrew, How Breakthroughs Happen, page 28-29
- ⁷⁹ Hargadon, Andrew, How Breakthroughs Happen, The Surprising Truth About How Companies Innovate, p viii-ix
- ⁸⁰ Lynch, R.P.,. How to Foster Champions, in Drucker Foundation Leading Beyond the Walls, p 188
- ⁸¹ See Ideas are Free by Robinson & Schroeder for more details on Innovation Implementation.
- ⁸² Sawyer, Ibid, p 16
- ⁸³ Hargadon, Andrew: *How Breakthroughs Happen*, Harvard Business School Press, 2006, p viii [bracketed words from RPL]
- ⁸⁴ Gelb and Caldicott, p 148-149
- ⁸⁵ Herrmann, Ned, The Creative Brain, Brain Books, 1989-1995
- ⁸⁶ See Paul Lawrence and Jay Lorsch's monumental body of work on Differentiation and Integration from Harvard Business School, or HBR November 1967, New Management Job: The Integrator.
- ⁸⁷ Liker, Jeffery & Rother, Mike; Why Lean Programs Fail; Lean Enterprise Institute, 2007
- ⁸⁸ Foster, Richard; Kaplan, Sarah; *Creative Destruction; Why Companies that are Built to Last Underperform the Market and How to Successfully Transform Them*, Doubleday, 2001 and Innosight, Executive Briefing, 2012
- ⁸⁹ Schumpeter, Joseph; economist proposed that the nature of capitalism caused the old to be replaced by the new, enabling new technologies, processes, strategies, systems, and methodologies to evolve, but creating turmoil on the path to economic progress..
- ⁹⁰ <http://trust.edelman.com>
- ⁹¹ Paul R. Lawrence, (late Professor Emeritus of Harvard Business School) and Robert Porter Lynch (Warren Company & co-author of this report) teamed up in 2010-11 to do a *qualitative* analysis of the impact of trust on a variety of industries. The criteria for analysis were:
- Collaborative Innovation – did the company engage its people, its suppliers, its customers, and other outside entities (such as universities) in the process of innovation? Had a large number of outside observers (primarily authors and academicians) had cited the company as a collaborative / trustworthy / honorable compared to its more hostile / predatory competitors?

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- Strong Tendency to Form Collaborations (which, by their nature, must use trust as a foundation) with outside entities, as evidenced by joint ventures, strategic alliances, R&D collaborations, etc.
 - Higher than normal Success Rate in Acquisitions, leading to the probability that their acquisition process was more culturally attuned to accepting differential thinking and integrating better across differential boundaries.
 - Excellent Track Record of Positive Labor-Management Relations, evidenced by lack of strikes (if unionized), cooperation between labor unions (if multiple unions were involved, such as the airline industry, etc.), mention by outside objective observers about cooperation between management and their workforce, strong tendency to avoid layoffs and plant closings, commitment to finding meaning and purpose in the work experience, such as High Performance Teamwork, Collaborative Innovation (LEAN plus Trust), 360° performance evaluation etc.
 - High Emphasis on Employee Engagement, Employee Training, Employee Effectiveness (teamwork, productivity, trust-building, and workforce enjoyment of the work experience).
 - CEO Values and Succession Planning that emphasized retaining or creating high levels of trust, respect, collaboration, with a balanced score card approach to profitability.
 - Emphasis on Leading Indicators of success (a long term view) to the generation of "real value," for which "profitability" was just one key "measure of success." Supplier and Customer Relationships that were collaborative and interactive, not transactional, enabling trust to facilitate the flow of ideas, innovation, and integration across the input & output side of the organization to function as a highly collaborative "Value Creation Network" rather than an adversarial chain (the Michael Porter Model).
 - High Correlation on Corporate Rankings -- examination of a number of key rankings -- such as innovation, high performance, profitability, trustworthiness, etc. -- to see if the company's performance had been verified ("triangulated" to use navigation-at-sea terminology) by outside analysts. The company's existence and position on such indices as Ethisphere, Most Innovative Companies, Most Trustworthy, Best Places to Work, etc.
- ⁹² Gettell, Jody Hoffer, *Comparative Study of Four Major Airlines, The Southwest Airlines Way, Using the power of relationships to Achieve High Performance*, McGraw Hill, 2003
- ⁹³ The Fool.com. Maranjian, Selena (2011). "The Best Citizens in Corporate Governance." Goldman Sachs found: "... comparing companies with

robust social, environmental, and governance policies had 25% higher performance level

- ⁹⁴ DB Climate Change Advisors, Deutsche Bank Group (2012). "Sustainable Investing, Establishing Long-Term Value and Performance." Found: 100% concurrence on Lower Cost of Capital ("... academic studies agree that companies with high ratings for CSR (corporate social responsibility) and ESG (environment, social responsibility, governance) factors have a lower cost of capital in terms of debt (loans and bonds) and equity."); 89% concurrence on Superior Market Performance ("... studies indicate companies with high ratings for ESG factors outperform market-based indices"); 85% concurrence on Greater Performance on Accounting -Based Standards ("... studies reveal these types of company's consistently outperform their rivals on accounting-based criteria.")
- ⁹⁵ Journal of Investing: Abramson, L. & Chung, D. (2000) Socially responsible investing: Viable for value investors? Demystifying Responsible Investment Performance, A review of key academic and broker research on ESG factors. 9(3), pp.73-80 ; 20% higher performance (comparing the top-rated ESG stocks in its global portfolio of the bottom-rated stocks over a three-year period).
- ⁹⁶ www.triplepundit.com: Hollender, Jeffrey (2012) Sustainable Banks Outperform World's Largest Banks by 51%. The study compared the performance of 17 values-based banks with 29 of the world's largest and most influential banks between 2007 and 2010." which compared *values-based* and *sustainable* banks to their *big-bank* rivals and found: 7% higher Return on Equity for values-based banks (7.1% ROE compared to 6.6% for *big banks*). 51% higher Return On Assets for *sustainable* banks (.50% average ROA for *sustainable* banks compared to *big bank* earning 0.33%)
- ⁹⁷ Need Watson Wyatt Citation Source: 286% greater Return to Shareholders (comparing how high-trust organizations outperformed low-trust organizations) in total returns
- ⁹⁸ American Association of Individual Investors Journal. Statman, Meir & Glushkov, Denys (2010). "Does Social Investing Generate Higher Returns?" stated, "We find, in general, that stocks of companies with high social responsibility scores yielded higher returns than stocks of companies with low scores"
- ⁹⁹ European Center for Corporate Engagement, Universiteit Maastricht and Erasmus University (2007). "Use of Extra Financial Information by Research Analysts and Investment Managers."
- ¹⁰⁰ Harvard Business Review: Nidumolu, Ram Prahalad, CK and Rangaswami, MR (2009) Why sustainability is now the key driver of innovation. stated, "Companies that score high on ESG (environmental,

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social, and governance) criteria seem to be rewarded with premium valuation, while companies that score low are likely to be penalized with valuation discount.” article studying the sustainability initiatives of 30 large corporations stated, “... sustainability is a mother lode of organizational and technological innovations that yield both bottom-line and top-line returns.” They highlight, “IBM’s decision to allow a quarter of its 320,000 employees to work from home was conceived for environmental reasons, but has managed to save the company \$700 million in real estate costs. Job satisfaction has also increased leading to a doubling of productivity.”

¹⁰¹ Lynch, Robert Porter; *Business Alliances, The Hidden Competitive Weapon*, John Wiley & Sons, 1993, p 81

¹⁰² Reader’s Digest Trusted Brands Survey, Influence on Purchase, 2013; Evaluation criteria for being considered a “trusted brand:” The brand must be reliable (82%), The company offers high quality products/services (81%), The company takes care of me/provides good service (77%), Company understands their customer needs (76%), I must have personal experience of using/buying the brand (76%)

¹⁰³ <http://www.bloomberg.com/video/57781880-dell-s-pc-market-share-slides-amid-industry-changes.html>

¹⁰⁴ Downes, Nathaniel; Wal-Mart Losing To Quirky Florida Based Publix – Employee Owned Company Touted By Forbes As ‘Wal-Mart Slayer’, www.addictinginformaton.org, July 26, 2013

¹⁰⁵ <http://wegmansworshipper.blogspot.com/2013/01/wegmans-competitive-advantage-strong.html>

¹⁰⁶ The average workshop size is 15-25 people; the average age is 40-45 years old, normally ranging from 30-65. We typically ask the teams (usually 4-5 people in a team) to choose only 3 of the 17 dimensions, then take the averages from all the teams. The sessions were conducted predominately in the U.S. and Canada.

¹⁰⁷ Interviews with Ross Smith by Robert Porter Lynch, 2011

¹⁰⁸ Bethune, p 112

¹⁰⁹ Bethune, p 109-111, p 132

¹¹⁰ The Continental Strategy was a four-pronged game-plan, which included:

- 1) Improving the Product,
- 2) Fixing the Financial Situation,
- 3) Attracting and Retaining Customers, and
- 4) Building a Team to Perform. The last point of the game plan was considered the most important.

¹¹¹ It’s not a coincidence that CH2M Hill is the third largest employee owned company in the U.S., with 30,000 employees owning more than 50% of the stock.

- ¹¹² Vanourek, Robert & Greg, Triple Crown Leadership, McGraw Hill, 2010, see Chapter 8 for full details on this case.
- ¹¹³ COTTE, MICHELLE; EISENBERG, SHERRI; GOVERNMENT CAN WORK: THE SANTA MONICA STORY - FEDERAL GOVERNMENT SPONSORED POST-NORTHRIDGE QUAKE SANTA MONICA FREEWAY PROJECT, WASHINGTON MONTHLY, MAY, 1997
- ¹¹⁴ **Clinton, Glenn; Lessons Learned At The Northridge Earthquake Proceedings Post Earthquake Highway Response And Recovery Seminar, St. Louis Missouri, 2000**
- ¹¹⁵ MacArthur Maze repairs; 2007: a tank truck caught fire on a San Francisco area freeway overpass known as the MacArthur Maze. The damage done to the heavily-traveled freeway was extensive. Officials feared it would be closed for repairs for months. Caltrans estimated the cost would be \$5.2 million. Meyers bid low –\$867,075 –but earned \$5 million in bonuses for finishing in 25 days.
- Bay Bridge repairs; 2007: A football field length section of the San Francisco-Oakland bridge needed to be replaced. Caltrans wanted it done during the three day Labor Day weekend. Meyers constructed the replacement section adjacent to the section to be demolished in advance. On Labor Day weekend, the bridge was closed to traffic, the old section removed, and the new section slid into place. The bridge that was scheduled to reopen at 5 AM on the day *after* Labor Day opened eleven hours *early*, around 6 PM on last day of the Labor Day weekend.
- ¹¹⁶ Warren Company Report to Productivity Alberta, September 2013 of Construction Industry found that effective use of Integrated Project Delivery and collaborative forms of strategic alliances (such as the Australian ‘Alliancing’ process, when used effectively would reduce completion risks (over time and over budget) to nearly zero, or produce results where the project was under-budget and ahead of time (a ‘negative risk’ = positive outcome). For further verification, see:
- Rolstadås, Asbjørn;• Hetland, Per Willy; Jergeas, George Farage; Westney, Richard E.;Risk Navigation Strategies for Major Capital Projects, Beyond the Myth of Predictability; Springer Series in Reliability Engineering; Springer-Verlag, 2011, p 173
 - Morwood, Richard; Scott, Deborah; Pitcher, Ian; Alliancing, a Participant’s Guide, real life experiences for contractors, designers, facilitators, and clients. AECOM; 2008
 - Morwood, Richard; Elliott, Chris; Creating No Fault, No Blame Cultures in Alliances; presentation to the Association of Strategic Alliance Professionals Summit, March, 2011, and personal discussions with Chris Elliott

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- ¹¹⁷ Liker, Jeffery and Rother, Mike, *Why Lean Programs Fail*, Lean Enterprise Institute, 2009
- ¹¹⁸ In a series of Lean programs to test the value of trust (2010-2013), Productivity Alberta and the Winslow Group engaged with a dozen small to medium sized manufacturing companies. Nearly all were successful, producing significant results. In one company the front-line workforce is producing nearly one idea per employee every 10 days, with close to 80% implementation rate.
- ¹¹⁹ Robinson, and Schroeder, Ideas are Free (RPL: need detailed citation)
- ¹²⁰ Target companies lose 21 percent of their executives each year for at least 10 years following an acquisition – more than double the turnover experienced in non-merged firms.” Source: Jeffrey Krug, *Mergers and Acquisitions Lead to Long-Term Management Turmoil*, Journal of Business Strategy, July, 2008. (Krug & Hegarty in 2001. They studied retention of key executives and found that the executive’s perceptions of the merger announcement integration with the acquiring firm’s top managers following the merger, and the long term effects of the merger significantly influence their decision to stay or leave.) The high failure rate of Mergers and Acquisitions can also be correlated to the Trust Risk. The preponderance of acquisitions fail for what is called “cultural reasons.” Underneath the cultural veil are two key factors causing this failure:
- A. The company being acquired has a poor trust level before the acquisition, and the distrust just escalates during the acquisition process as fear runs rampant throughout the organization. The best A-level people, who have more opportunities for mobility, jump ship for safer ground, leaving the company a hollow shell of B & C-level employees too scared to run.
- B. The very process of the acquisition is inherently predatory, and thus triggers fear in the target, whose personnel are afraid of being victimized. The target company then becomes highly protective. Some people leave, the remainder hunkers down in their bunkers and silos, which can take years to break down, making integration of the new unit almost impossible.
- ¹²¹ Stahl, Kremersof, Larson; *Trust Dynamics in Mergers and Acquisitions: A Case Survey*, INSEAD, 2004/2005.
- ¹²² Speed alone was not the determinant of success – acquiring companies must be perceived as knowing where they were going, what they were doing, and providing a solid future for the employees of the target company for speed to be a significant factor in success.
- ¹²³ Stahl & Kuhlmann in 2002 – measured the impact of cultural cross training on multinational M&As and found that enhancing cross

cultural skills had a significant positive impact on key employee retention.

¹²⁴ In the mid-1990s, the consensus of studies assessed alliances producing 25% success rates. By the mid-2010s, the consensus is, overall, a 50% success rate, which averages low rates from those who use cruder methods with higher rates from more sophisticated practices. (see Association of Strategic Alliance Professionals, www.Strategic-Alliances.org)

¹²⁵ Source: surveys of executives from over 200 companies attending Executive Development courses at the University of San Diego Supply Chain Management program from 1992-2013, conducted by R.P. Lynch

¹²⁶ Lynch, Robert Porter, excerpted and condensed from *Trust: the Economic Game Changer*, published in Trust Inc. Strategies for Building Your Company's Most Valuable Asset, 2013

¹²⁷ Henke, John; *Planning Perspectives, Inc Report*, Aug 2, 2004. Responses from 223 Tier 1 suppliers including 36 of the Top 50 and was based on 852 buying situations. Participating suppliers' combined sales represent 48% of the OEM's annual purchase of components.

¹²⁸ Dyer, Jeffrey H.; Chu, Wujin; *The Role of Trustworthiness in Reducing Transaction Costs and Improving Performance: Empirical Evidence from the United States, Japan, and Korea*, 2002

¹²⁹ Productivity Alberta is a Private Public Partnership (PPP) created to help solve the problem of having too few people in a Province with a very heated economy.

¹³⁰ Based on extensive historical evidence, each supplier has in their inventory a standard stock of parts and components.

¹³¹ The idea is not entirely new. But what is new/Important is the shift from supply chains which are transactional, linear, and slow, to value networks which are value creating, neural/interactive, non-hierarchical, and fast. The problem of hierarchical systems in supply is the principle reason Boeing has lost billions on the introduction of the Dreamliner.

¹³² Kimmel, Barbara; Green, Charles, *The Business Case for Trust*, Trust Inc. Strategies for Building Your Company's Most Valuable Asset , 2013

¹³³ Gallup.com 2011/10/28 *Majority of American Workers Not Engaged in their Jobs*

¹³⁴ Gallup Business Journal, 2002/4/15 *The High Cost of Disengaged Employees*

¹³⁵ The Economist Intelligence Unit Limited, 2010

¹³⁶ Deloitte LLP, Ethics and Workplace Survey, 2010

¹³⁷ Gallup Consulting Harter, Schmidt, Killham, Asplund,, Q12 MetaAnalysis, 2006. The authors Management would learn a great deal

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more about success if it studied what was going on within top-half business units rather than bottom-half units.

Within Companies, Business Units in the top half on employee engagement had, on average, success rates that were:

- 56% higher on Customer Loyalty metrics
- 44% higher on Turnover (lower probability of turnover)
- 38% higher on Productivity outcomes
- 27% higher on Profitability.
- 44% higher on Safety (lower probability of injuries or lost workdays)
- 56% higher on Absenteeism (lower probability of high absenteeism)
- 70% higher on Shrinkage (lower probability of high merchandise shrinkage).

Across All Companies, Business Units in the top half on employee engagement had, on average, success rates that were:

- 103% higher on customer metrics
- 78% higher on turnover (lower probability of turnover)
- 63% higher on productivity outcomes
- 50% higher on profitability outcomes
- 78% higher on safety (lower probability of injuries or lost workdays)
- 94% higher on absenteeism (lower probability of high absenteeism)
- 123% higher on merchandise shrinkage (lower probability of high shrinkage)

Composite Business-Unit Performance, business units in top half on employee engagement have success rates that were:

- 113% higher within their own company
- 170% higher across business units in all companies

In other words, business units high in employee engagement more than double their odds of above-average composite performance within their own companies, and nearly triple their chances for above-average success across business units in all companies.

Business units at the highest levels of employee engagement across all business units have an:

- 83% chance of having high (above average) composite performance.

This compares to a 15% chance for those with the lowest levels of employee engagement.

So it is possible to achieve high performance without high

employee engagement, but the odds are more than five times lower.

Comparing top-to bottom-quartile engagement business units resulted in median percentage differences of:

- 31% in turnover for high-turnover companies (those with 60% or higher annualized turnover)
- 51% in turnover for low-turnover companies (those with 40% or lower annualized turnover)
- 12% in customer loyalty/engagement
- 62% in safety incidents
- 51% in shrinkage
- 18% in productivity
- 12% in profitability

Gallup studies conducted at the individual level (rather than the business-unit level) indicate engaged employees in comparison to disengaged employees have

- 27% less absenteeism

¹³⁸ Helliwell, John F. and Wang, Shun, Huang, Haifang Shun, et al; *Well-Being And Trust In The Workplace*, National Bureau Of Economic Research, 2008, *Trust And Well-Being*, National Bureau Of Economic Research, 2010; See:

<http://faculty.arts.ubc.ca/jhelliwell/chronological.php> for more publications

¹³⁹ www.americanprogress.org/issues/labor/report/2012/, For jobs under \$30,000 the direct costs are about 16%. For jobs in the range, 30-70,000, it's between 25-20%, and significantly higher above \$70,000

¹⁴⁰ <http://money.cnn.com/magazines/fortune/best-companies/2013/>

¹⁴¹ Kling, Jeffrey; High Performance Work Systems and Firm Performance, Monthly Labor Review, May 1995

¹⁴² Kruse, Douglas, Profit Sharing: Does it Make a Difference? Upjohn Institute, 1993

¹⁴³ Kaufman, Roger; The Effects of IMPROSHARE on Productivity, Industrial and Labor Relations Review, January 1992, pp 311-312

¹⁴⁴ The ESOP examples represented by Publix, P&G, Southwest, C.C. Meyers, CH2M Hill, as well as USAA as a Mutual (policy holder owned) Insurance Company, makes a strong case that trust, employee engagement, and sharing capitalism's rewards with employees should not be overlooked. It is reasonable to conclusion that employees are a strategic asset and essential as "innovation capital." However, not all ESOPs produce such results. The National Center for Employee Ownership's studies demonstrate that where low-trust cultures prevail, the economic returns from employee ownership are greatly reduced.

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- ¹⁴⁵ Data from Employee Ownership Foundation. April 2009. In the tumultuous year of 2008, 88% of the 431 companies survey reported stronger performance than the Dow, NASDAQ, or S&P indices.
- ¹⁴⁶ The connection between either equity ownership and profit sharing and trust building is further illustrated by this story, excerpted and condensed from Bob and Greg Vanourek's book, *Triple Crown Leadership*, McGraw Hill, 2012 from Chapter 8: Turnarounds
- ¹⁴⁷ Interview with Thomas Watson, Jr. former President of IBM, by Robert Porter Lynch, Spring 1978, Brown University Campus
- ¹⁴⁸ Based on data originally compiled by U.S. Department of Education
- ¹⁴⁹ Center for American Progress (CAP), November 5, 2012
- ¹⁵⁰ It's important to consider legal processes as a part of Risk Management. Consider the impact of trust on the cost of intercorporate relationships, contractual complexity, the need for contract management in procurement, the impact of distrust on litigation potential and real costs, and the time and energy and taking away focus when a corporation has to engage in litigation, etc.. The corollary is that legal risks increase with the untrustworthy. For example, untrustworthy customers don't pay, untrustworthy suppliers don't deliver quality, untrustworthy employees steal or file unjustified law suits, etc. Knowing how to limit the impact of the untrustworthy is important.
- ¹⁵¹ Interview with Larry Staples, Executive Director, Construction Owners Association of Alberta discussing the development of Oil Sands projects in Northern Alberta, with Robert Porter Lynch, Spring, 2013
- ¹⁵² Interview, October 2008, Pittsburgh, PA, by Robert Porter Lynch
- ¹⁵³ See American Institute of Architects: *Integrated Project Delivery & "Partnering;"* or Morwood, Richard; Scott, Deborah; Pitcher, Ian; *Alliancing, a Participant's Guide*, real life experiences for contractors, designers, facilitators, and clients. AECOM; 2008
- ¹⁵⁴ From Wikipedia, Boston Big Dig
- ¹⁵⁵ Rolstadås, Asbjørn; Hetland, Per Willy; Jergeas, George Farage; Westney, Richard E.; *Risk Navigation Strategies for Major Capital Projects, Beyond the Myth of Predictability*; Springer Series in Reliability Engineering; Springer-Verlag, 2011,
- ¹⁵⁶ Rolstadås, Asbjørn; • Hetland, Per Willy; Jergeas, George Farage; Westney, Richard E.; *Risk Navigation Strategies for Major Capital Projects, Beyond the Myth of Predictability*; Springer Series in Reliability Engineering; Springer-Verlag, 2011, p 173
- ¹⁵⁷ Personal discussions with George Jergeas during spring and summer 2013 as part of the Productivity Alberta project to improve long-term capital projects in the oil fields.

- 158 Morwood, Richard; Scott, Deborah; Pitcher, Ian; Alliancing, a Participant's Guide, real life experiences for contractors, designers, facilitators, and clients. AECOM; 2008
- 159 Morwood, Richard; Elliott, Chris; Creating No Fault, No Blame Cultures in Alliances; presentation to the Association of Strategic Alliance Professionals Summit, March, 2011, and personal discussions with Chris Elliott
- 160 Interview, Dec 3, 2012, Edmonton, Alberta
- 161 Okono, Samuel, Paper: *Why Over 90 Percent of Projects Finish Late, Project Smart*
- 162 Stallkamp, Thomas T. Score, *A Better Way to Do Business, Moving from Conflict to Collaboration*, Wharton Business School Publishing, 2005 p20
- 163 Stallkamp, p50
- 164 Stallkamp, p 66
- 165 Stallkamp, p 50-51
- 166 Stallkamp, p20-21
- 167 Stallkamp, p 51
- 168 Stallkamp, p 68
- 169 Stallkamp, p48
- 170 Stallkamp, p 195
- 171 Stallkamp, p19-21 (Machiavelli – ends & means).
- 172 Stallkamp, p44
- 173 Stallkamp, p 143
- 174 Stallkamp, p 144-145
- 175 Stallkamp, p 145
- 176 Stallkamp, p 145
- 177 Stallkamp, p 145
- 178 Stallkamp, p145
- 179 Stallkamp, p 146-147
- 180 Stallkamp, p 114
- 181 Stallkamp, p5-6
- 182 Stallkamp, p6
- 183 Stallkamp, p2
- 184 Stallkamp p19
- 185 Stallkamp p7-9
- 186 Stallkamp, p119
- 187 Stallkamp, p 121
- 188 Stallkamp p 122
- 189 Stallkamp, p 15
- 190 Stallkamp p 124
- 191 Stallkamp, p129

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- ¹⁹² Stallkamp, p 136
- ¹⁹³ Stallkamp, 130
- ¹⁹⁴ Stallkamp, p 130
- ¹⁹⁵ Stallkamp, p 130
- ¹⁹⁶ Stallkamp, p10-11
- ¹⁹⁷ Stallkamp, p27-28, p 36
- ¹⁹⁸ Stallkamp pp42-43
- ¹⁹⁹ Stallkamp, p 47
- ²⁰⁰ Stallkamp, p 61
- ²⁰¹ Stallkamp, p 104
- ²⁰² *The Prince*, written in 1513, is the book most people attribute to Machiavelli. It paints a very sinister view of leadership in a world filled with manipulation, deceit, and lies. However, Machiavelli obviously had second thoughts about the book, and, several years later finished his more expansive treatise *The Discourses*, which takes a far more lucid look at the realities of leadership, and corrects many of the mistakes in *The Prince*. Unfortunately, amateurs with little regard for historic accuracy, “cherry pick” the poisonous advice out of *The Prince* and peddle it as having some masterful insight into the nature of all humans. In reality, *The Prince’s* great value is providing somewhat valuable advice in dealing with evil characters. See Volume Five for more on the Great Machiavelli Hoax.
- ²⁰³ Lest you think that the Dark Triad is just a nightmare concocted by science fiction writers, it’s important to know that it is a bona fide field of academic study in many universities, and renowned scholars engage in the study of their abnormal behavior.
- ²⁰⁴ Sociopaths and Psychopaths are fundamentally the same. We are using the term interchangeably here. Some psychologist have tried to make a distinction between the two, but the differences are purely academic.
- ²⁰⁵ Research has shown that the capacity to have a conscience originates in the amygdala, that part of the brain that is part of our mammalian origin. The amygdala produces the neuro-transmitter oxytocin (see Chapter Two: How the Brain’s Chemistry Produces Trust)
- ²⁰⁶ See Volume Five for more details on what Darwin really said, and the great hoax that has twisted his insightful and spiritual messages
- ²⁰⁷ Ibid, p 471 & p 913
- ²⁰⁸ Ibid, p 484
- ²⁰⁹ Ibid, p 913
- ²¹⁰ Ibid, p 874
- ²¹¹ Ibid p 485
- ²¹² Ibid p 486
- ²¹³ Ibid p 483

²¹⁴ Ibid, p 498

²¹⁵ Ibid, p 500

²¹⁶ Ibid, p 508

²¹⁷ Konrath conducted the meta-analysis, combining the results of 72 different studies of American college students conducted between 1979 and 2009, with U-M graduate student Edward O'Brien and undergraduate student Courtney Hsing.

²¹⁸ For a good read on a real, present day Machiavellian, read *The Prince of Providence, America's Most Notorious Mayor* by Mike Stanton. It's about the Mayor of Providence, RI. I discovered he defrauded the Federal government of a large amount of money, and almost got framed when I threatened to report it. I could never out think him. He was brilliant, foxy, and filled with moves I would never even think of.

²¹⁹ Evil comes naturally to the Dark Triad, like flight to a bird or pollen seeking to a bee. Seldom is repentance natural to an evil person – their actions were not evil to them from their perspective. The truly repentant, like Charles Colson, are not evil; just misguided. Neither does the Machiavellian think he is evil --in his own mind! He would simply say that Goodness is too risky. Even breaking the law is not evil, it's just the inability to get away with it. Neither would the Psychopath think of himself as evil; they simply cannot experience love, trust, sympathy, caring, or real joy, just as a fish cannot experience a walk in a rose garden. The whole idea of evil is countenanced only by those who aren't

²²⁰ See The Great Hoaxes in Volume Five to understand how predators use intellectual justification of the truth to suit their own self-interest.

²²¹ The key book on this is entitled *Without Conscience: The Disturbing World of the Psychopaths Among Us*, written by Robert Hare after 25 years of studying psychopaths. His book *Snakes in Suits* reveals how psychopaths behave in the executive suite.

²²² Babiak & Hare, *Snakes in Suits*, Harper Collins (2007). Note: These 3-Drive humans are often referred to as psychopaths or sociopaths, *after* they have broken the law. Those that skirt the edges of the law will work in the narrow area that is legal but unethical or insensitive. While their percentage in the population is extremely low, their impact on society is massively disproportionate to their numbers.

²²³ About the PCL-R (Psychopathology Check List – Revised)
The PCL-R is 20-item clinical construct rating scale that using

- semi-structured interview,
- case-history information
- specific scoring criteria to rate each item on a three-point scale (0, 1, 2) according to the extent to which it applies to a given person

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Total scores can range from 0 to 40 and reflect the degree to which the person matches the prototypical psychopathic person, Analyses of very large data sets support a model in which psychopathy is underpinned by four correlated factors or dimensions:

1. **Interpersonal:**

- Glibness/superficial charm, Grandiose sense of self-worth, Pathological lying, Conning/ manipulative)

2. **Affective** (Emotional)

- Lack of remorse or guilt, Shallow affect, Callous/lack of empathy, Failure to accept responsibility for actions

3. **Lifestyle**

- Need for stimulation/ proneness to boredom, Parasitic lifestyle, Lack of realistic long-term goals, Impulsivity, Irresponsibility

4. **Antisocial**

- Poor behavioral controls, Early behavior problems, Juvenile delinquency, Revocation of conditional release, Criminal versatility

²²⁴ Often referred to as “snakes” – See Hare & Babiak, *Snakes in Suits – When Psychopaths go to Work*, Harper Collins, 2007

²²⁵ CHAINSAW: *The Notorious Career of Al Dunlap in the Era of Profit at Any Price* By John Byrne New York: Harper Business, Review by Robert Weissman, Washington Monthly, Nov 1999

²²⁶ See www.PBS.org: *The Warning* which documents the players & strategy

²²⁷ Lynch, Dudley & Kordis, Paul, *Strategy of the Dolphin*, Morrow, 1988. “Strategy of the Dolphin” is the Registered Trademark of Brain Technologies. Used with permission

²²⁸ Lynch & Kordis, *Ibid*, p 15-16

²²⁹ Lynch & Kordis, *Strategy of the Dolphin*, p 19-22, 46

²³⁰ Official Website of Coach Krzyzewski: CoachK.com

²³¹ Coach K practices what he preaches By Mike Prisuta, Pittsburgh TRIBUNE-REVIEW July 17, 2004

²³² Krzyzewski, Michael, *Leadership with a Heart* From chapter 5 on Trust, Business Plus, 2000

²³³ Interview by Academy of Achievement, May 22, 1997 Baltimore, Maryland

²³⁴ Wall Street Journal, August 11, 2007 The Forbidden City of Terry Gou, His complex in China turns out iPhones, iPads, iPods and Macs and PCs, powering the biggest exporter you've never heard of

²³⁵ Crum, Dan; *Is He Lying to You?* Career Press; 2010; p 13

²³⁶ We are not talking about lies or evasions that are designed to spare one's feelings or to avoid embarrassing them. For example I wouldn't tell my wife she looked awful, even if it were true. Instead, I might ask her if she felt alright. Also, in situations of low trust, it's quite common for people to withhold information for fear it will be used against them.

- ²³⁷ See McEvily, Bill; Perrone, Vincenzo; Zaheer, Akbar; *Organization Science*; Jan/Feb 2003; 14, 1; ABI/INFORM Global pg. 91 [the assert that]“Trust binds and blinds, making economic actors insufficiently vigilant and excessively vulnerable.... reflects an under-socialized view of the organization and coordination of economic activity and the relationships between economic actors, based on a limited understanding of how trust really works. Rather than limiting economic progress, trust in fact is a basic necessity for virtually all forms of exchange (Arrow 1974). From our perspective, trust expands the opportunity set for the coordination of work both inside and outside the organization (Barney and Hansen 1994). Without trust, the uncertainty that pervades the organization and coordination of economic activity would be debilitating. Although trust is not the only solution to the organization of work, trust can generate efficiencies by conserving cognitive resources, lowering transaction costs, and simplifying decision making. Moreover, trust may enhance the value of transactions (Zajac and Olsen 1993).
- ²³⁸ Gerstner, Lou; *Who Says Elephants Can't Dance – Inside IBM's Historic Turnaround*; Harper Business, 2002, pp 114; p 182
- ²³⁹ Bethune, Gordon; *From Worst to First, Behind the Scenes of Continental's Remarkable Comeback*, Wiley, 1998, p 130
- ²⁴⁰ Bethune, p 134
- ²⁴¹ Bethune, p 112
- ²⁴² For more detail on how the Banking and Investment swindled the governments and regulators of the world, see www.pbs.org Frontline Series: The Warning; Inside the Meltdown; Money, Power, and Wall Street; Ten Trillion and Counting; The Madoff Affair; Breaking the Bank.
- ²⁴³ Sirower, Mark L.; *The Synergy Trap, How Companies Lose the Acquisition Game*; Free Press, 1997, p 5-6
- ²⁴⁴ Sirower, Ibid, p 25
- ²⁴⁵ Sirower, Ibid, p 39-40
- ²⁴⁶ Mirvis, Philip H. and Marks, Mitchell Lee; *Managing the Merger, Making it Work*, Prentice Hall, 1992
- ²⁴⁷ Marks, Mitchell Lee; from San Francisco State University website, 2010
- ²⁴⁸ Lajoux, Alexandra Reed; *The Art of M&A Integration, A Guide to Merging Resources, Processes, & Responsibilities*; McGraw Hill, 1998, p 370
- ²⁴⁹ See books by Lynch, Robert Porter; *Practical Guide to Joint Ventures and Corporate Alliances*, 1988, *Business Alliances, the Hidden Competitive Weapon*, 1993, *Strategic Alliance Best Practices Handbook*, 1994-2002

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²⁵⁰ It's worthwhile to note the important distinction between Mordred in Mallory's *Legend of King Arthur* and Machiavelli. The former was insidious, self-centered, and evil; the latter amoral and practical.

²⁵¹ See Machiavelli, *The Discourses of Livy*. He based his understanding of how republics could or should operate from Livy's *History of Rome*, written over one hundred years after the era of the Roman Republic. Livy was related to Octavian's (Caesar Augustus) wife, Livia. Livy began writing his history of Rome in 27 BC, the same year Octavian solely becomes Emperor, and the same year Virgil is commissioned by Octavian to write the *Aeneid*. Historians have said that Livy and Virgil coordinated their writings to ensure that what Livy was saying in prose was consistent with what Virgil was saying in poetry. It is highly likely that Octavian commissioned Livy to write these histories. Most of Livy focuses on war, war, and more war. The organization of his history reads more as a military history than a social or political or philosophic history. Unlike the most highly regarded Roman scholars of the time, Livy was not trained in Athens, and his command of the Greek language was mediocre. He never served in the military nor in the government, which some historians say made his history of these subjects rather superficial and subject to errors. However, Livy's accounts are all that remain of some of the earliest of the Roman era.

From Wikipedia: He wrote his history with embellished accounts of Roman heroism in order to promote the new type of government implemented by Augustus when he became emperor. In Livy's preface to his history, he said that he did not care whether his personal fame remained in darkness, as long as his work helped to "preserve the memory of the deeds of the world's preeminent nation." Because Livy was writing about events that had occurred hundreds of years beforehand, the value of his history was questionable, although many Romans came to believe what he wrote to be the true history of Rome's foundation. Livy's enthusiasm for the republic is evident from the first pentade of his work, and yet the Julio-Claudian family (the imperial family) were as much fans of Livy as anyone. He could not have been an advocate of any sort of sedition in favor of restoring the republic; he would have been put on trial for treason and executed, as many had been and would be. He must have been viewed as a harmless and relevant advocate of the ancient morality, which was a known public stance of the citizens of Patavium. His relationship to Augustus is defined primarily by a passage from Tacitus in which Cremutius Cordus is put on trial for his life for offenses no worse than Livy's and defends himself face-to-face with the frowning Tiberius. To avoid conviction, while waiting for a verdict Cordus committed suicide by

self-starvation. His worst fears were realized in absentia: his books were sentenced to be burned by the aediles, but they performed the task without zeal and many escaped.

²⁵² It is not coincidental that the Reformation came on the heels of the Renaissance. Just as Machiavelli had foreseen, the tyranny of despotism evokes hatred and reform, with which comes inherent dangers.

²⁵³ It is thought that he did not learn Greek, even though Florence was at the time one of the centres of Greek scholarship in Europe

²⁵⁴ Today, while *The Prince* and *The Discourses* are often packaged as a single book, most people just read the earlier portion (first in the book) – *The Prince*. The second portion, which is less interesting, goes unread.

²⁵⁵ From Savonarola and Machiavelli, excerpted, condensed, and edited from Wikipedia & Rousseau, *The Social Contract*, Book III.

²⁵⁶ In Henry V, Shakespeare stakes out another one of his visions of synergy:

From this day to the ending of the world,

But we in it shall be remembered:

We few, we happy few, we band of brothers;

For he today that sheds his blood with me

Shall be my brother...

²⁵⁷ Smith, Adam; *The Wealth of Nations*, Chapter II – Restraints on Importation from Foreign Countries on such goods as can be produced at home, 1776

²⁵⁸ Greenspan, Alan; *The Assault on Integrity*, Chapter 9 in Rand, Ayn; *Capitalism: The Unknown Ideal*, New American Library, 1966, p 112

²⁵⁹ Greenspan, *Ibid*, p 116 [Author's note: Greenspan seems to combine Romantic Idealism with Aristotlean Rationalism and Ethics, in a naïve world-view that denies the existence of evil and corruption, while at the same time extolling the virtues of greed and excoriating the vices of fear.]

²⁶⁰ Greenspan, *Ibid*, p 113-115

²⁶¹ Smith, Adam; *Theory of Moral Sentiments*, Section IV, Chapter 1, Paragraphs 10-11; 1759. Authors Note: The astute reader will see the similarities of Adam Smith's beliefs and the framers of the U.S. Constitution.

²⁶² This is actually a very old model dating back to pre-industrial era capitalism. Most shipping ventures were transacted this way between the 17th and 19th century. See Lynch, Robert Porter, *The Practical Guide to Joint Ventures and Strategic Alliances*, John Wiley, 1988, Chapter 1

²⁶³ While it did raise some controversy at the time, it was not an instant best seller. Robert Chamber's 1844 book *Vestiges of the Natural History of*

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Creation, a precursor to Darwin's theory, was a far better seller in Victorian England for quite some time.

²⁶⁴Spencer believed that the state should not interfere with the natural evolution of society, thus he was opposed to any form of help for the poor because they were simply unfit, and should be eliminated; those people with mental defects were best off dead, and government should not intercede in supporting, regulation of sanitation, housing and the medical profession, etc. (Hofstadter, p 390-393)

²⁶⁵ From PBS Program:

www.pbs.org/wgbh/amex/carnegie/peopleevents/pande03.html

²⁶⁶Carnegie, Andrew; "Wealth," reprinted in *The Andrew Carnegie Reader*, ed. J.F. Wall, University of Pittsburgh Press. Pittsburgh, (originally published 1889), p132