



## Trust "Taxes", the Costs of a Lack of Trust

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Trust taxes are costs that you incur when there is little or no trust. When trust goes down, speed also goes down and cost goes up. This is a "tax" – and these taxes can *double the cost of doing business*.

There are 7 types of "trust taxes":

1. *Redundancy & duplication with smaller spans of control* – if there is less trust, then you will find that tighter control develops over smaller areas, and that there is unnecessary duplication of resources to offset the increase in perceived risk.
2. *Bureaucracy* – with less trust so procedures and systems become more cumbersome in order to bridge the perceived gap between what is needed and what is available in providing security and consistency in the work done. In the US there is Nordstrom where its high levels of trust are reflected in its one card operating manual: on one side of the card it says – "We have one rule... – on the other side it says "use your best judgement in all situations".
3. *Politics* – more silos develop and turf wars become more prevalent. Less trust results in individuals putting their agenda ahead of others and the business overall, it also creates a "fixed mindset" where people see the pie as fixed, so that they only way they can get a larger slice of the pie is at the expense of somebody else *e.g.* different departments negotiating for budget allocation will compete against each other for it.
4. *Disengagement* – a lack of trust reduces staff engagement as they do not believe that their leaders have their interest at heart. This is reflected in research which shows that 96% of engaged employees trust their leaders, whereas only 46% of employees who are disengaged.



5. *Turnover of Employees* – as disengagement increases, so staff perceive roles and jobs elsewhere as more attractive which, previously, they might not have considered.
6. *Churn* – low trust also extends to customers and other stakeholders who now see other businesses as more attractive and less risky.
7. *Fraud* – with lowering levels of trust there is a lower level of integrity increasing the likelihood of fraud being committed within the company.

If you have a lack of trust, then you are likely to incur some or all of these taxes. If you have a lack of trust then you need to address this. This is the subject of another email.