SIX

build trust

He who does not trust enough will not be trusted.

—LAO-TZU

Over the last two decades, Tony Hsieh, the son of Taiwanese immigrants, has been one of the most successful entrepreneurs in America. His first business, founded in 1996 when he was twenty-two years old, was Link Exchange, an Internet advertising company that, at its peak, reached more than 50 percent of all Internet-enabled households every month. He and his partners sold the company to Microsoft in 1999 for $265 million.

That same year, Tony joined the start-up Zappos, the online retail giant. By 2008, Zappos was grossing more than $1 billion in merchandise sales (and is continuing to grow). A year later, it was bought by Amazon.com for an approximate valuation of $1.2 billion on closing day.

As part of the Amazon deal, Tony and his team vowed to stay on at Zappos and continue not just to grow the company but to nourish its culture as well. Zappos has built a reputation as one of the country's best places to work (it ranked among the top fifteen in *Fortune* magazine's 2010 "Best Companies to Work For") and to shop (its customer satisfaction is extremely high; on any given day, 75 percent of its orders come from repeat customers).

Tony has shared with me many of the secrets to his success, but one of the most important is the highly respected culture he created at Zappos, a culture that, at its core, relies on trust. "Trust is a fundamental part of a business," Tony says. "It's the most important part of getting our work done right. A brand succeeds or fails based on whether or not people trust the company with which they're about to do business."

That trust works on various levels and includes employees, vendors, and customers. For example, according to Tony, "Organizations can only function at peak capacity if their employees are looking out for the best interests of the company, not just motivated by their own selfish reasons."

To further trust, Tony encourages his employees to get to know one another as friends and to spend time together outside the office. By building high levels of trust through their personal interactions, they can establish communications that work well inside and outside the company. "People are more likely to do favors for each other if they are friends, not just co-workers," he says.

Another way Zappos builds trust among its internal and external partners is to mean exactly what it says. "The other day I sent out a blog post updating the situation on the one-year anniversary of our acquisition by Amazon. When the acquisition first occurred, I wrote a long memo to the staff, covering every point I could think of to make it clear exactly what was happening and why this acquisition was a great moment. In my blog, I followed up on every point in that letter, showing what was promised and planned and what actually happened. For example, we'd vowed we would remain independent and maintain the Zappos brand. Plenty of naysayers said they had heard this kind of stuff before and that it was never true, that the acquired company always gets swallowed up. That may indeed be true for most acquisitions, but Zappos still has its independence, and that letter I wrote a year ago still stands."

Unlike many companies, Zappos actively encourages its employees to join its aggregated Twitter account and to Tweet whatever they wish. Whereas other companies police their employees' words, Zappos tells its employees to use their best judgment, and that's it.

And then there are the programs for which Zappos has become famous, the best-known being its custom of giving $3,000 to any prospective employee who takes the company training but decides not to take a job. Zappos wants comfuse the quick-cash offer and join the company.

Another quirky program: Zappos lets employees give anyone else in the company a fifty-dollar bonus if they feel that person deserves it, up to one bonus a month.

As a result of this trust, Zappos employees tend to stay. The turnover rates vary by department, but all in all they are far lower than those of Zappos' competitors.

Zappos also works to ensure trust with its vendors and customers. The company deals with more than 1,500 brands, but none get lost in the shuffle; all are treated with a personal touch. "We don't see a business relationship as being just business. Trust is something you build in all aspects of all relationships," Tony says.

"Traditionally there's been an adversarial relationship between the retailer and the wholesaler. This is because it usually plays out as a zero-sum game: There's a limited amount of money to be shared between the two, and every penny the retailer makes is one the wholesaler loses, and vice versa. Since we look at our vendors as partners, our goal is to build a business that makes sense for both companies in the long term. If you trust each other, you can build a business relationship bigger than the sum of its parts."

Trust is Zappos' default way of thinking. Other companies may earn trust, but at Zappos trust is built in from the beginning. "And, yes, sometimes we do have to deal with untrustworthy people, but it's been so rare it hasn't caused anyone to doubt our general policy," Tony says.

Trust is an enormous subject, but I want to boil it down to two fundamental aspects: 1) the internal trust you build within an organization as a leader and 2) the external trust you build with your customers, your vendors, and your donors (if you're a nonprofit).

INTERNAL TRUST

Between the birth of the Industrial Revolution and the modern workplace, a wide chasm formed between employer and employee. Frederick W. Taylor, whose book *The Principles of Scientific Management* was the bible for the industrial age, applied so-called scientific analysis to improving workplace productivity. Fundamental to his theory were the following ideas: Workers are inherently lazy and do not enjoy their jobs. Managers should break down work into the smallest possible tasks and supervise and control everything their workforce does. Workers should be paid according to their performance over a set amount of time. Workers are most productive when driven by monetary incentives.

A business organized by Taylorite principles sent a clear message to its workers: You are not ever going to be trusted with any significant responsibility. And you shouldn't trust your employer to do anything beyond pay you for the hours you've clocked in.

Not all employers ruled like this, and not all employees felt alienated and dehumanized by the companies they worked for. But it's safe to say that, in general, the word "trust" was not baked into the operating DNA of business leadership during this period.

I cannot think of any area of business during the past few decades in which the mindset of successful leaders has changed so much. Today, trust between employer and employee is the cornerstone of your business and your future.

As a leader, your job is to motivate your staff, your co-workers, and your partners—anyone you're in a position to influence and direct. Whereas past leaders tended to be egomaniacal and charismatic, commanders in the mode of a General Patton, these days great leaders are those who trust and empower their staff. After all, we all derive enormous satisfaction from feeling that we're in control of our jobs rather than being victims of them—and, as a leader, that's not a difficult feeling to provide.

Always remember: The better your employees feel about their jobs, the better your business performs. One way to motivate is to make sure your team is all on the same page, or, as one of my mentors, Lou George, says, "that we are all hearing stereo." When the team is working together and hearing the same direction, their confidence soars.

Although many reasons exist for the recent shift from authoritarianism to trust, a leading factor is the way that knowledge moves through the workforce. It used to be that information traveled vertically, from the top down: The important ideas and information were generated in the executive offices at headquarters and then filtered, selectively, to employees.

The contemporary workplace is much flatter: A company can enjoy valuable contributions from all levels of employees at all locations, whether they're interns, part-timers, or executives, and whether they're based in Chicago, Shanghai, or the Shetland Islands. There's no telling where the next great idea will come from and how it will move through the organization—top down, bottom up, or zigzagging through the middle.

For good ideas to flow smoothly, your people have to first feel empowered to offer—and execute—them. You can't motivate someone by giving him or her the position but not the power to do the job or to voice input. Powerlessness is the ultimate demotivator.

Among the modern leaders who turned the tide away from the Taylor management model is Bill Hewlett, co-founder of computer giant Hewlett-Packard. As recounted in the book *The Speed of Trust* by Stephen M. R. Covey, Stephen R. Covey, and Rebecca R. Merrill, one weekend Hewlett went to a company storeroom, searching for a tool, and discovered a lock on the tool bin. HP had always allowed employees open access to all tools, a decision made to show how much the company trusted its workforce. Hewlett broke open the lock and put up a sign: "HP Trusts Its Employees."

Packard was later quoted as saying, "The open bins and storerooms were a symbol of trust, a trust that is central to the way HP does business."

A phrase that has gained much traction over the last four decades is "servant leadership." Coined by writer and business consultant Robert K. Greenleaf in his 1970 essay "The Servant as Leader," the term refers to someone who uses qualities like empathy, listening skills, stewardship, and awareness rather than power to assert his or her authority to lead.

Certainly leaders of the past offered this kind of authority; as far back as the fourth century B.C., the Chinese thinker and politician Chanakya wrote that "the leader shall consider as good not what pleases him but what pleases his subjects. . . ." Throughout history, scholars and philosophers from Gandhi to Martin Luther King, Jr., have advocated this kind of guidance.

Recently the concept of the servant leader has enjoyed a surge in popularity, with good reason. Today's successful leaders are those willing to share credit as much as possible, who give away as much as they can, and who promote an environment of creative cooperation instead of rabid competition.

I confess, when I started in business more than a decade ago, my goal was to become a rock-star business leader, someone whose name would resonate throughout the world, someone whose fame would supersede that of others of my generation—the typical cult CEO. But the more I learned about business and, along the way, about the world, the more that urge dissipated. In its place rose the desire to lead with a softer, more human touch. I don't want TOMS to be only about me—everyone in the organization must feel attached to TOMS to the degree that anyone can be a spokesperson whenever it's appropriate.

A leader can create a company, but a community creates a movement.

Truly great servant leaders are inspiring. They create loyal employees who are attached to the company and its mission rather than only to their own careers. Servant leaders realize that their primary job isn't about figuring out what they can get done and cross off their to-do list, but how many people they can help get things crossed off their own to-do lists. It's about making sure that everyone on the team is performing to their fullest capabilities.

So, as a leader, your job is to help others do their jobs better. This is why I tell my top people to help serve everyone in their group.

For example, two of the major executives at TOMS are both quintessential servant leaders—Candice Wolfswinkel, our Shoe Glue, and Jill DiIorio, who runs TOMS' retail sales and marketing in the United States. Interestingly, Candice works in our main office, and Jill operates out of Houston, Texas—almost 1,400 miles away. Both motivate their staffs by inspiring them, recognizing their accomplishments, and letting them get their jobs done as they best see fit. The resulting amount of work is far greater than what either Jill or Candice could have accomplished if they were prioritizing their own tasks instead of enabling their staffs to work better and smarter.

Although there are many aspects to servant leadership, one of the clearest ways to build the kind of trust you'll need to succeed is to admit your own mistakes.

In any endeavor, you (and everyone else) will make them. This is good! Making mistakes can be one of the most important ways for an organization to grow. If you view mistakes not as errors that impede the flow of progress but as opportunities to build more trust in your organization as you work through them, you turn a negative into a positive that will build the trust you'll need.

Certainly I made plenty of mistakes at TOMS. One of the worst was the Airstream shoe debacle.

create within your entire organization. Company culture needs to be maintained at all costs.

EXTERNAL TRUST

Because a major part of leadership takes place outside your organization, you must be sure that you have the trust of your customers, your vendors, and your donors—or whomever you depend upon for your survival. Everything you do in your organization should focus on growing, building, and protecting the trust of these people. If you lose that trust, you lose everything.

The history of American business is filled with examples of companies that destroyed trust with their consumers, from the late telephone giant WorldCom to the retailer Kmart to the oil company BP, which ran ads touting its environmental bona fides but then ended up flooding the Gulf of Mexico with crude oil.

Other companies, when under a trust siege, have responded quickly and intelligently. For example, in 1982, seven Chicago-area residents died when they swallowed cyanide-tainted Tylenol tablets. It was not Tylenol's fault; the tablets were poisoned after Tylenol shipped them to stores. But the police never caught the culprit and, in the hysteria of the moment, people became terrified of the name Tylenol.

Rather than surrender the brand—the market leader in pain-relief medicine—owner Johnson & Johnson did everything it could to restore trust in the product. It spent a fortune alerting customers to the danger, it recalled $100 million worth of product containers, it exchanged already-bought bottles for new ones, it worked with law-enforcement officials on the case, it offered a six-figure reward to help catch the guilty party, and it changed the packaging on the bottles: From then on, all products that could be tampered with were double- or triple-sealed. The strategy worked. Tylenol remains a trusted brand.

Some of the most successful business leaders of the century succeeded precisely because of the trust they created with their customers. Carl Sewell is another of my mentors and is among the most successful entrepreneurs of his era; his book, *Customers for Life*, is still a bestselling classic. In it, and in his life, Carl preaches that trust is one of the most important parts of a business, rather than, say, making money: "For our way of doing business to work, we have to convince you that there is something more valuable than money."

Stores such as Nordstrom are well known for their service, which places customers first. Stories abound at the company of employees who went far out of their way to help customers in ways that no other store would do. As told in *The Nordstrom Way*, by Robert Spector and Patrick McCarthy, a Nordstrom employee once noticed that a customer had left her airline ticket on the counter while shopping at the store; after calling the airline and discovering they wouldn't reissue it, the salesperson left her job for an hour and a half and rushed to the airport, where she had the customer paged and gave her back the ticket. This salesperson was able to decide for herself the best course of action and leave her place at the store—and this is because Nordstrom trusts its workers enough to give them the freedom to make entrepreneurial decisions.

Another way to build trust is to create a powerful promise for the customer. For example, some companies make money by selling the next generation of their product to replace older, broken ones, but certain brands have built their reputation on a lifetime guarantee. Customers trust this guarantee. Two of my favorite companies that do this well are Tumi, the luggage maker, and Orvis, the fly-fishing outfitter.

One Tumi story I heard involved a customer who called the company about refurbishing his briefcase. The bag had special meaning to him because it was a gift from his father in 1992, and the customer had vowed to use it throughout his entire career; Tumi fixed the old, broken bag with no questions asked. (When the customer sent in the bag, he accidentally left two expensive silver pens in it. When the bag was returned, the pens were still there.)

At Orvis, if you break a fly rod—even if you slam it in your car door—the company will send you a new one. Orvis once replaced a rod whose owner claimed he had broken it while defending himself from a rattlesnake. Another soon-to-be-divorced man returned home to find that his wife had cut all of his fishing rods in half with a saw; he, too, got new ones. In both cases, Orvis asked no questions.

I have been a fly-fisherman for a long time and I travel constantly, so both brands are important to me. They both won my loyalty, and that of many others, of course, through these no-questions-asked guarantees. Bottom line: I trust these guarantees, so I invest in these products.

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