

American Labor's Competitive Advantage

By Michael Lee Stallard, Carolyn Dewing-Hommes and Jason Pankau

Luminaries, from Andrew Grove, the legendary former chairman of Intel Corporation, to author and columnist Tom Friedman, have expressed concern over the future impact of globalization on American workers. We believe there is a way American workers can effectively compete for jobs with workers from Beijing to Bangalore and beyond.

In the increasingly global marketplace we should recognize that if American labor is forced to compete on cost, we have a problem. The willingness of other nations' workers to work for much lower wages puts American labor at a competitive disadvantage. Being the low cost labor provider, however, is just one way to compete. Another strategy is to compete based on differentiation and that is where Americans have an advantage that can be further extended.

America today produces 30 percent of global GDP with a mere five percent of the world's population.

America today produces 30 percent of global GDP with a mere five percent of the world's population. It dominates in the production of everything from pharmaceuticals to movies. One often unnoticed reason for America's economic competitiveness is the high degree of trust in American society stemming from its egalitarian, tolerant and pluralistic culture.

How is trust an advantage? Simply put, people who trust one another are more collaborative and more cooperative, and these traits contribute to greater productivity and innovation. Collective action for the purpose of creating new companies, new business units, new product lines or new business processes is more likely to occur when trust is present among people. The trust advantage shouldn't be underestimated; in fact, it should be extended to help American labor compete in the global marketplace.

Compared to America, nations such as China and India are lower trust societies. In China's case, trust is impaired by the totalitarian communist system and, as political sociologist Francis Fukuyama has noted, the Confucian emphasis on trusting family over others. In India, the remnants of the caste system along with religious, ethnic and cultural fragmentation act as impediments to trust. In both countries trust also suffers due to a relatively high degree of gender discrimination. These habits of thinking and behaving may take several generations to change.

Even so, this hardly means American business leaders should rest on their laurels. In fact, polls on trust have ranked business leaders relatively low. Strengthening the trust advantage in the years ahead will require leaders who have the character strengths that promote trust: humility, integrity, open-mindedness, reliability, selflessness and fairness, to name a few. It will also require leaders to enhance processes that systemically leverage trust such as continuously training people, keeping them informed about business issues and seeking their ideas. These are the soft values of a business. In the age of rapid gains in computerization,

corporate leaders have focused on the hard values such as Six Sigma, reengineering and benchmarking. As we've learned, however, focusing on these hard values is not enough. Lacking the critical soft values is like running a machine without lubrication; eventually performance will suffer. Organizations with low trust self-sabotage their efforts, setting themselves up for a whole host of problems from illegal behavior by a few to widespread employee disengagement.

The Gallup Organization's research indicates that just one in four Americans is engaged in their work. Additional research by Gallup and others has established that business units with more engaged people experience higher shareholder returns, profits, productivity, customer satisfaction and lower employee turnover and accidents. Just imagine how productive and innovative American organizations would be if the ranks of engaged employees doubled or tripled! Improving employee engagement offers a sizeable opportunity for leaders. Trust among management and labor is necessary to achieve it.

An organization will have a high level of trust when everyone feels like they are on the same team. Executive malfeasance and exorbitant pay have made most people feel that management and shareholders are one team and everyone else is another. This has to change. Recently some corporate boards have moved in the right direction by removing CEOs who have broken trust and by reigning in executive compensation.

Now is the time for American businesses to embrace and promote leaders who people can trust. As we have seen nations, organizations and labor forces that are high trust will have a competitive advantage over those who are not. The future of America's labor will, at least in part, depend on it.

Michael Lee Stallard is the founder of E Pluribus Partners. Carolyn-Dewing Hommes and Jason Pankau are partners co-founders of the firm. Together they are contributors to the book *What Managers Say, What Employees Hear* published by Praeger in April 2007.