Transcription details:

Host: Bill Coppel, First Clearing Chief Client Growth Officer

Guest: Paul Zak, Professor of Economics, Founding Director of the Center of Neuroeconomics Studies, Claremont Graduate University

Transcription results:

Intro	Welcome to The Next Frontier where we examine what the role of the financial advisor will be in a world that's being disrupted by artificial intelligence and algorithms. Our mission is to spark new conversations that create stronger connections and build greater client confidence. Join us as we look at our industry and others through a new lens and explore the opportunities emerging at the intersection of high tech and high touch. It's time for a new conversation. Are you ready?
BILL COPPEL	Hi. This is Bill Coppel and welcome to The Next Frontier. If you've been in this business for any amount of time, you know that we talk a lot about how relationships are the most important part of what we do. Wherever you sit, I'm sure you've heard the phrase "we're in the relationship business". And we've learned that the quality of these relationships is a key indicator of our success as advisors. In fact, the value of your expertise in navigating the complexities of the market are not as valuable as your expertise in fostering authentic relationships. We hear a lot of the same stories or methods about building good relationships over and over again, but it doesn't seem to make us any better at it. So it got me thinking maybe we need to look at this from a different viewpoint. How much do our biology and behaviors play into how we connect, how we trust, and how we build relationships with one another? These are some of the things we'll explore with our guest today.
BILL COPPEL	Dr. Paul Zak is a scientist, prolific author, entrepreneur, and public speaker. He is the founding director of the Center of Neuroeconomics Studies and professor of economics, psychology, and management at Claremont Graduate University. Dr. Zak also serves as professor of neurology at Loma Linda University Medical Center. He has degrees in mathematics and economics from San Diego State University, a PhD in economics from the University of Pennsylvania, and post-doctoral training in neuroimaging from Harvard. He is credited with the first public use of the term of neuroeconomics and has been a vanguard in this new discipline. Paul, welcome to The Next Frontier.
PAUL ZAK	Thanks, Bill.
BILL COPPEL	Before we get started, I want to take a moment to kind of digest for our listeners this term neuroeconomics or the fact that you're a neuroeconomist. Share with us, Paul, exactly what that means.
PAUL ZAK	So Bill, I know that you have never made a bad decision in your life but--
BILL COPPEL	I hope I haven't [laughter]. Today may be the first [laughter].
PAUL ZAK	[laughter] about having me on [laughter].
BILL COPPEL	Correct.
PAUL ZAK	Your brother-in-law who's buying investment real estate in 2007, when you told them that market was in a huge bubble, what's that about? If we have such big brains, if we have evolved for some many eons to make the decision so we can survive and reproduce, how can we see people making systematic mistakes? And when we run experiments, behavioral experiments, we ask people, "Hey, why do you do what you do?" If the task is at all interesting, the most common response will be, "Uh, I don't know." So it's pretty hard to build a general theory on "Uh, I don't know". So myself and a bunch of other guys around 20 years ago started measuring brain activity while people make decisions in order to understand why they do what they do because they just couldn't tell us.
BILL COPPEL	So as an economist, this starts to help you understand and then ultimately explain to the rest of us why things are happening, if I'm following you.
PAUL ZAK	Yeah. People are weird. You've seen the humans. You're aware of this. And what does that weirdness mean? So I think the sort of underlying assumptions of economics is that you know your own preferences, and you can act on those in a consistent way. But we really the prediction from neuroscience is that your

brain is adapting millisecond by millisecond to your internal and external environment. And so the neuroscience prediction is that people will be inconsistent. And I think if we start from this very humble neuroscience approach, which is your brain is just trying to get you through the day, man; it's not going to spend a lot of metabolic energy figuring out whether detergent A or detergent B is better to use. It's easier just to pick one and move on. So the brain is a big cost-benefit calculator, but it's a cost-benefit calculator sitting in a soup of 200 neurochemicals that very subtly influence that cost-benefit calculation. So we start from that very humble perspective as opposed to, I think, an overly proud perspective that many economists have that you are so smart, and we can just derive mathematically exactly what you're going to do at all times. It's just counter to any observation of the human. So I think starting with that humble approach, starting with the very tolerant-- even accepting for that weirdness gets you into, I think, a much richer space in terms of predicting what people do, creating environments where people can flourish and really having a true scientific approach to understanding human behavior.

BILL COPPEL Thank you for that. That certainly makes it a lot easier to understand the approach you're taking here. And really that became the foundation for your book the Trust Factor, which is what I want to talk to you a little bit about today and particularly around this notion that what you have discovered, if you will, or the particular observation you started out making was this correlation between high-trust cultures and the fact that within those cultures - and specifically let's talk about in the context of a company - employees are happier; they're more engaged; they're more productive; they're physically and mentally better off, etc., etc. And what you did, from my interpretation of reading the book, was you set out to scientifically prove this. So share with our listeners, Paul, a little bit about the work you did to get there and ultimately what you discovered.

PAUL ZAK Yeah. So I think it's interesting for listeners to kind of get the notion of how 15 or 20 years of research is done. So the first work I've done in the late '90s showed that interpersonal trust was among the strongest predictors economists have ever found to identify why some countries are rich and why some countries are poor. So rich countries are by and large high-trust countries. This is the Denmarks, the Norways. The US is kind of in the middle. And these countries that struggle with growth like Brazil or Columbia, they tend to have very low trust. And so we identify the factors in those countries that generate high or low trust between individuals. Those are formal government factors, legal factor but also social factors, the way people organize themselves. And I got this question inevitably. This had a lot of impact. The World Bank flies me out. We want to help raise trust in these poor countries and improve people's living standards. Awesome. And people would ask me all the time, "Gosh, for a given country, why do these strangers ever trust each other?" So well, I can tell you why trust is higher in Norway and lower in Columbia. And then at some point, you say that four or five times, and you're a "trust expert". And you got to go home and take a shower and go, "Man, I suck. I clearly don't know what I'm doing." Because that's the most fundamental question, right? So how can we live in big cities like New York or LA and walk down the street and not either be scared out of our minds or be murdered or-- like how do we assess that you Bill are totally safe and your assistant Stephanie who I spoke to earlier, she's sketchy. She just freaks me out. I don't want to be around her. I don't want know why. Right? So there's got to be something in our heads that tell us that. She's fine. I'm just kidding.

PAUL ZAK Right. So I'm a tool guy. So I really want to create tools to understand the mechanism so that I can predict out of sample. If I know mechanism, then that mechanism likely holds everywhere. As you said, I have a background, besides economics, in biology and neuroscience. And so as I looked into this, I thought, "Man, there's something in our heads that's got to do this." And I'm a lazy, lazy person, Bill. And so I've sort of discovered in animals a possible mechanism, and I called up all these animal researchers and said, "Hey, I got this idea on trusting humans, and I can modify kind of what you've got in animals." And they basically said, "Gosh, humans, they don't have fur. They don't have tails. We're not really sure how we should study them." So sort of in desperation around year 2000, I started just designing protocols to measure this neurochemical oxytocin that had really not been studied outside of reproduction of humans but in animals was known to signal safety or familiarity. So I thought, "Gosh, if I could somehow measure oxytocin in humans, maybe that's a key signal that says is Bill safe and Stephanie not." So in animals, you have to drill a hole in the skull and sample spinal fluid. And I'm not really too keyed in with the humans, but I'm guessing

they're not going to dig that. I just kind of feel like that's not going to work out. So basically developed the tool, a tool to measure the human brain's acute production of oxytocin. And once we had this tool without drilling into the skull, we could begin to ask a bunch of question.

PAUL ZAK This is a very long answer, but I think it's relevant, which is neuroscience is expensive, and as much as we write grants, and we get support sometimes from all kind of agencies, the federal government, after we did this work on oxytocin and trust and again got very famous, and TV and newspapers were covering this stuff, hey, we actually have this key signal that tells us why we can live in New York City. We have this thing in our head that balances that fear of being around strangers with a desire to interact with that person. So oxytocin motivates social interaction, and it does a couple of other interesting things that are going to take us right to why companies with high trust are more productive. It does two things that are interesting. One, oxytocin increases our sense of empathy. So if I think of teamwork, if somehow you got my brain to release oxytocin, I would be more keyed in with not only what you're doing, but why you care about it. That's that empathy, that emotional part. So that makes me a much more effective team member if somehow my brain is producing oxytocin while I'm at work. The second thing it does that we showed in many experiments is that it actually makes me care about your outcomes or group outcomes equal to or sometimes more than my own outcomes. So it sort of dissolves the self-other divide. So that also sounds like an effective way to generate cooperative teamwork at work or on sports field or among soldiers or just go through the list.

PAUL ZAK So anyway. So we do all this work. This is, I'd say, from 2000 to 2010, 2012. As you know, the TED talk is kind of famous. And then I was struggling-- or the lab was always struggling for money. And so at some point, companies started knocking on my lab door saying, "Hey, we have a suitcase of money to give to you, and we want you to tell us how we can increase trust in our company." And I had this wonderful tool which involved rapid blood draws and processing their blood in very special ways. And I said, "Yeah. I can take blood from your employees, and I can make sure their oxytocin--" and these executive faces would turn white. It's like, "No. No. No. No. You can't do that." There's got to be some kind of general rule, some way to do this. And same thing, I went home, took a shower. I obviously suck at my job because I can't rattle off what's the foundation for trust within companies. And so I said to these companies, "Okay. Don't give me money. Let me come hang out. Let me come embed myself in your organizations." And then some of those organizations did let us take blood from their employees and measure productivity. We measured brain activity in a whole bunch of different ways. This is a long way of saying that we ran a whole bunch of experiments in a laboratory and in companies, for-profit and non-profit organizations and, as you know, as far away as Papua New Guinea and indigenous people to identify these underlying factors that are the foundation for trust within organizations. And organizations are little New Yorks, right? They're a community of people who voluntarily choose to come together to work for group goals. They may also have individual goals, but ultimately they have to put in energy and effort into moving the organization's goals forward or else you're not going to have a job. So that's the sort of origin story of doing that work.

BILL COPPEL And you did this all over the world. It wasn't done specifically in your lab--

PAUL ZAK Absolutely.

BILL COPPEL --as you mentioned, across the globe. So you discovered this correlation, the presence of oxytocin in these trusting relationship. In fact, I think it's been referred to now as the moral molecule, if you will. So we've talked about this in the context of cultures, and we've talked about this in the context of companies. What's the answer to that question? Does it affect how we interact with each other individually?

PAUL ZAK It does. And in fact, our first experiments were just about that. We basically scripted interactions with individuals, and these interactions were not face to face because it's-- we get a lot of good behavior in the world-- for people who are psychologically healthy and well-fed. And so we had these scripted interactions in which you could share money with a stranger and that stranger-- the money would grow in size, and that stranger could either share some back with the first person. So it turns out if you do this face to face, everyone is super nice to each other. So we actually needed some bad behavior, which is hard to get. So once we did that kind of scripted by a computer, then we did a lot of work-- I should say funded by the US taxpayers. So we thank taxpayers. We did work with US military and US Intelligence Community. And once

we looked at face to face, we looked at how well you know that person, different ethnic groups, different genders and through this developed, let's say, a portfolio of findings that led us to oxytocin balancing out this appropriate fear we have about around being around strangers, and we've done this in lots of different ways.

PAUL ZAK So I think what's interesting - back to this cost-benefit calculator, the brain, and maybe this is useful for listeners - your brain is super lazy in the sense that it takes about 20% of your calories to run your brain. So there's a lot of overhead for the brain. And because of that, the brain establishes default pathways that are very efficient to run, and those manifest behaviorally as habits. So for listeners, if you go home tonight, and you listen to this, and your dear or a spouse or a roommate complains to you about something that you do that he or she is bothered by, the response would be, "Oh, dear spouse, dear roommate who I value so much, my lazy, lazy brain has had me do this for the past 10, 20, 30, 40 years. I would love to change, but you're going to have to remind me every day for at least 90 days before I can establish new pathways in my brain." Those pathways get set up pretty quickly. And so because of that, what we discovered in the world of trust was that at the level of companies, we're in the behavior change business. So just like with our kids and our spouses, we often try to influence their behavior at work. From a leadership perspective, building a high trust, high performance culture is essentially about modifying the way people interact with each other at work.

BILL COPPEL So when you mentioned these 90 days, what jumped to mind was my kids and the fact that I have to remind them because of their pathways being somewhat concreted in bad behavior or not necessarily willing to clear the dishes off the table, and it feels like I'm doing it much more than 90 days. Is there a difference in our ability to change as a result of our age?

PAUL ZAK It's easier when you're young. So that's a good thing. Again, they may be more stubborn like my kids were. So I would say fill in your favorite sweet mother ethnic group. So if your dear Jewish mother, Italian mother, whatever who's just going to nag you in a very nice way, "Hey, Bill, remember we're doing this new thing. Hey, Susan, remember we're doing this new thing every day." So we started applying the trust work to organizations. We found that measuring these eight foundational factors that we identified as a basis for trust in organizations was not enough. That to really be useful, we had to basically create interventions for those factors. So I worked with an online training company called Envisia Learning, and we actually created interventions where we now kind of remind people, "Hey, we're getting better at one of these behaviors at work, and we're just going to remind you for 90 days, very nicely bug you and give you activities to change that behavior. So here's a little reminder. Do this one thing right now." So I think that's what's going to work with your kids. That's what works with those around us is, "Remember we agreed we're going to do this new thing? Try doing this right now." Don't wait, right? If it's top of mind, do it now. And then just begin to reestablish those habits. So we had talked offline, Bill, about training; so you're a very experienced athlete. And you have to over train yourself to overcome obstacles. That's what we do in school. That's what we often do at work. That's what we do in sports. We have to be over trained, right? You can't just figure out how to run a seven-minute mile. You have to be able to run, six or even five and a half sometimes so that you can consistently run the seven or whatever that is will get better. So this is just brain training.

BILL COPPEL So Paul, let me stop for a minute here and kind of go back to the science because I want to make sure our listeners and myself understand this. What you've been able to identify in your research is that certain activities or behaviors that you witnessed or observed, then you drew blood and measured oxytocin, you saw a high increase, or you saw increases in oxytocin associated with the behavior. So my question is - it's a little bit like a chicken and an egg - is it the oxytocin that drives the behavior, or is it the behavior itself that creates the oxytocin, which obviously is a good hormone; it makes us feel better?

PAUL ZAK That's the key question. And so we've spent a lot of time digging into that. And oxytocin is a reactive chemical. So I need some positive social stimulus from my brain to make oxytocin, and then I begin this kind of positive response. So one of the things oxytocin does in the brain is reduce physiologic stress. So it manifests as kind of I'm calmer, and I feel more comfortable around you. So in rodents - the first time this was done in rodents - that's done via smell. For humans, that's often done with eyesight, sometimes with touch, shaking hands, hugging. And so if you want to build a trusting relationship, someone has to start that. Someone's got to reach out, and that reaching out is not driven by oxytocin. So if I reach out and say,

"Hey, Bill. It's so great to see you," and give you hug, so we know that the touch releases oxytocin. That makes your brain release oxytocin. And almost everybody, 98% of the people that we tested, have reciprocal response. And you go, "Hey, Paul. Great to see you too." And now my brain releases oxytocin. So the 2% who don't either are having a really bad day - high levels of stress inhibit oxytocin release - or they're psychopaths.

PAUL ZAK So we've actually studied criminal psychopaths, and they classically lack empathy, which oxytocin increases, and they tend not to release oxytocin on stimulus. So we know this in particular because we can use videos to make your brain release oxytocin. So I can simulate consistency across individuals, a positive interaction by just using a video, and actually that works really well. So for example, you and I Bill because we're macho guys, we've never cried at movies, but we've heard that occasionally people in theaters do cry in movies. So what's that about, right? So at the end of the movie, the boy gets the girl, and you start crying. That's transportation into that experience, which humans are really good at doing with our big prefrontal cortices. But at the same time, I'm simulating the emotions of the actors I see on screen in this screenplay. So that's quite interesting, and that's partially driven by a response of oxytocin.

BILL COPPEL I got to admit that I'm starting to cry at commercials now [laughter], all because of that. All right. So that's really good for our listeners to understand, which is that connection. It's reciprocal. And we're going to get more into that because that's really at the heart of what at least I wanted you to share with our listeners today around this notion of understanding this neuroscience, if you will, as it relates to relationships, particularly between an advisor, say, and their client and the family of the client. But before we go to the eight-- what you refer to in the book as these activities that you have identified as being associated with creating that high-performance relationship or culture, at the time of this recording so our listeners know, we're deep into the coronavirus pandemic that has hit the globe. So my question is around the work that you've done and what you've discovered around trust and the relationship of trust and oxytocin. With all the rules that are in place, things like handshakes are a thing of the past, six feet, two meters between us to avoid transmission. It's affecting how we interact with each other and how we manage our lives, and it's quite profound. How do you see this playing out relative to your research as it relates to trust?

PAUL ZAK Yeah. So my opinions are irrelevant. I'll tell you about the science. So the value of being old and having done this for a long time is that we've actually tested a lot of these things. So short, 30-second digression on the neuroscience. So oxytocin is a graded response, Bill. When you see your wife, when you see your kids, you get a much bigger response in general than if you meet a stranger like me. So think about oxytocin as indexing the strength of the connection with that person or the familiarity or safety of that person. So we've done experiments in which we measure oxytocin release for in-person interactions-- through the computer interactions for people who are tweeting, people using social media and essentially holding the strength of connection constant, so let's say just looking at strangers. What we find is that the larger the sort of bandwidth, if you will, of that interaction, the greater the oxytocin release. So if I see you in person, and I have the same thing, "Hey, Bill, great to see you," that's going to create more oxytocin in you than if I do that via video conference, which is going to be more effective than if I do that via email. So I think the punchline in the coronavirus time that we live in is video conferencing works really well. Your brain releases oxytocin. You can build those relationships. It's better than phone, and it's better than email. For people who telecommute post-pandemic times, I think it's very important to be in the office at least one day a month. You still need that high-bandwidth interaction, but as we see more people telecommuting, more people working in the gig economy, it's actually less necessary. As long as you have a way to connect to those that you're working with, you'll still build those trusting relationships.

BILL COPPEL So you don't see this as having a long-term impact on how we will continue to build trusting relationships?

PAUL ZAK I think it will accelerate this sort of geographic distribution of employees. So I have a startup software company, and we're all virtual. We don't have a physical space. Now, we're still a startup but yeah. We meet when we need to. We use a co-working space. Everything's working fine. So I think that's kind of the modern approach. And as I talk in the book, a lot of companies now have really encouraged telecommuting, so the data are interesting on that. Recent data from the US show that people work on average an extra hour per day when they're at home or co-working. Why? No commute, number one, which is exhausting. And also I think less chitchat. Now, that chitchat is a way to build social ties and trust, but you can overdo it,

right? So I think there's kind of a happy medium there, and that might be being in the office a couple of days a week and being out of the office a couple of days a week.

BILL COPPEL Great. Thank you. I want to get back to the eight factors for a moment. And building a trusting relationship sounds somewhat easy, or we want it to be easy for sure. And most of us, we like to know that there's a process to do that, right? We're always looking for formulas, and I guess it starts and dates back all the way to the way we educate people in this country, right? Everything is linear. Give me an easy way for me to be successful. But through your research, you've made some keen observations about particular activities or particular approaches that you've been able to measure and prove are very effective, and while a lot of that work was kind of focused at a company level as an example or a cultural level, can you kind of drill that back down and relate these eight factors to building relationships individually one on one?

PAUL ZAK A great question, Bill. And you said something really worth emphasizing, which is that trust is not a feeling. It's a set of behaviors. And once we understand that, then those behaviors can be practiced. They can be enhanced. We can get better at them. So the sort of 30,000 foot view is that if I want to have a strong relationship with a client, with a direct report, gosh, with a spouse, really we need two things. We need to establish trust. So I need to know that you're going to be reliable. And I have to know where we're going, right? So we'll get to clients in a second but think of leading a team. If those team members do not believe the rest of the folks in the room will all work in the same direction, that system is going to break down. If we don't know where we're going, which I call purpose-- why we're doing what we're doing. What the heck are we doing this for? Trust and purpose reinforce each other, so. Okay. So then moving to clients, so we found these eight factors in this research and created a survey so that we don't have to take blood from people that captures these behaviors that reflect these eight factors. And as you know, Bill, somehow magically those eight factors have the acronym OXYTOCIN [laughter]. I was just so lucky that that happened.

BILL COPPEL It's amazing how you do that.

PAUL ZAK Yes. So I'll just go through a couple of them. I don't want to go through all eight, but I want to focus on the ones in particular that are very valuable to that kind of one-on-one particularly client relationships. So the first one is called ovation. So that's my word for recognizing high performers. And so again listeners should go, "Gosh, recognition." That's like - I don't know - week one of business school, and that ain't new. Except this is where the neuroscience comes in. So we know from copious neuroscience research that recognition that is unexpected, that's close in time to when a goal is met or exceeded, that's tangible, that's public, that comes from peers, all that has a bigger imprint on the brain and behaviors, especially setting up a feedback loop where we are publicly recognizing the highest performers.

PAUL ZAK So now applying that to a client relationship, it's really recognizing people, particularly in your world, investments, who are doing the right things, right, giving them badges, leveling up, "Hey, you increased your savings by $1,000 a month, and we're super proud about that, and we want to help you reach your retirement goals or your college savings goals." And so I worked with a very large bank in New York whose name starts with a C on doing this, on sort of gamifying this savings procedure and just praising people. So it's a feedback loop. And we all think, "We're adults. We just should do the right thing. We shouldn't have to be recognized." But again that recognition is setting up this feedback loop. And so figure the opposite; like we talked about children earlier. So social rejection, fear, screaming, that's process that's pain in the brain. So again this lazy brain that we have reuses systems that evolved for one purpose for other purposes. So social pain is felt like physical pain. And so if I instead yell at you because you haven't worked out, or you haven't saved enough, people want to avoid pain. That's a very poor motivator. So okay. Let's go through one more of the eight, and then we can go anywhere.

BILL COPPEL Let me--

PAUL ZAK Go ahead.

BILL COPPEL Let me ask a quick question on ovation because what I thought I heard, particularly in the case of a one-on-one relationship, is-- and I love your point about the fact-- as adults, well, it seems obvious that we should be applauding each other's successes. It's remarkable how powerful is when you receive it; when you're recognized. And so in that relationship with another individual, celebrating their success, right, is what I'm

hearing here, sort of validating for them that what they've done is really, really important. Am I getting that right?

PAUL ZAK Exactly right. Life's hard. So let's make sure we recognize and reinforce these important behaviors.

BILL COPPEL And I'll bet that's reciprocal in the sense that if I recognize Stephanie for something she's done, and obviously it's authentic, and I truly mean it because that's another aspect of this that we've got to be careful about, I feel good.

PAUL ZAK That's that reciprocity, and oxytocin causes the brain to release a couple of other neurochemicals that make you feel good and de-stress you. And all that's part of appropriate social behaviors which is core to our brains as human beings; that we're inherently social creatures. And so we have feedback loops in our brain that say, "Hey, be a good social creature because that keeps you embedded in community." And Bill, you said something really important, which is it's got to be genuine, right? So if I'm just kind of randomly BS-ing people, as social creatures, we're also really good at picking up people who are lying to us or at least shading the truth. And so just being honest. And I think from the client perspective, I really like it when I ask a professional question, and he or she says, "That's a great question, and I don't know the answer, but I can find out." Oh, isn't that great? Isn't that refreshing, right? As opposed to BS-ing something. So we see the same thing with leading teams. Team leaders who are authentic or even vulnerable, who clarify what they don't know actually are much more effective. People are willing to follow them.

PAUL ZAK So I was interviewing CPAs recently for my business, and so many people just gave me this dog and pony. And I met this young guy CPA, and I asked him about foreign revenue - so we get foreign revenue in our company - if he knew how to handle that. And he goes, "You know what? I've never done that, but we got a bunch of guys in our firm that just handle foreign stuff. So if you get foreign revenue, I'll check with them, and we'll get it figured out." I'm like, "Cool. Great answer." Honest. You don't have to know everything. You don't have to be a God. So again from a leadership perspective, from an advising perspective, just be yourself. It's fine. And in the long run, everyone is going to figure out anyway. So just embrace what you don't know. It's fine.

BILL COPPEL And that makes sense. But before we jump to the next one, one other question I wanted to kind of drill down a little bit. So these behavior factors that you've identified - we just talked about the first one, ovation - in the work that you did, were you able to determine whether some of these behaviors are instinctual or we inherit them; they come automatically? Or are some of these behaviors, ones that are not like that, that we actually have to develop; we have to build a new muscle, if you will, for that?

PAUL ZAK Yeah. That's a great question for which I don't have a great answer. I think what we find within organizations is that often the way people interact with each other, employees, is driven by the founders or the current senior leadership. That is they set patterns. So as social creatures, we still like leaders. We still need leaders. What we see in high-trust organizations is tends to be a much more horizontal but not flat leadership structure in these organizations. And so that can be good or bad. If we don't think about as leaders, as founders of companies what we're doing is affecting other people, which affects as you grow this overlying culture. So again I feel like culture, particularly trust as a key aspect of that culture that affects economic performance, it's something that should be measured and managed continuously just like you measure and manage any other business process. And so I've tried to do in the book and related tools is get people a way to measure what seems to be squishy or hard. And as you said, I did the science behind that so that it generalizes to all organizations.

PAUL ZAK So we've done some work. This is after the book, but for reasons that are probably not relevant to our conversation, I got involved with working on cultures in police departments. So police departments are very unusual places in that they often run from crisis to crisis. Police chiefs have very different training across different departments. Some have leadership and management training. Some have very little. And so it's been great to be able to come in and work with these departments and give them tools to assess how the structure, the chief influences that. So just change in the chief-- or we've done work in K-12 education. You change the principal, that whole culture changes. Trust changes. The way people interact with each other changes. And so yeah. None of this is set in stone. I think humans are quite adaptable and will adapt to the

environment if that environment changes. And those who don't-- if you're not on the bus, you got to get off the bus.

BILL COPPEL So it sounds like that a lot of these behaviors are really a function of how much effort one puts into developing those behaviors. Some of them may come in instinctively, but it seems to me that, particularly as it relates to leadership-- and I think about leadership in advisor-client relationship as effectively the advisor can take a leadership role defined as setting the tone for how that relationship can evolve. So I think it's very interesting to recognize, in fact, that we can, despite the fact that it seems like common sense, continue invest, exercise that muscle, build that muscle becomes critically important. Let's jump to another one of the factors that you'd like to share with our listeners.

PAUL ZAK Sure. And one that I think is quite relevant again for folks in the industry, which is a factor I call openness. So we and other labs have shown that one of the factors that I mentioned earlier that inhibits oxytocin in the stress response is high levels of stress. So one thing that stresses people out is not knowing enough information. So your coronavirus is a great example of that since we talked about it earlier. Part of the, I think, worry people have is just the uncertainty: how it will spread; how vulnerable am I; will it come to my town? So really I think being clear, being open builds that relationship. So I think I talked about before is authenticity is part of that but also sharing as much information as possible. So again there's always some privacy issues you've got to take into account but doing that in a way that's understandable. So getting rid of jargon, for example, explaining why. So it's not just the what. It's the why. And that why reduces the uncertainty or fear. It's like when you go to your doctor, medical doctor, right? And he or she will use some really big words, and then often we're kind of intimidated. And it goes, "Gosh, I don't really know what an esophageal sphincter is," or something [laughter]. That's a real thing but anyway. But I'm kind of embarrassed to ask.

PAUL ZAK And so I think in any client relationship, get rid of jargon. Use simple words. Give people a chance to ask questions, right? So, "Here's what we're doing. Here's why I think it's going to be a good fit for you. Does that make sense to you?" As opposed to, "Here's what we're doing. Okay. Let's sign the papers." Right? So you can intuitively kind of know that, but when you think about the underlying neurologic factor that if I'm talking to a client, he or she is worried that I'm selling something that maybe the client doesn't need or have some other agenda, or I'm getting paid by somebody else. And so being super clear about that, "Look, I work for you. Our company only gets paid if your investments go up; we take this cut." Whatever that is, being super clear about that. "And if you don't think this is the best thing for you, let's talk about that. We'll see if we can find something that is. And if we don't have something, then I can recommend another company that might do better." Wow. I would love to do that. So that would be a great relationship. So again I think all this is about building long-term relationships that are effective. So as you mentioned on the top of the show, we see within organizations that in high-trust organizations, people perform better. They're more productive. They have higher job satisfaction. Turnover is lower. Their health outcomes are better. They get sick less often. And so all these factors tell us that trust is where human beings kind of want to be. Whether you're an employee or whether you're a client, we want to have a relationship where I can count on that other person because it reduces the stress I have that something is going to kind of go sideways.

BILL COPPEL And what's really interesting to me about the work that you've done and what is described in your book the Trust Factor is that there are ways in which you can pursue building a trusting relationship that if you work on them consistently and authentically can actually achieve a level of trust that is much greater than what we would typically expect in relationship. I mean, it's that idea that trust is not a static thing. It grows over time. And as quick or as hard it is to build, you can lose it in a matter of seconds by failing to live up to whatever it is you've committed to. So let me ask this final question, Paul. And as you think about this in the context of the work that you've done and the research you've done, which, by the way, is extraordinarily interesting, what's the one thing you would share with our listeners, primarily individuals who are responsible for serving the needs of families, largely in helping them navigate the complexities of their financial life as well as how those complexities affect their overall life? What's the one thought you want to leave with our listeners today that will help them become much more effective at what they're trying to accomplish?

PAUL ZAK I think that the keyword there is service. If you really put the customer needs first, if you're in service to that person, then they're going to build that oxytocin response. They're going to build trust with you, and it's really being important. So what I try to do is end every conversation with the word service. So I'll do this with you, Bill. So Bill, thank you for having me on this show. It's been a pleasure getting to know you. And I want to continue to be of service to you. So please reach out to me anytime. You know how to reach me. It would be my pleasure to help you in any way possible. And I mean that genuinely. If a client representative says that to me, that's fabulous. Isn't that what we all want? And to say that looking the person in the eye. So we're back to medical doctors, right? Oh, gosh. I've spent so much time talking to doctors-- because they're so rushed and so stressed. Look me in the eye. Introduce yourself, right? Tell me a little about yourself, "Hey, I've worked here for the past seven years. I have a CFA. I did my undergraduate at Dartmouth." Hey, cool. That's great. "I got two kids and a dog." Awesome. Right? So really build that relationship but ultimately be of service to that person. If you are, you're always going to be valuable.

BILL COPPEL I appreciate that, Paul. Thank you very much. What's interesting about what you said is that when you think about the medical field and the financial services field, clearly very different but highly regulated businesses, if you will, right, highly regulated industries. And when you're in a highly regulated industry, what I've observed is that we are quick to recite all the disclosures and disclaimers right up front, and we've been driven into the sort of protect mode. I remember recently my son had to have shoulder surgery, and the doctor who was going to perform the surgery immediately starts out with all of the disclosures. And I had to stop him. And I said, "You're a physician. I see you have multiple diplomas on the wall. You've been doing this for 20 years. I know that, obviously, you can't guarantee anything. I got that. Tell me what you really think. Look me in the eye and tell me what you really think."

BILL COPPEL So I share that story with you and our listeners because ultimately it's extraordinarily important, and I agree exactly with what you're saying, Paul, is that when you look someone in the eye, and you begin to take the position of what can I do to serve you, it changes the tenor of the relationship right out of the gate. So thank you for sharing that. One last thing for our listeners here is that I have a great job. The opportunity to be able to host this podcast has probably been one of the greatest experiences I've ever had because I get to meet people like Paul every day who have been profoundly important in helping me change my view with the world and modify my view with the world, I should say. And so I thank you for joining us today in sharing your experiences, your research, and you're thinking with our audience. I look forward to having another conversation with you in the near future.

PAUL ZAK Thank you so much, Bill. You made my day.

BILL COPPEL For our listeners who are interested in learning more about Paul and his work, you can find links to his information in this episode's show description. We hope you enjoyed our conversation today. Please take a moment to subscribe to our podcast, and if you like what you heard, please tell others about it. It helps people find us and ensures you never miss an episode. It's also a way to challenge you to think differently about your business and the role you play, and together we can change the conversation. Thanks for listening and until next time, be well.